



**JURNAL RAK (RISET AKUNTANSI KEUANGAN)**

URL: <https://journal.untidar.ac.id/index.php/rak>



## Determinan Nilai Perusahaan Property dan Real Estate Di Indonesia

*THE DETERMINANTS OF FIRM VALUE OF PROPERTY AND REAL ESTATE COMPANIES IN INDONESIA*

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### ARTICLE INFORMATION

Article history:

Received date: December, 2023

Accepted: January, 2024

Available online: May, 2024

### ABSTRAK

Penelitian ini bertujuan untuk menguji dan menganalisis pengaruh profitabilitas, likuiditas, leverage, dan harga saham terhadap nilai perusahaan *property* dan *real estate* di Indonesia. Populasi dalam penelitian ini adalah 92 perusahaan *property* dan *real estate* yang terdaftar di Bursa Efek Indonesia tahun 2019-2022. Teknik pemilihan sampel pada penelitian ini menggunakan teknik *purposive sampling*. Sampel yang digunakan pada penelitian ini sebanyak 19 perusahaan selama 4 tahun berturut-turut. Teknik analisis data yang digunakan pada penelitian ini menggunakan analisis regresi linier berganda. Berdasarkan hasil uji yang telah dilakukan terhadap variabel-variabel yang mempengaruhi nilai perusahaan, maka dapat disimpulkan bahwa likuiditas, leverage, dan harga saham berpengaruh positif terhadap nilai perusahaan. Sementara itu, profitabilitas tidak berpengaruh terhadap nilai perusahaan.

**Kata kunci:** Nilai Perusahaan; Profitabilitas; Likuiditas; Leverage; Harga Saham

### ABSTRACT

*This study aims to examine and analyze the influence of profitability, liquidity, leverage, and stock prices on the firm value of property and real estate companies in Indonesia. The population in this study consists of 92 property and real estate companies listed on the Indonesia Stock Exchange from 2019 to 2022. The sample selection technique in this study uses purposive sampling. The sample used in this research consists of 19 companies over four consecutive years. The data analysis technique used in this study employs multiple linear regression analysis. Based on the test results conducted on the variables influencing the value of the companies, it can be concluded that liquidity, leverage, and stock prices have a positive effect on firm value. Meanwhile, profitability does not affect the value of the companies.*

**Keywords:** Firm Value; Profitability; Liquidity; Leverage; Stock Price

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P-ISSN: 2541-1209

E-ISSN: 2580-0213

## INTRODUCTION

Every company must maximize its firm value in the increasingly competitive business world. This can be achieved in various ways, such as improving the quality of products or services, expanding the market, and optimizing the firm's value. All companies strive to enhance the quality of their operations to compete in the market, attract consumers, and appeal to investors. Various strategies are employed to become the best, and maintaining the company's advantage involves taking carefully chosen strategic steps. The ability to enhance firm value must be a priority for every company, since it gives signals to the investors, attracts investors, and promises significant future profits (Wulandari et al., 2018).

According to Brigham & Houston (2011), signals or indicators are actions performed by a business to provide guidance and advise investors about the management's evaluation of the company's prospects. These signals encompass information designed for investors and corporate entities, delivering specifics, comments, or explanations about the company's historical, current, and anticipated conditions for sustainability and impacts. In signal theory, the rationale behind companies providing information in the form of financial reports to external entities (investors and creditors) is elucidated.

Firm value pertains to the market or growth worth attained by a company through the assessment, evaluation, measurement, and portrayal of its performance, serving as an indication of the community's confidence in the company. Owners of companies aspire to achieve a heightened firm value because it directly correlates with the increased wealth of shareholders. The fluctuations in a company's

stock price are frequently indicative of its valuation, when stock values are elevated, the company is perceived as being in favorable condition, generating optimistic expectations for its owners. A company's value increases in direct proportion to its stock price. An elevated corporate value signifies the company's effective enhancement of its performance capabilities (Rodoni & Ali, 2014).

The COVID-19 pandemic has paralyzed various economic sectors, impacting financial markets. A decline in business value is an inevitable consequence of falling stock prices. The Indonesia Stock Exchange (IDX) saw a decrease in stock prices in 2020. The downward trend of 2020 resulted from the COVID-19 pandemic in Indonesia, affecting all sectors of the IDX. Additionally, the influence of the U.S.-China trade war led to a decrease in the Dow Jones Futures Index (China), following the International Monetary Fund's (IMF) forecast of a global economic recession for 2020. These phenomena weakened the IDX, directly affecting stock price fluctuations and causing a decline in corporate value in the financial market (Wijayaningsih & Yulianto, 2021).

The property and real estate sector play a crucial role in contributing to a country's economy, engaging in land and building construction, along with supporting facilities and infrastructure. With the expansion of businesses in the real estate and property industries, price-to-book value (PBV) data showed an average value of 154.71% for the year 2019. However, there was a decline to an average value of 105.44% in 2020, followed by a further decrease to a mean of 100.98% in the year 2021. Subsequently, in 2022, the corporate value in the property and real estate sector experienced a further reduction to an average value of 99.26%.

The impact on the property and real estate industry's future growth is another effect of the global economic slump. A case in point is the global recession affecting the U.S., where reduced consumer spending has slowed the housing market and made equity in the property sector uncertain (Fleury, 2022). New home sales in the U.S. in July 2022 hit their lowest point in several years. In Australia, the decline in home sales has increased the risk of recession, while in London, stable or decreasing house prices are observed in almost all areas. In China, the property market downturn is testing whether its central bank can maintain a minimally stimulating policy (Hutauruk & Laoli, 2022).

The worldwide recession phenomena will probably affect Indonesian real estate and property companies' declining corporate values, given the situation of some of the world's economies. Nevertheless, doing business within the real estate and property industry is fundamentally a low-risk activity because property prices generally do not decrease from year to year but continue to rise. The low-risk condition regarding price decreases encourages investors to invest either through direct property purchases or through stocks of real estate and property firms that have listings on the IDX (Vianti et al., 2023).

The evaluation of company value is subject to the impact of several factors. This analysis considers the company's external and internal influencing variables. The management of the corporation has direct control over internal factors, which include things like profitability, liquidity, and leverage. External factors, on the other hand, extend beyond the company's immediate control and impact its operations, performance, and decision-making. In this study,

an external factor considered is the fluctuation in stock prices.

One measure used to assess a business's ability to turn a profit is profitability (Rivandi & Petra, 2022). The profits of a company emanate from its sales and investment choices. A company's performance is deemed better when there is an improvement in its profitability, indicating promising future potential for the business. This implies that investors view the company as having a higher value. Research conducted by Kurnia (2019), Wijayaningsih & Yulianto (2021), and Sabaruddin et al., (2023) show that profitability influences firm value. The larger the profit generated by the company, the stronger the positive signal it will send to investors, resulting in a relatively significant increase in the company's value. However, studies by Sondakh (2019) and Panjaitan & Supriyati (2023) indicate that profitability doesn't affect on firm value. The lack of influence of ROA on the company's value may be attributed to management performance lacking the ability to effectively utilize the assets owned, leading to a diminished net profit. Additionally, this could also occur because the company's profit may not accurately reflect its size.

Liquidity is the capacity of an organization to swiftly meet its short-term obligations (Fahmi, 2015). The bigger the liquidity ratio, the more capable the business is of fulfilling its financial obligations. Enterprises boasting elevated levels of liquidity are generally perceived as having promising investment prospects. Research carried out by Setiawan & Rahmawati (2020) demonstrates the reality of the impact of liquidity on a company's worth. Liquidity is a ratio that can be used to measure the company's ability to settle its short-term obligations that are due for payment. However, the findings differ

from the research conducted by Yulianti & Dewi Syarif (2021) and Sabaruddin et al. (2023) indicate that liquidity does not influence on firm value. This is because investors do not consider how the company settles its debts. Moreover, not all companies with low liquidity are necessarily bad.

A ratio called leverage is used to assess a company's ability to pay its debts (Rivandi & Petra, 2022). In general, leverage is used to assess a company's ability to meet all of its financial obligations, both immediate and future. Companies need to strike a balance between the level of debt and available sources to settle their financial liabilities. Previous research conducted by Sabaruddin et al. (2023), and Panjaitan & Supriyati (2023) shows that leverage influences firm value. Companies can leverage debt as long as it is beneficial. Debt also reduces the excess cash flow in the company, thus minimizing the likelihood of wasteful spending by management. However, research by Al-Slehat (2019) and Setiawan & Rahmawati (2020) indicates that leverage doesn't impact firm value. For banks (creditors), the larger this ratio, the more unfavorable it is because it also increases the risk borne in the event of potential failures.

Stock price is the value assigned to a stock at a particular time in the stock market, decided by market players and impacted by the capital market's dynamics of supply and demand (Jogiyanto, 2008). Stock prices are shaped through the interplay of forces of supply and demand in the capital market. When a stock faces heightened demand, its price typically increases. Conversely, in the presence of an oversupply, the stock price tends to decline. Research conducted by Yuliana (2020) and Setiabudhi (2022) shows that stock prices

influence firm value. The high stock price has a maximum impact on the company's value, thus providing prosperity for shareholders. When the stock price is high, the prosperity of its shareholders increases accordingly. However, research by Sunardi & Permana (2019) and Sitompul & Muslih (2020) states that stock prices do not affect firm value. This is argued to occur because stock prices are not always stable. In addition to considering stock prices, investors also assess a company by examining its performance and the profits it generates.

This study aims to examine the influence of profitability, liquidity, leverage, and stock prices on the firm value of property and real estate companies in Indonesia. Based on previous research, it has been shown that there are many factors influencing the firm's value. However, there are several differing research outcomes. This study involves variations in the research variables, which are drawn from both internal and external factors of the company. The internal factors considered in this study are profitability, liquidity, and leverage, while the external factor is the stock price. This study utilizes different samples and a more recent time frame. Given the disparities with previous research, the empirical findings in this study are also expected to differ.

Profitability is the capacity of an enterprise to generate net income relative to its sales, total assets, and equity (Kalbuana et al., 2021). Every company aspires to achieve a heightened level of profitability. Findings from research conducted by Hasian et al. (2021) suggest that profitability exerts influence on firm value. This suggests that the more profitable a firm can turn a profit, the more appealing it is to investors looking to put money into it. These study findings support the claim made by Markonah et al. (2020) that a company's value is significantly influenced by its

profitability. It is expected that increased profitability will boost investor confidence. Therefore, this study expects that profitability has a positive effect on firm value.

Liquidity is the capacity of an organization to use all of its current assets to pay for its future short-term responsibilities, including both internal and external debt (Wijaya & Fitriati, 2022). A study conducted by Sondakh (2019) indicates that liquidity, measured through current assets (CR), has a noteworthy and favorable effect on the company's value. Companies with high liquidity levels have substantial internal funds, allowing them to finance investments using internal funds before resorting to external financing through debt. The research results by Jihadi et al. (2021) indicate that liquidity significantly influences company value. Companies with high liquidity levels will have low short-term liabilities because companies with high liquidity can meet and settle their short-term obligations on time. Therefore, this study expects that liquidity has a positive effect on firm value.

According to Rivandi & Petra (2022), leverage is a ratio used to determine if a business can meet all of its obligations, demonstrating the amount of debt the business has to its assets. A study conducted by Hastuti & Tertia (2023) demonstrates that leverage has an impact on the firm's worth. Leverage gauges the amount of debt or external funds the company carries in comparison to the owner's equity or assets for financing operational activities. The findings of this study are consistent with studies conducted by Markonah et al. (2020), highlighting how leverage affects company value. Leverage can be strategically employed to achieve higher profits, thereby enhancing external confidence in the

company. Therefore, this study expects that leverage has a positive effect on firm value.

Stock price is the value that is attributed to a stock in the stock market at a specific moment, determined by market participants and influenced by supply and demand dynamics in the capital market (Jogiyanto, 2008). A consistently ascending stock price can convey a favorable message to the public, indicating the company's strong performance and potentially encouraging prospective investors to acquire shares in that company. According to the findings of research by Warmita & Wati (2022), stock prices exhibit positive impact on firm value, suggesting that an upward trend in stock prices can contribute to an augmentation in the company's overall value. These research outcomes align with the study conducted by Hartini & Marhandrie (2022) asserting that firm value is positively and significantly impacted by stock prices. In essence, investors often gauge a company's prosperity based on dividends and capital gains. Therefore, this study expects that stock price has a positive effect on firm value.

The results of this research are expected to be used as considerations for company financial managers in formulating policies for various operational activities. Additionally, these findings can serve as a reference for investors, indicating that understanding the factors influencing a company's value can be instrumental in making promising investment decisions.

## **RESEARCH METHODS**

The objectives of this study is to examine the influence of profitability, liquidity, leverage, and stock prices on the firm value of property and real estate companies in Indonesia. This study uses a quantitative research approach for

the investigation. The data source utilized consisted of financial reports from real estate and property companies that were listed between 2019 and 2022 on the Indonesian Stock Exchange (IDX). The data range from 2019 to 2022 and can encompass a relevant period to observe the impact of events or economic changes that may affect the property and real estate sector. Purposive sampling is the method of sampling that was used. The population under research comprises all 92 property and real estate companies listed on the IDX. 26 real estate and property enterprises, 3 businesses unable to provide comprehensive financial accounts, and 44 companies that suffered losses were eliminated from this group because they did not list consecutively from 2019 to 2022. Consequently, the sample size for this study is 19 companies, and data collection spans 4 years (2019-2022). However, there are 9 data points identified as outliers. Consequently, the processed data comprises 67 data.

This study consists of four variables. The dependent variable of this study is firm value. Meanwhile, the independent variable of this study consists of profitability, liquidity, and leverage. Firm value is the market or expansion worth attained by a company through the assessment, evaluation, measurement, and depiction of its performance, reflecting the community's trust in the company (Wulandari et al., 2018). Every company aspires to improve firm value, aiming to attract investors and ensure promising future profits. A financial metric called Price to Book Value (PBV) is used to assess how much the market values the company's management and structure as it continues to grow. Firm value is quantified using the following formula (Brigham & Houston, 2013):

$$PBV = \frac{\text{Price Per Share}}{\text{Book Value per share}}$$

According to Rivandi & Petra (2022), one statistic used to evaluate a business's potential for profit is profitability. The more a company's profitability improves, the more favorably its performance is perceived. This suggests that the company has bright future potential, which in turn indicates that investors value the company highly. One measure used to assess how well a company uses its assets to create profit is return on assets, or ROA. The following algorithm is used to determine profitability (Kasmir, 2018):

$$ROA = \frac{\text{Net Profit}}{\text{Total Assets}}$$

Liquidity is the ability of a business to utilize all of its current assets to pay off its immediate short-term debts including both external and internal obligations (Wijaya & Fitriati, 2022). The current ratio indicates the sufficiency of current assets held by the company to pay off impending liabilities. Liquidity is measured by the following formula (Jihadi et al., 2021):

$$CR = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

Leverage is used to determine whether a business can pay all of its debts (Rivandi & Petra, 2022). By comparing the overall amount of debt to the total amount of assets, the debt to asset ratio or DAR is a statistic used to evaluate the leverage. In this study, leverage was calculated using the subsequent formula (Harisa et al., 2019):

$$DAR = \frac{\text{Total Liabilities}}{\text{Total assets}}$$

Jogiyanto (2008) states that the value that is allocated to a stock in the stock market at any given time, as a result of supply and the stock price in the capital market is a measure of demand dynamics. The price of the company's shares indicates its worth, which suggests that a higher stock price translates into a higher value

for the business. The closing price or closing stock price in the stock market for a given year is the metric that is used to measure stock price.

This study uses SPSS as the statistical program during the data analysis to find out how profitability, liquidity, leverage, and stock price influence firm value. The following are the phases of data analysis in this study:

First, to show statistical data, descriptive statistical analysis is used to provide important summary metrics, such as mean, standard deviation, minimum, and maximum values, among others. Descriptive statistic analysis provide clearer and more easily understandable information regarding the research, including the depiction of relationships among independent variables (Sugiyono, 2018).

Second, before doing further analysis, this study employs classical assumption test to get a BLUE linear regression model. The test consists of normality test, multicollinearity test, heteroscedasticity test, and autocorrelation test. A normality test was used to find out the residual distribution of the regression model. A good regression model is a model with a normal residual distribution. The normality test is assessed using the One-Sample Kolmogorov-Smirnov test. The assumption is if the significance value is  $> 0.05$ , it is concluded that the residual of the regression model is normally distributed (Ghozali, 2018).

The multicollinearity test is used to ascertain whether there is a correlation between the independent variables in a regression model. To perform the multicollinearity test, the Variance Inflation Factor (VIF) and Tolerance values must be examined. When the VIF value is  $< 10$  and the tolerance value is  $> 0.01$ , there is no correlation between independent variables (Ghozali, 2018).

The heteroscedasticity test is used to ascertain whether variance inequality exists in residuals in a regression model. This test is done using the Glejser test. The assumption of the Glejser test is if the probability value (sig)  $> 0.05$ , there is no heteroscedasticity problem in the regression model (Ghozali, 2018).

The autocorrelation test examines if there is a link between the disturbance errors in a linear regression model for both period  $t$  and period  $t-1$ . To assess whether autocorrelation is present in the regression model, the Durbin-Watson test is utilized. The criterion is that if the Durbin-Watson (DW) statistic falls within the range of  $DU$  to  $4-DU$ , then there is no autocorrelation problem in the regression model (Ghozali, 2018).

Third, after the regression model has no classical assumption problem, the analysis continues to the regression analysis. The multiple regression analysis investigates how various independent variables affect the dependent variable (Ghozali, 2018). The regression model used in this study is as follows:

$$FVA = \alpha + \beta_1 PRO + \beta_2 LIQ + \beta_3 LEV + \beta_4 STP + e$$

Explanation:

FVA = Firm Value

$\alpha$  = Constant

$\beta$  = Coefficient of Regression

PRO = Profitability

LIQ = Liquidity

LEV = Leverage

STP = Stock Price

$e$  = Error

The F-statistic test is conducted to examine the significance of the influence of independent variables on the dependent variable and to indicate whether the regression model used is appropriate (fits) or not. If the F significance value  $< \alpha$  (0.05), then the model is considered to

fit the observational data, meaning that independent variables can explain the dependent variable (Ghozali, 2018).

The coefficient of determination test is a useful metric for assessing the extent to which the model adequately explains the variation in the dependent variable and the extent to which external factors contribute to the variance. Ghozali (2018) stated that a substantial coefficient value nearing one signifies that the independent variables furnish substantial information required to forecast the dependent variable's fluctuation.

The t-test is used to investigate the influence of profitability, liquidity, leverage, and stock price on the firm value partially. If the sig. value  $< 0.05$  and the regression coefficient is in the same direction as the hypothesis, thus the hypothesis is supported. Meanwhile, if the sig. value  $< 0.05$  and the regression coefficient is not in the same direction as the hypothesis or if the sig. value  $> 0.05$ , thus the hypothesis is not supported.

## RESULTS AND DISCUSSION

### Results

This study aims to examine the effect of profitability, liquidity, leverage, and stock price on the firm value. The descriptive statistics of those variables used in this study are presented in Table 1 below.

**Table 1.** Statistics Descriptive

	N	Min	Max	Mean	Std. Dev.
Profitability	67	0.000	0.184	0.401	0.345
Liquidity	67	0.936	308.790	9.535	39.484
Leverage	67	0.002	0.791	0.355	0.186
Stock Price	67	50.000	390.000	2,626.490	6,746.650
Firm Value	67	0.185	5.751	1.022	0.962

Source: Analyzed Secondary Data, 2023

Based on Table 1, the minimum and maximum values of profitability are 0.000 and 0.184. Meanwhile, the mean value is 0.401 with a standard deviation of 0.345. The minimum and maximum values of liquidity are 0.936 and 308.790. The mean value of liquidity is 9.535 with a standard deviation of 39.484. Leverage has minimum and maximum values of 0.002 and 0.791 respectively. Meanwhile, the mean value of leverage is 0.355 with a standard deviation of 0.186. The stock price has minimum and maximum values of 50.000 and 390.00 respectively. The Stock price has a mean of 2,626.492 with a standard deviation of 6,746.650. Firm value has minimum and maximum values of 0.185 and 5.751 with a mean of 1.022 and a standard deviation of 0.962.

This study as explained in the previous section employs classical assumption tests to ensure that the regression model utilized in this study is a BLUE model. The results of the classical assumption tests are presented in Table 2 below.

**Table 2.** The Result of the Normality Test

	Asymp. Sig. (2-tailed)
Unstandardized Residuals	0.200

Source: Analyzed Secondary Data, 2023

Based on Table 2, the outcome indicates that the probability value (sig.) is  $0.200 > 0.05$ . This suggests that the residual of the regression model has a normal distribution. Furthermore, the result of the multicollinearity test is presented in Table 3 below.

**Table 3.** The Result of the Multicollinearity Test

Variables	Tolerance	VIF
Profitability	0.738	1.355
Liquidity	0.751	1.332
Leverage	0.662	1.511
Stock Price	0.909	1.101

Source: Analyzed Secondary Data, 2023

Based on Table 3, it can be seen that all variables (profitability, liquidity, leverage, and stock price) have tolerance values  $> 0.10$  and VIF value  $< 10$ . Thus, it can be concluded that there is no multicollinearity problem in the regression model. Continues to the next test which is the heteroscedasticity test, the result of the test is presented in Table 4.

**Table 4.** The Result of The Heteroskedasticity Test

Variables	Sig.
Profitability	0.728
Liquidity	0.358
Leverage	0.391
Stock Price	0.728

Source: Analyzed Secondary Data, 2023

According to Table 4, profitability, liquidity, leverage, and stock price exhibit sig. value  $> 0.05$ . Hence, it can be inferred that there is no heteroskedasticity issue in the regression model. The last classical assumption test is the autocorrelation test. The result of the test is presented in Table 5.

**Table 5.** The Result of The Autocorrelation Test

DU	Durbin Watson	4 – DU
1.732	1.812	2.268

Source: Analyzed Secondary Data, 2023

According to Table 5, the calculated DW value is 1.812, with  $k = 5$  and  $n = 67$ , leading to DU of 1.732 and  $4 - DU$  of 2.268. Applied to the  $DU < DW < 4 - DU$  criterion ( $1.732 < 1.812 < 2.268$ ), it is implied that the regression model used in this study does not contain any autocorrelation problem.

The analysis continues to the coefficient determination test. This test informs the ability of independent variables to explain the dependent variable. The result of the coefficient

determination test is presented in Table 6 as follows.

**Table 6.** The Coefficient of Determination ( $R^2$ )

Adjusted R-Square	Conclusion
0.786	The dependent variable has an effect of 78,6% on the independent variable.

Source: Processed Secondary Data, 2023

Based on Table 6, the Adjusted R-Square has a value of 0.786. This indicates that the independent variables (profitability, liquidity, leverage, and stock price) may be responsible for 78.6% of the variation in the dependent variable (firm value). Meanwhile, the 21.4% others are explained by other variables which is not studied in this study.

The next test is the F test to know the goodness of fit of the regression model. The result of the F test is presented in Table 7.

**Table 7.** The Result of F-test

F count	F table	Sig.
61.752	2.520	0.000

Source: Analyzed Secondary Data, 2023

According to Table 7, the sig. value is  $0.000 < 0.05$ . The calculated F count is above the F table, which is  $61.752 > 2.520$ . Thus, profitability, liquidity, leverage, and stock price simultaneously affect firm value. The regression model used in this study is fit.

The next step is the t-test using the regression analysis test. A T-test is used to know the effect of each independent variable (profitability, liquidity, leverage, and stock price) on the dependent variable (firm value). The result of the test is presented in Table 8 below.

**Table 8.** The Result of Multiple Linear Regression Analysis

Variables	B	t	Sig.
Constant	0.253	1.309	0.195
Profitability	1.946	1.055	0.296
Liquidity	0.004	2.189	0.032
Leverage	0.888	2.459	0.017
Stock Price	0.000	15.325	0.000

Source: Analyzed Secondary Data, 2023

Based on the Table 8, it can be seen that the constant is 0.253. It means that that when all the independent variables (profitability, liquidity, leverage, and stock price) have a value of 0, then the dependent variable (firm value) is 0.253.

According to Table 8, profitability shows a positive coefficient value of 1.946 with a sig. value of 0.296. The sig. value is  $> 0.05$ . Therefore, the first hypothesis which states that profitability has a positive effect on firm value is not supported. Furthermore, it can be stated that profitability does not affect firm value.

The liquidity shows a positive coefficient value of 0.004 with a sig. value of 0.032. The sig. value is  $< 0.05$  and the regression coefficient is in line with the hypothesis. Therefore the second hypothesis which states that liquidity has a positive effect on firm value is supported.

The leverage shows a positive coefficient value of 0.888 with a sig. value of 0.017. The sig. value is  $< 0.05$  and the direction of the regression coefficient is in line with the hypothesis. Thus, the third hypothesis which states that leverage has a positive effect on firm value is supported.

The results of the stock price show a positive coefficient value of 0.000 with a sig. value of 0.000. The sig. value is  $< 0.05$  and the direction of the regression coefficient is in line with the hypothesis. Thus, the fourth hypothesis which states that stock price has a positive effect on firm value is supported.

## DISCUSSIONS

This study examine the effect of profitability, liquidity, leverage, and stock price on firm value. The results of the data analysis found that according to the first hypothesis, the firm value is unaffected by profitability. There could be several reasons why profitability has such a small impact on the value of the company. For example, in 2021, Bumi Citra Permai Tbk (BCIP) generated a modest net profit of Rp124.179.366, significantly lower than its total assets of Rp887.073.065.396. This suggests that BCIP was not effective in utilizing investor capital to generate substantial net profit, reflected in a meager Return on Assets (ROA) of 0.01%. Additionally, unforeseen conditions like the COVID-19 pandemic may have diverted the company's management focus towards urgent financial challenges, seeking additional funding, or exploring alternative investments.

These research findings align with studies by Sondakh (2019) also Panjaitan & Supriyati (2023) which demonstrate that the value of the company is not greatly impacted by profitability. Nevertheless, these findings differ from studies by Hartini & Marhandrie (2022) also Sabaruddin et al. (2023) which suggest a positive impact of profitability on firm value.

Based on the results of the data analysis, the second hypothesis is supported, and it can be concluded that liquidity has a positive effect on firm value. The higher the company's ability to meet its short-term obligations that will soon mature using the total current assets it possesses can enhance the company's value in the eyes of investors. High liquidity levels indicate that the company is in good condition in managing debt or is capable of meeting its short-term obligations. Companies with high liquidity levels are considered to have good prospects for

investors to invest. According to Jihadi et al. (2021), if a company can settle its short-term obligations when they mature, then the company is considered liquid, and vice versa. In other words, the liquidity ratio is a ratio that can be used to measure the level of a company's ability to settle its short-term obligations that will mature.

These findings align with research by Setiawan & Rahmawati (2020) also Warmita & Wati (2022) which demonstrates liquidity increases a firm value. But still, the results differ from studies by Kristi & Yanto (2020) also Yulianti & Syarif (2021) which suggests that liquidity does not impact firm value.

Based on the results of the data analysis, it is indicated that the third hypothesis is supported, and it can be concluded that leverage has a positive effect on firm value. This aligns with the signaling theory mentioned earlier, stating that the lower the leverage, the lower the risk the company bears to pay off all its debts. Excessive use of debt can result in a decrease in the received profit, thereby reducing the company's value. A lower level of leverage becomes a consideration for investors to invest their capital in the company. Leverage is crucial for investors as a consideration in decision-making before investing. A high level of leverage increases the company's risk, marked by higher debt costs. This makes it more challenging for management to predict the company's trajectory, as it is perceived that they may not be able to manage the company effectively (Kasmir, 2018). Hence, there is a need for a suitable debt policy, considering the sources and methods that can be used to repay the debt to maintain the company's value effectively.

These findings align with research conducted by Supitriyani et al. (2020) also

Sabaruddin et al. (2023) proving that the impact of leverage on company value is considerable. However, studies by Al-Slehat (2019) also Yulianti & Syarif (2021) propose that leverage does not impact firm value.

The data analysis findings support the fourth hypothesis which states that stock prices has a positive effect on firm value. Stock prices are formed through the mechanism of supply and demand in the capital market. If a stock experiences excess demand, the stock price tends to rise. Conversely, if there is an oversupply, the stock price tends to fall. Because demand exceeds supply, it will increase the stock price. Stock prices also reflect the value of a company and can be used as an indicator of the company's performance success. A high stock price indicates a high company value. A consistently rising stock price can provide a positive signal to the public that the company's performance is good, as many potential investors are interested in buying shares of the company.

These results are consistent with studies carried out by Yuliana (2020) and also Setiabudhi (2022) which indicates that the value of the company is significantly impacted of stock prices. However, studies by Sunardi & Permana, (2019) and also Sitompul & Muslih (2020) propose that stock prices do not significantly impact on firm value.

## **CONCLUSION**

This study aims to examine the effect of profitability, liquidity, leverage, and stock price on firm value. The results of this study indicate that liquidity, leverage, and stock prices have a positive effect on firm value. Meanwhile, profitability does not affect firm value. During the study, this study has several limitations that can serve as benchmarks for future researchers

to obtain better research results. One of them is that the research sample is focused only on property and real estate companies listed on the Indonesia Stock Exchange from 2019 to 2022, so it cannot be generalized to companies in other sectors. The coefficient of determination in this study is only 78.6%, meaning that there are still 21.4% other variables that may effect on firm value.

Based on the results and limitations of the research, the researcher suggests that future researchers expand the research population, not limited to property and real estate companies, and may add other variables such as capital structure, company size, dividend policy, and others so that the results obtained provide a more comprehensive overview of the research findings.

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