FACTORS INFLUENCING COMPANY VALUE ON THE INDONESIAN STOCK EXCHANGE: INSIGHTS FROM LQ45 COMPANIES (2019-2023)

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THE PROFESSIONAL ACCOUNTING PROGRAMME

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FINAL ASSIGNMENT REPORT

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ABSTRAK

Penelitian ini meneliti variabel-variabel yang memengaruhi nilai perusahaan (Tobin's Q) pada Indeks LQ45 Bursa Efek Indonesia (BEI) antara tahun 2019 hingga 2023. Kami mengevaluasi skor keberlanjutan (ESG Score) dan beberapa rasio kinerja keuangan, yaitu return on assets (ROA), return on equity (ROE), dan debt to equity ratio, untuk mengetahui apakah masing-masing faktor tersebut memengaruhi nilai perusahaan (Tobin's Q) dengan menggunakan data analisis kuantitatif yang diperoleh dari situs web Bursa Efek Indonesia. Analisis kami mencakup 41 dari 45 perusahaan yang memenuhi kriteria penelitian, menghasilkan total 205 sampel. Analisis regresi linier berganda dilakukan menggunakan perangkat lunak Eviews versi 11. Berdasarkan hasil uji t, kami menemukan bahwa semua variabel independen (X1, X2, X3, dan X4) memiliki pengaruh signifikan secara statistik terhadap variabel dependen secara individual, dengan nilai probabilitas masing-masing variabel di bawah 0,05. Selain itu, uji F menunjukkan bahwa variabel independen secara bersama-sama memiliki pengaruh signifikan terhadap variabel dependen, dengan nilai probabilitas sebesar 0,000. Berdasarkan uji koefisien determinasi, nilai adjusted R square adalah 63,12%, yang menunjukkan bahwa variabel independen secara signifikan memengaruhi variabel dependen.

Kata Kunci: Nilai Perusahaan, Tobins' Q, ESG, ROA, ROE, DER

ABSTRACT

This study examines the variables affecting the firm value (Tobin's Q) of the Indonesian Stock Exchange's LQ45 Index between 2019 and 2023. We assess sustainability scores (ESG Score) and some financial performances ratios i.e. return on assets (ROA), return on equity (ROE), and debt to equity ratio, whether each respective of these factors influence the firm value (Tobin's Q) using quantitative analytical data obtained from the Indonesian Stock Exchange website. 41 of the 45 businesses that meet the study's requirements are the subject of our analysis, yielding 205 samples in total. Eviews version 11 software was used to do multiple linear regression analysis on the data. All the independent factors (X1, X2, X3, and X4) have statistically significant individual effects on the dependent variable, according to our findings, which are based on the t-test results. The probability values for each of these variables are below 0.05. Furthermore, the F-test indicates that the independent factors taken together significantly affect the dependent variable, with a probability value of 0.000. Based on the determination coefficient test, the adjusted R square value is 63.12% which indicates that the independent variable significantly influences the dependent variable.

KEYWORDS: Firm Value, Tobins' Q, ESG, ROA, ROE, DER

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In the name of the Father, and of the Son, and of the Holy Spirit. Amen.

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The author sincerely hopes that this final project will offer valuable insights to readers from diverse backgrounds and humbly apologizes for any errors, whether intentional or unintentional, that may have occurred during its preparation.

Jakarta, 04 December 2024

Bony Feryanto Maryono

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CHAPTER I

INTRODUCTION

A crucial factor in financial decision-making is corporation valuation. It provides a systematic approach to assess a company's value. To evaluate a company's capacity for sustained growth and profitability, it is essential to analyze various elements, including its financial indicators, market dynamics, and internal management efficacy (Irwan Djaja, 2019). In the stock market, companies intend to attract the investors by pushing themselves to maintain their financial health and promote development potential. As a result, it is important to assess the firm value. Djaja underscored the significance of contextual factors that directly influence a company's valuation in the capital market, such as market developments, industry-specific challenges, and economic conditions. These variables are crucial for companies listed on the Indonesian Stock Exchange (IDX), particularly those in the LQ45 index, as they represent some of the most liquid and high-capitalization equities in the market. These variables are essential for companies listed on the Indonesian Stock Exchange (IDX), particularly those in the LQ45 index, since they represent some of the market's most liquid and high-capitalization equities.

In recent years, various variables both internal and external have impacted the valuations of Indonesian companies such as macroeconomic factors, including fluctuations in GDP growth, inflation, and currency rates. Those elements have significantly impacted market performance and investor sentiment. In addition, a company's valuation is greatly influenced by the organization's intrinsic variables, such as corporate governance, profitability, and leverage. The LQ45 index, comprising the highest-performing companies on the IDX, provides a distinctive perspective for analyzing many industries, useful to both domestic and international investors.

The purpose of this study is to investigate the variables affecting LQ45 firms' values between 2019 and 2023. Despite its progress and resilience over the years, the Indonesian economy remains susceptible to global economic shocks. The COVID-19 pandemic and the subsequent global economic disruptions significantly influenced stock market performance from 2019 to 2023. Companies in the LQ45 index were not immune to these challenges, since their values reflected broader market trends. Zulfa et. al (2024) indicated that during the Covid-19 outbreak profitability affects company performances and has positive and significant impact on firm value. Previous studies have shown a strong association between corporate value and profitability ratios such as ROA and ROE. Return on assets (ROA) is a sign of operational success, meaning that the higher ROA ratio, the higher the ability of the Company to create profit from utilizing its assets. Similarly, ROE evaluates the ability of the company to provide the return to the shareholders. According to Irwan Djaja (2019), enterprises that consistently produce elevated ROA and ROE are more inclined to attract investors and

enhance their market valuation. This assertion aligns with findings from both national and international studies, highlighting the significance of certain profitability metrics in assessing business value.

The Debt-to-Equity Ratio (DER) is one of the financial ratio to evaluate a company's financial leverage. This financial risk ratio able to assesses the debt ratio to shareholder equity within the capital structure of the company. The more the company able to maintain its balance DER, the more the company can boost its value. Sari and Saputra (2021) found that if there is a higher probability of financial loss, investors may be reluctant to rely too much on loans. Accordingly, it is suggested to assess all the related financial ratio to understand the company value in a comprehensive manner. Further, Utami et al. (2021) emphasized that companies with strong asset utilization and operational efficiency are more resilient and attain better market values during recovery phases. By proactively mitigating risks and strategically using these financial ratios, the company may better to pass through the difficult economic conditions and seize growth possibilities during recovery periods.

Irwan Djaja (2019) emphasizes the intricate structure of corporate valuation, highlighting the interplay between financial performance, risk management, and market perception of a company. This study seeks to investigate the distinct impacts of ROA, ROE, and DER on the valuation of enterprises within the LQ45 framework. This study enhances the understanding of corporate value in Indonesia and offers pragmatic insights for business executives and politicians. The selection of LQ45 firms for this research is intentional, since they represent some of Indonesia's most distinguished and reliable organizations. Sari and Saputra (2021) highlighted that LQ45 enterprises frequently establish criteria for financial performance and governance in Indonesia, therefore confirming their relevance to this research.

The approaches used in this study are based on best standards in corporate finance and valuation. Combining quantitative approaches with theoretical perspectives using the frameworks developed by Irwan Djaja (2019) and modern academics results in a strong and consistent assessment. Panel data regression models help to investigate cross-sectional and temporal fluctuations, therefore providing a complex knowledge of the basic dynamics.

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