Effect of TATO, DER, ROE and Size on Company Value (Study on Manufacturing Companies Listed in IDX Year 2016 – 2019)

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Abstract:- This study was conducted to test the influence of asset management variables (TATO), Capital Structure (DER), Profitability (ROE), and Company Size (SIZE) on Company Value (PBV) Case study on 80 samples of companies listed in the IDX in 2016-2019. The result of the study is the Capital Structure (DER) and Profitability (ROE) has a positive and significant effect on the Company's Value. While Asset Management (TATO) has a positive and insignificant effect on the Company's Value, and Company Size (SIZE) has a negative and insignificant effect on the Company's Value.

Keywords:- Asset Management (TATO), Capital Structure (DER), Profitability (ROE), Company Size (SIZE), Company Value (PBV).

I. INTRODUCTION

Companies listed on the IDX consist of several sectors, where one of the sectors that investors are interested in is the manufacturingsector. Manufacturing companies arethe biggest contributors to the national economy. Economic growth in the manufacturing sector in the second quarter of 2019 is only 3.54% year-on-year (YoY), (BPS, 2019).

Based on data from the Central Statistics Agency (BPS), the manufacturing industry in the fourth quarter of 2019 grew 3.66% lower when compared to the fourth quarter of 2018 which grew by 4.25%.
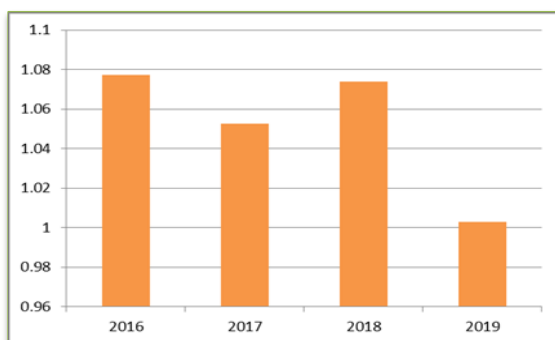

Figure 1: Asset Management Graph (TATO) of Indonesia's Manufacturing Sector in 2016-2019 In Percent (%)

Based on the chart above, it can be known that asset management in manufacturing sector companies in 2016 to 2019 experienced a significant decrease. The company's ability to control various assets is the main key to staying afloat and achieving opportunities to double the value of assets. Maximizing the company's share price will occur if these assets generate faster cash flow better, in order to be re-implanted to generate additional income.

II. LITERATURE

a. *Agency Theory*

Agency theory or commonly called *agency theory is the* preparation of appropriate contracts to align interests between principals and agents in the event of a conflict of interest (Scott, 1996). Myers and Majluf (1984) argued for informational asymmetry between managers (outsiders) and investors.

According to Eisenhardt (1989), agency theory is based on three basic assumptions, among others:
a. Assumptions about human nature, human beings who have selfishness or*prefer self-interest*(selfinterest),have limited*rationality (bounded rationality),*and are more likely to avoid risk.
b. Assumptions about organization, the emergence of conflicts caused between members of the organization, *efficiency, and the existence of asymmetry information* between principal (owner or shareholder of the company) and agent (management who manages the company).
c. Assumptions about information, an information that is considered a commodity that is biased into money or in other words can be traded.

Jensen and Meckling, meanwhile, grouped agency costs into three, among others:
a. *Monitoring*cost, is the cost that arises as a result of monitoring the behavior of the agent borne by the principal.
b. *Bonding cost , is the cost borne by the agent to establish and comply with the mechanism that guarantees*that the agent acts for the benefit of the principal, given that the company's goal is to prosper shareholders.
c. *Residual loss*, is a cost that arises as a form of sacrifice in the form of diminished principal prosperity as a result of different principal decisions.

b. *Modigliani Miller Theory (MM)*

The theory of modern capital structures began in 1958, when Professors Franco Modigliani and Merton Miller (MM) published what was billed as one of the most influential financial articles ever written.

Franco Modligani and Merton Miller introduced the theory model of capital structure without tax and with tax:
a. Tax-Free MM Proposition

In tax-free conditions, Modligani and Miller argue that the capital structure does not affect the value of the company. The level of profit and business risk (investment decisions) that will affect the value of the company (instead of funding decisions).

B. MM Proposition With Taxes

In tax conditions, Modligani and Miller argue that the capital structure could affect the value of the company due to the use of increasingly large debts, the tax paid is getting smaller, meaning the company can save cash outflows (Hanafi, 2015:300-306).

c. *Signalling theory*

The *concept of Signaling Theory* according to Bringham and Ehrhardt (2009) is "an action taken by the management of the company that provides guidance or information for investors about how management views the company's prospects". This theory states that a good quality company will deliberately signal to the market thus the market is expected to distinguish between good and bad quality companies (Horne and Wachowicz, 2005).

d. *Company Value*

The value of the company is the investor's perception of the company, which is often associated with the share price. According to Brigham & Houston (2011) there are several approaches to ratio analysis in market value assessment, consisting *of price earning ratio* (PER), *price book value ratio* (PBV), *market book ratio* (MBR), *dividend yield ratio,* and *dividend payout ratio* (DPR). In this study the company's value was measured by PBV. The ratio of the share price to the book value of the company or price book value (PBV), shows the level of the company's ability to create relative value to the amount of capital invested.

$$\text{Price to Book Value (PBV)} = \frac{\text{Harga pasar per lembar saham}}{\text{Total ekuitas/jumlah Saham}}$$

e. *Asset Management*

Asset management is defined as a systematic process to maintain, upgrade, and operate assets, combining engineering principles with sound business practices and economic reasons, and providing tools to facilitate a more organized and flexible approach to making the decisions necessary to achieve public expectations. Quoted *by the Organization for Economic Co-Operationand Development* in a research project entitled Asset Management-Texas Style (2007) There are stages in asset management, while the explanation of each step in the asset life cycle is as follows:

1. Asset Procurement: Activities to acquire or obtain assets / goods and services either self-financed or financed by outside parties or carried out independently (alone), as well as by providers of goods and services.
2. Asset Inventory : Activities to identify the quality and quantity of assets physically non-physical, and legally / legally.
3. Legal Asset Audit : Asset status auditing activities, procurement systems and procedures, transfer systems and procedures, identification of indications of legality problems, search for solutions to legality problems.
4. Asset Valuation : A work process to determine the value of assets owned, so that it can be clearly known the value of the wealth owned, or to be transferred or to be eliminated.
5. Operation and Asset Maintenance : Activities to use or utilize assets. While asset maintenance is the activity of maintaining and repairing all forms of assets in order to be operated and functioning in accordance with expectations.
6. Asset Deletion: Activities to sell, grant or other forms of transfer of ownership rights or destroy all/a unit or smallest element of the asset owned.
7. Asset Rejuvination / Review: Efforts to rejuvenate assets with the aim of assets can be utilized again before the economic age runs out.
8. Asset Transfer : Efforts to transfer the rights and or responsibilities, authorities, obligations of use, utilization of a work unit to another unit in its own environment.

Weston and Copeland (2010) stated that*the asset management ratio (Assets Management Ratios)*is a measure of how effectively a company manages itsassets, If the company has too many assets, the interest expense will be high because the profit will be low. The effectiveness of the use of all company assets in order to generate sales or describe the amount of net sales that can be generated by each rupiah invested in the form of corporate property if the turnaround is slow, this indicates that the assets owned are too large compared to the ability to sell. Ratios are presented in the following formulas (Houston and Brigham, 2001) :

$$\text{Total Asset Turnover} = \frac{\text{Sales}}{\text{Total Asset}}$$

f. *Company Size*

Basically the size of the company is only divided into three categories, namely*large companies*(largefirms),*medium size companies*, and small companies (small*firms*). The size of the company is very influential on three main factors, namely: the amount of total assets, the size of the sales results and the size of the market capitalization. But in addition to the main factors above, the size of the company can also be determined by labor factors, stock market *value, log size,* and others that are all highly correlated.

III. FRAME OF MIND

Based on library studies, and some previous research on the ratio of financial to value companies show contradictory results. Financial ratio is a measuring instrument in analyzing finance, the ratio used is leverage ratio, investment opportunity set ratio, company size ratio, and profitability ratio.

For more details the concept of thought in this research can be described as follows:
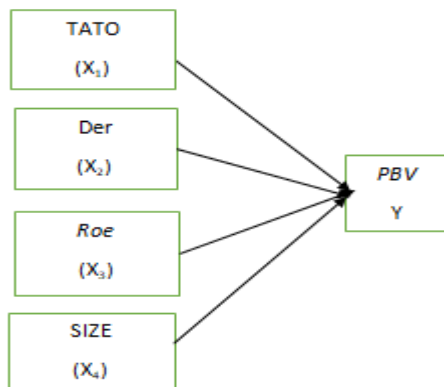

Figure 2 : Conceptual Framework

H1 = Asset Management has an insignificant effect on the Company's Value.
H2 = Capital Structure has a significant effect on the Company's Value.
H3 = Profitability has a significant effect on the Company's Value.
H4 = Company Size has a significant effect on The Company's Value.

IV. RESEARCH METHODS

The research method used in this research is by associative method. According to Sugiyono (2012) the associative method aims to determine the influence or also the relationship between two or more variables. In this study, associative methods were used to determine the influence of Asset Management (TATO), Capital Structure (DER), Profitability (ROE), and Company Size (SIZE) on the Company's Value (PBV).

a) Population And Sample
The population used in this study is all manufacturing companies listed on the Indonesia Stock Exchange in 2016 - 2019. The number of companies taken as a sample of research as many as 149 companies.

b) Data Analysis Method
Data analysis in this study using data panel (*pooled data*) that is a combination of time series and*cross*section*data. Data is *time series* because the data in this study is data in a certain *time interval,* in this study is 2016-2019. While cross *section data is* data in a certain period in some manufacturing companies. Then the hypothesis testing is done with the panel data regression model.

The data obtained from the results of the study were further analyzed with a model of panel data regression analysis using the help of Eviews version 10 program that aims to determine the influence of TATO (X_1),DER (X_2),ROE (X_3),and SIZE (X_4),on the company's value (PBV).

V. RESULTS AND DISCUSSIONS

a. *Descriptive Statistics*

	TATO	DER	ROE	SIZE	PBV
Mean	1.05169	3.662245	-0.326622	28.50925	3.816725
Median	0.947817	0.708095	0.075436	28.37267	1.131342
Maximum	8.429333	786.9311	3.448326	33.49453	100.693
Minimum	0.008434	-5.285088	-136.4361	25.64046	-0.908474
Std. Dev.	0.763224	43.9606	7.64231	1.578785	10.16877
Skewness	4.801273	17.75929	-17.73615	0.611754	6.048144
Kurtosis	39.63886	316.9259	316.3905	3.147183	46.14193
Observations	320	320	320	320	320

Sumber: Laporan Keuangan. 2020

Table 1 : Descriptive Data Analysis Results

1. TATO (X_1)
TATO has the lowest value of 0.01, namely in PT Panasia Indo Resources Tbk in 2019, the highest was 8.43 in PT Alaska Industrindo Tbk in 2016. With an average value of 1.05. This value indicates that PT Panasia Indo Resources Tbk has almost no asset turnover, only 0.01 far from the industrial average TATO of similar companies worth 1.05. While PT Alaska Industrindo Tbk has a very good asset turnover, which is 8.43. This value is well above the industry average TATO.

2. DER (X_2)
DER has the lowest value of -5.29, namely at PT Inti Keramik Alam Asri Industro Tbk in 2019, the highest was 786.93 at PT Alumindo Light Metal Industry Tbk in 2019. With an average value of 3.66. This indicates that PT Inti Keramik Alam Asri Industro Tbk experienced negative capital conditions in 2019. While PT Alumindo Light Metal Industry Tbk has a poor capital turnover, which is 786.93. This value is well above the industry average DER. This means that companies use a lot of debt.

3. ROE (X_3)
ROE has the lowest value of -136.44, namely at PT Alumindo Light Metal Industro Tbk in 2019, the highest was 3.45 at PT Apac Citra Centertex Tbk in 2017. With an average value of -0.33, this indicates that on average the industrial sector is experiencing losses. This value indicates that PT Alumindo Light Metal Industry Tbk profit is far below the industry average. While PT Apac Citra Centertex Tbk has a good profit of 3.45. This value is well above the industry average ROE.

4. *Size* (X$_4$)

Size has the lowest value of 25.64, namely in PT Alaska Industrindo Tbk in 2016, the highest was 33.49 in PT Astra International Tbk in 2019. With an average score of 28.51.

5. PBV (Y)

PBV has the lowest value of -0.91, namely in PT Inti Keramik Alam Asri Industro Tbk in 2016, the highest was 100.69 at PT Alumindo Light Metal Industry Tbk in 2019 with an average value of 3.82. This value indicates that PT Inti Keramik Alam Asri Industro Tbk has a company value of -0.91 meaning that the company's book value is below zero. While PT Alumindo Light Metal Industry Tbk has a PBV of 100.69. This value is well above the industry average PBV.

b. Data Regression Analysis Panel

The selected model is (Fixed Effect Models), the result is as follows:

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	44.82361	24.87268	1.802122	0.0728
TATO	0.543937	0.832878	0.653081	0.5143
DER	0.430468	0.111266	3.868822	0.0001
ROE	1.733205	0.637291	2.719643	0.0070
SIZE	-1.493877	0.861397	-1.734248	0.0842

Effects Specification				
Cross-section fixed (dummy variables)				

R-squared	0.933264	Mean dependent var	3.816725
Adjusted R-squared	0.909793	S.D. dependent var	10.16877
S.E. of regression	3.054132	Akaike info criterion	5.291379
Sum squared resid	2201.342	Schwarz criterion	6.280563
Log likelihood	-762.6206	Hannan-Quinn criter.	5.686379
F-statistic	39.76292	Durbin-Watson stat	2.784602
Prob(F-statistic)	0.000000		

Sumber : Hasil analisa menggunakan Eviews 10

Table 2: *Fixed Effect Models Estimation Results*

The table above explains, *slope* variabel TATO value is 0. 543937, variabel DER by 0. 430468, variabel ROE of 1.733205, variabel *Size* of -1.493877, so that model fixed effect model *estimation can* be written, as follows:

PBV = 44.82361 - 0.543937TATO + 0.430468DER + 1.733205ROE + (-1.493877) SIZE

If the variables TATO, DER, ROE and SIZE are zero then the PBV is 44.82361.

c. *Statistical Test t (Partial Test)*

Based on Table 2 it is known that DER and ROE variables have probability values of <0.05, so DER and ROE have a significant effect on PBV. TATO and SIZE variables have a value of >0.05, so TATO and SIZE have no effect on PBV.

d. *Statistical Test F*

Based on Table 2, it means that simultaneously the variables TATO, DER, ROE and SIZE have a significant effect on PBV.

e. *Coefficient of Determination (R2)*

Based on Table 2 it is known that the value of R^2 means the variables TATO, DER, ROE and SIZE are able to explain the PBV variable by 0.933 or 93.3%, while the remaining 6.7% of the other variables that were not studied in this study.

B. Discussion

a. *The Effect of TATO on PBV*

The results showed that TATO have a positive effect on PBV. The high total asset turnover presented management that maximizes the welfare of shareholders who give confidence to investors to invest capital.

This research is in line with Wulan Rahma Dewi's research (2017) where asset management has no effect on the company's value.

b. Analysis of the Effect of DER on PBV

The results showed that DER has a positive effect on PBV. The value of the company that uses debt for its operations increases, because the company is able to guarantee that with the use of debt, the company has the opportunity to make a profit, so that the profit can be used to cover its debt.

This research is in line with the research of Pantow et al (2015), Dewi and Yuniarta (2014), Hermuningsih (2013) Rehman (2016), Aggarwal and Padhan (2017) and Ceriawati Daeli and Endri (2018) with the results of research showing that the capital structure has a positive effect on the company's value.

c. Analysis of the Effect of ROE on PBV

The results showed that ROE has a positive effect on PBV. Investors who will buy shares will be interested in return on equity, or high total profit margin. Therefore, the higher the ROE, the higher the price book value (PBV). High profit margins reflect the company's ability to create high returns for shareholders.

This research is in line with the research of Pantow et al (2015), Hemastuti and Hermanto (2014), Dewi and Yuniarta (2014), and Hermuningsih (2013) with the results of research showing that profitability has a positive effect on the company's value.

d. Analysis of The Effect of Size on PBV

The results showed that SIZE is not significant to PBV. The results of this study are in line with previous research conducted by Rahmawati et.al (2015), Dewi and Wirajaya (2013) and Endri and Fathony (2020) revealed that the size of the company has no effect on the value of the company.

VI. CONCLUSIONS AND SUGGESTIONS

a. Conclusion
1. TATO have no effect on PBV.
2. DER has a positive and significant effect on PBV.
3. ROE has a positive and significant effect on PBV.
4. SIZE has no effect on PBV.

b. Advice
For investors who want to invest in manufacturing companies it is recommended to choose companies with a rate of return that has an upward trend, so as to reduce the risk of investing. Investors should also be able to analyze investment products well through technical and fundamental analysis.

The results of this research are expected to help the company maintain the stability of the company by paying attention to financial ratios that can affect the value of the company. From the results of the study proved that the capital structure (DER) has a positive influence on the value of the company, so it can be suggested that the company can increase debt and that is not a big problem for the company.

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