

## What is Role of Size on Company Value

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### Abstract

The purpose of this study is to look at how liquidity, solvency, company size, and the fraction of independent board of commissioners affect corporate value. The population used includes pharmaceutical subsector companies listed on the Indonesia Stock Exchange between 2020 and 2023, with a total research sample of 48 companies collected using purposive sampling approaches (with particular criteria). The study hypothesis was tested using a multiple linear regression model with a t-test  $\alpha$  of 4%. The following approaches were used: descriptive analysis, normality test, autocorrelation test, heteroscedasticity test, and multicollinearity test. The findings of this study indicate that liquidity has a positive effect on company value, solvency has a good effect on company value, firm size has no effect on company value, and an independent board of directors has a positive influence on company value. It is intended that the implications of the results of this research can help potential investors decide whether to invest in a company.

**Keywords:** Company value, liquidity, solvency, company size

### Introduction

Firm value is one of investors' perspectives on a firm, which is represented by its share price. strong corporate value will result in strong returns for shareholders (Suryanto, 2022). Company value is a permanent condition that the company has attained over the years since its inception, such as societal trust (Suryanto, 2022). Company value can represent the company's state as well as its selling price as a continuous operation (Suryanto, 2024). Signal theory supports the aforesaid phenomena, which states that stock prices in the pharmaceutical sector fluctuate and that the quality of financial reports can offer investors with signals about the company's financial picture (Suryanto, 2022). This thesis explains why corporations must provide financial reports to investors and creditors, as the company and external parties have different information (Yusuf, 2022). Businesses can boost their value by minimising information asymmetry by giving accurate financial data to third parties (Suryanto, 2024). Information regarding the company's financial situation shared between management and investors might assist investors in making investment decisions (Suryanto 2020).

The following factors determine a corporation's value: liquidity, solvency, company size, and an independent board of commissioners (Suryanto, 2021). The Current Ratio value is a ratio used to assess a company's liquidity, and a higher CR value indicates a high degree of liquidation, which can raise a company's worth in the eyes of investors and provide an overview of the company's condition (Suryanto, 2021). The fourth aspect that can have an impact on firm value is an independent board of commissioners. The independent board of commissioners has no special relationship with the directors, other board members, or company owners, nor is it bound by business affiliations or other ties that could prevent it from acting independently or specifically in the interests of the company (Yusuf, 2024). Based on the background above and considering the many previous studies with different results, researchers feel it is necessary to analyse whether liquidity, solvency, company size, and independent board of commissioners have an influence on the value of pharmaceutical companies recorded on the IDX in 2020-2023 because the object of this research differs from previous research.

## Methods

This research is quantitative in nature and relies on secondary data, specifically the yearly financial reports of pharmaceutical businesses listed on the Indonesia Stock Exchange between 2020 and 2023. IDX data includes 84 firms. The purposive sampling method was employed to collect samples. Based on preset sample criteria, 48 companies were chosen, yielding a total of 242 data points in the study. This study employed a purposive sampling strategy with the following criteria:

1. Food and beverage enterprises registered on the IDX from 2020 to 2023.
2. Companies that upload successive yearly financial reports from 2020 to 2023.

This study uses variables related to corporate value, with the independent variables including liquidity, solvency, firm size, and board of commissioners independent.

## Results and Discussion

The purposive sampling method employed in the sample procedure selected 48 pharmaceutical companies between 2020 and 2023. A total sample size of 242 data points was gathered. Some data was eliminated from the study since it was regarded as an outlier, so the final data set was utilised as a sample based on the number chosen.

### Hypothesis Testing Results

Table Multiple Regression Analysis Test

Model	Koefisien $\beta$	T-Statistik	Sig.	Description	Adjs. R <sup>2</sup>	F
Size Company	-0.012	-0.382	0.603	Not Significant	0.381	
Board of Commissioners Independent	6.468	6.288	0.000	Significant		

Source: Processed Data (2024)

### The Impact of Liquidity on Company Value

The table shows that the calculated t-value The regression coefficient for the liquidity variable is positive at 0.066, implying that if the liquidity value increases, so will the company's value, and vice versa. The research findings show that liquidity has an impact on firm value.

### The Impact of the Independent Board of Commissioners on Corporate Value

The test yields a calculated t number (6,288) > t table (1.86618) with a significance number of  $0.000 < 0.04$ , indicating that the independent board of commissioners variable has a significant influence. The coefficient value of the independent board of commissioners variable is positive at 6.468, implying that increasing the board of independent commissioners increases the value of the company, and vice versa.

## Conclusion

According to the results of the discussion above, liquidity, solvency, and an independent board of commissioners have a favourable influence, however firm size has no influence on the value of pharmaceutical companies in 2020-2023. This study has drawbacks, including a reduction in sample size due to outliers due to the large amount of anomalous data. It is believed that the findings of this study may assist potential investors in selecting whether to invest in a company. Suggestions in this study are expected for future researchers to use other samples on the IDX, such as transportation companies, manufacturing, banking, energy, and others, because each sector has different characteristics and can use different analytical test tools because each analysis application uses different formulas.

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