

Company Characteristic and Profitability in State-owned Enterprises: Evidence from Indonesia

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ABSTRACT: This research aims to test the influence of company characteristic (company size, company age, capital structure, and company's growth) on profitability. This study used multiple linear regression to test the influence between variables. The research was conducted on State-owned Enterprises (SOEs) for the years 2014-2018. The data used in the study was 55 data. The results showed that company size, company age, and company's growth did not affect profitability. Capital structure had a negative effect on profitability. Further research is expected to increase the number of samples and use different measurements of profitability.

KEYWORDS: Company Size, Company Age, Capital Structure, Company's Growth, Profitability

I. INTRODUCTION

Some factors that affect the firm value are the size of the company (Purwohandoko, 2017; Bestariningrum, 2015; Hendricks & Singhal, 2012). Purwohandoko (2017) mentioned that the size of the company affects firm value. The larger the size of the company, the better the investor's view of the company. Bestariningrum (2015) empirically proves that the size of the company affects firm value because the small size of the company affects firm value. The results of Hendricks & Singhal's research (2012) show that the size of the company affects the profitability and firm value because the size of the company affects the extent of information disclosure in the company's financial statements. The larger the size of the company, the greater the resources that the company can use to optimize the company's revenue to increase firm value.

Andawasatya, et al (2017) define the size of the company as a characteristic attached to the company based on four aspects, (i) the number of permanent employees and honorers registered or working in the company; (ii) the sales volume of a company; (iii) the amount of the company's debt in

a certain period; and (iv) assets owned by the Company. Unlike Andawasatya, et al (2017), Khafid & Mulyaningsih (2015) measures the size of the company in four aspects, (i) financial performance; (ii) long-term growth; (iii) capital structure; and (iv) corporate governance. Persons (2015) mentions that the most dominant aspect in determining the size of the company is the financial aspect.

Financial performance is the company's ability to generate maximum profit to determine the size of the company. The increase in profit indicates an improvement in the company's financial performance. The level of financial performance affects investor appreciation in assessing management performance reflected in the company's share price. The share price reflects the well-being of shareholders as well as the company's prospects. Thus, financial performance is a connecting aspect with firm value because maximizing firm value through high dividend distribution can be realized (Brigham & Houston, 2010).

Aspects of profitability as one way to measure financial performance (Wibowo and Aisjah, 2014) are very important in maximizing the company's market value through maximizing the stock market price (Atmaja, 2008). High levels of profitability can increase firm value because it reduces the risk of future losses of the company (Suryaningtyas and Rohman, 2019). The company's high level of profitability makes investors interested in investing in the company because the high level of profitability leads to a high return on shares. The higher the demand for the company's shares, the higher the share price of the company in the capital market because the higher the share price the higher firm value.

The results of inconsistent research on the company characteristics on profitability a gap to conduct further research on the role of the company characteristics on the profitability of the company.

This is important because the company characteristics in Indonesia is an interesting phenomenon to be further reviewed. After all, the better corporate governance in Indonesia, the easier it is for investors to trust financial statements and make investments in companies. Understanding the relationship of the four variables is very important in improving firm value and economic stability in Indonesia. Therefore, this study seeks to find empirical relationships between the four variables to support improved company performance and better economic stability.

The research was conducted at state-owned enterprises (SOEs) registered in IDX. The selection of IDX is based on the function of IDX as a media that organizes and provides systems and or means to securitize sale and purchase offers of interested parties.

Based on the background of the problem described above, the objective of this study are:

1. Analyze the influence of company size on the profitability?
2. Analyze the influence of company age on the profitability?
3. Analyze the influence of capital structure on the profitability?
4. Analyze the influence of company growth on the profitability?

II. LITERATURE REVIEW

Company's Characteristics

The characteristics of a company are defined as being specifically attached to a company, sign a company and distinguish it from other companies. Company characteristics can be seen from several aspects such as business or industry type, ownership structure, liquidity level, profitability level, company size, and company life (Suryaningtyas and Rohman, 2019). Meanwhile, Suhardjanto and Wardhani (2010) added the company's registration status in the capital market, and leverage as characteristic of the company. From previous research on company characteristics, the most systematic description was put forward by Wallace, et al (1994) by grouping the company's characteristic variables into 3 categories: a) variables related to structure-related variables, i.e. variables that tend to be stable, such as company size and type of company ownership. b) performance-related variables are variables that change over time. Examples include profitability, leverage, and liquidity. c) variables related to the market (market-related variable), i.e. variables that can change or stabilize over time. Its nature can be qualitative as well as quantitative. Qualitative market variables are dichotomies, i.e. divided into

two groups (yes or no), e.g. industry type and company status. While quantitative market variables, which are variables that can be measured by numbers, for example, the structure of capital ownership and the age of the company. The characteristics of the companies used in this study are the size of the company, the age of the company, the capital structure, and the growth of the company. explanations of each size are described in more detail in the exposure below.

Company Size

The size of the company used in this study is the total assets owned by the company for use in the company's activities. If the company has a large total asset, the management is more flexible in using the assets contained in the company. Bernandhi and Muid (2014) explained that the size of assets in the company's balance sheet can be an indicator of the company's development. A large number of assets can decrease firm value if assessed from the side of the owner of the company. On the contrary, when viewed from a management point of view, large assets will provide ease of management in controlling the company and will increase firm value (Bernandhi and Muid, 2014).

The company with large total assets indicates that the company has reached the maturity stage. At that stage, the company is assumed to have had positive cash flow and good prospects in the future. Also, companies with large total assets reflect the company's financial stability in generating profit (Sofyaningsih and Hardiningsih, 2011). The larger the company, the more funds will be used to carry out the company's operational activities both from internal and external funding. Ikhwandarti, et al (2010) stated that companies with high growth rates tend to require large external funding. Thus, increasing the company's debt can increase firm value.

The characteristics of the company as measured by corporate size positively affect the profitability and firm value (Marchyta&Astuti, 2015). This influence is due to the widespread disclosure of information in financial statements (Ikhwandarti, et al., 2010). The size of the company is a guessing variable that is widely used to explain the variations in disclosures made by companies in the company's annual report. This is following the agency theory that large companies have greater agency costs due to the need for broader disclosure (Ikhwandarti, et al., 2010).

Large companies have great resources, so companies need and can afford to finance the provision of information for internal purposes.

Such information is also material to disclose information to external parties, so there is no need for additional costs to make more comprehensive disclosures. In contrast, companies with relative resources small companies may not have as much ready-to-eat information as large companies, so there needs to be a relatively large additional cost to be able to make as complete disclosures as large companies do. Small companies are generally in a situation of intense competition with other companies (Ikhwandarti, et al., 2010) because information on small companies is easier to replicate to jeopardize the existence of the company if a complete disclosure is made.

Age of the Company

Life is the length of life or the length of time the business operates (since it was founded or held). Dewinta and Setiawan (2016) stated that the age of the company is how long the company still exists and can compete in the business world. The age of the company is the length of time the company operates which shows that the company remains, able to compete in the business world and able to maintain its business continuity documented in the company's objectives.

The company is older and has more experience in publishing annual financial statements. Purwanti (2010) mentioned that the age of the company has a positive relationship with the quality of profit because older companies have more experience in the publication of financial statements. Companies with more experience will know the needs of stakeholders about company information. The age of the company is obtained from the results of the reduction in the current year minus the year of its establishment (Cahyani and Isbanah, 2019).

Capital Structure

The capital structure can be measured by leverage. Leverage is measured by the ratio of total debt to equity ratio which is also called leverage ratio. This ratio compares the amount of capital the owner can guarantee for debt repayment to external parties. The smaller the leverage level the smaller the proportion of debt that must be secured with its capital. The level of liability management relates to the funding of the company, either debt to third parties or capital derived from shareholders. The higher the leverage the greater the agency cost. The Company will tend to disclose why the conditions of liability are in the figure to the public so it is expected that investors are quite clear about the conditions of the company's obligations. The large level of leverage ratio raises doubts about the

company's ability to maintain its business continuity in the future. This is because most of the funds obtained by the company will be used to finance the debt so that the funds to operate will be reduced. Creditors generally prefer a low debt ratio because, in case of liquidation, losses suffered by creditors can be minimized (Utami and Prasetyono, 2016).

Sukoco (2013) calculates leverage with debt to equity ratio. This ratio shows an attempt to show a relative proportion of lenders' claims to ownership rights and is used as a measure of the role of liability (debt). This version analyzes the proportion of liabilities involving the ratio of total liabilities, usually current liabilities and all kinds of long-term liabilities to the owner's total equity. This ratio also shows the relationship between long-term loans provided by creditors and the amount of their capital coming from shareholders. This ratio is obtained from the ratio of total liabilities to the stockholder's equity. According to Arista and Astohar (Utami and Prasetyono, 2016), safe DER is usually less than 50%. Der formula is (Sukoco 2013):

$$DER = \frac{\text{Total Debt}}{\text{Total Capital}} \times 100\%$$

Company's Growth

The company's growth illustrates the benchmark of the company's success. Success is also a benchmark for future investment growth. Titman and Wessel (1988) said that the opportunity to grow as a company is the right proxy for debt agency costs. They suggest that the tendency to make investments is happening to companies that are in a growing industry. The growth of the company can be indicated by the growth of the assets owned by the company. Assets indicate assets used for the company's operational activities. The larger the asset is expected the greater the operating result generated by the company. The increase in assets followed by the increase in operating results will further increase the trust of outside parties in the company. With the increase of external trust in the company, the company's efforts to increase debt become easier, resulting in a larger proportion of debt than the capital itself. This is based on the creditor's confidence in the funds invested into the company guaranteed by the size of the company's assets. Besides, the company's growth indicators can be seen from the increase in sales from year to year.

A company in an industry that has a high rate of sales growth, must provide sufficient capital to cover the company's expenses. Fast-growing companies tend to use debt more than slow-

growing companies. For companies with high sales and profit growth rates, the tendency to use debt as a source of external funds is greater when compared to companies with low sales growth rates (Suryaputra and Christiawan, 2016). Bestariningrum (2015) mentioned that the growth of the company is an opportunity owned by the company in developing itself in the market. In this study, growth was measured using income.

$$\text{Growth} = \frac{\text{Income}_t - \text{Income}_{t-1}}{\text{Income}_{t-1}}$$

Description:

Income_t = Current Year Income

Income_{t-1} = Last Year Income

Profitability

Profitability is the ability to generate profit during a certain period using assets or capital, both overall capital and own capital (Siswanti, 2016; Hermuningsih, 2012; Perdana and Raharja, 2014). Profitability concerns the efficiency of companies using capital, both their capital and foreign capital. The profitability of the company influences the investor's policy to invest in the framework of business expansion, on the contrary, if the level of profitability is low it will cause the investor to withdraw his funds. As for the company itself, profitability can be used as an evaluation of the effectiveness of the management of the company (Siswanti, 2016). Therefore, it takes an analysis tool to be able to assess it. The analysis tool in question is financial ratios. The profitability ratio measures management effectiveness based on the return earned from sales and investments. The profitability ratio is a ratio to assess the company's ability to make a profit (Kasmir, 2016). Thus every company will always try to increase its profitability because the higher the level of profitability of a business entity, the survival of the business entity will be more assured (Hermuningsih, 2012). The ratio directly related to the interests of firm value analysis is Return On Asset (ROA).

ROA is a form of profitability ratio that aims to measure the company's ability to fund all funds invested in activities used for the company's operating activities to generate profit by utilizing its assets (Utami, 2011).

Company Characteristic Effect on Profitability

Effect of Company Size on Profitability

Profitability according to Yumiasih and Isbanah (2017) is the company's ability to earn profit. Investors invest in the company's shares to get a return, which consists of yield and capital gains. The higher the ability to obtain the profit

contained in the financial statements, the greater the return expected by investors. Signalling theory explains that the company gives a sign to the company about financial performance through financial statements. The larger the size of the company the more resources a company can use to make a profit. Yumiasih and Isbanah (2017) and Gunawan and Juniarti (2014). Azhar A, Kirmizi and Putri (2013) and Hariyanto and Juniarti (2014) found that the size of the company negatively affected the profitability of the company. This is because the company's total assets can consist of fixed assets with a high depreciation burden that causes the profitability of the company to decrease. In contrast to the results of the study, Suryaputra and Christiawan (2016) did not find the influence of the size of the company on profitability. Inconsistent research results became a gap in this study, so the hypotheses developed in this study are:

H1: Company size has an effect on profitability

Effect of Company Age on Profitability

Yumiasih and Isbanah's research (2017) shows that there is a positive influence of the company's life on profitability. This is because the long-standing company has rich experience in management and financial management of the company, so there is a high potential for the company to make a profit. In contrast to the research, the research results of Gunawan and Juniarti (2014), as well as Hariyanto and Juniarti (2014) showed that there is a negative influence of the company's age on profitability. This is because the management system that is still traditional owned by the company causes management not to use the resources owned effectively and efficiently which leads to low profitability of the company. In contrast to the two studies Azhar A, Kirmizi and Putri (2013) and Suryaputra and Christiawan (2016) did not find the influence of the company's age on firm value. Inconsistencies in the results of research on the influence of the company's age on profitability became a gap in this study.

H2: The age of the company has an effect on profitability

Effect of Capital Structure on Profitability

High profitability will be a measure of success for shareholders or investors due to profitability as the ratio of return on capital invested by shareholders. Hamidy et al. (2015) and Limbong&Chabachib (2016) mentioned that the capital structure has a positive effect on profitability. The higher the ability to obtain the profit contained in the financial statements, the

greater the company's profit. The signalling theory explains that the company gives a sign to the company about financial performance through its financial statements. The larger the size of the company, the higher the profitability, because the large capital structure of the company can obtain capital that is also large (Marthalova and Ngatno, 2018; and Utami and Prasetiono, 2016).

H3: Capital structure has an effect on profitability

Effect of Company Growth on Profitability

The increase in profitability is reflected in the company's financial statements, which is a signal to investors about the company's financial performance as signalling theory. Maximizing firm value is very important for a company because maximizing firm value means also maximizing the prosperity of shareholders which is the main goal of the company. Companies with low growth rates affect profits, resulting in a decrease in a company's revenue. This is because the increase in sales can cover the costs used during the production process, and thus the profit also increases. Another argument was also put forward by Limbong&Chabachib (2016) that the increase in the company's growth was able to increase the company's revenue. In contrast to the research Suryaputra and Christiawan (2016) mentioned that the level of sales has no effect on firm value. Inconsistent research results became a loophole in this study.

H4: company growth has an effect on profitability

III. RESEARCH METHOD

Research Design

Referring to the purpose of research, the research design used in this study is a type of quantitative research. The purpose of quantitative research in this study is to test the hypothesis that has been established so that its nature can strengthen or have evaluative resilience so that this research also includes confirmatory research. In addition to being affirmative, this study also uses the explanatory pattern (level of explanatory), meaning research that highlights the relationship between variables and hypothesis testing that has been formulated before. Therefore, this research is also named hypothetical testing research or testing hypotheses research (Sugiyono, 2014). Proof of hypotheses in quantitative research results in the calculation of research in the form of statistical data processing to produce in-depth analysis. According to Boateng (2012) and Persman (2014), quantitative approaches are required to be able to find facts with the right interpretation, namely: (i) focusing on problem-solving and evaluation that

exists now, and on actual problems, which in this case is the relationship between the character of the company and profitability; and (ii) the data collected is first compiled, described, and analyzed to be described and searched for relationships between variables. Both interpretations come from secondary data and can be corroborated with primary data. Strengthening primary data can be affirmative or described to deepen statistical findings.

The research uses purposive sampling on SOEs listing in IDX in 2014-2018 in a row and has complete data related to the variables used in the study. The criteria used to select this research sample are as follows:

- Companies registered and active in IDX during 2014-2018 respectively. The criteria sampled are companies that have complete financial statement documents.
- The sampled stocks must have a complete annual report for the period ended December 31 during the 2014-2018 observation period.
- The list of selected companies must have complete data related to the variables used in the study.
- From the three stages above, the last stage is to conduct screening obtained from samples that meet predetermined criteria. Based on the screening, it can be determined in the final sample list.

Based on the list obtained 11 companies over five years so the data in this study is 55 companies. A list of research samples is presented in Table 4. Following.

Research Variables

This study uses dependent variables and independent variables. Independent variables (X) in this study is characteristics of the company. Dependent variable (Y) is profitability as measured by ROA which explains the company's ability to create profits from sales and investments (Hermuningsih, 2012). Profitability is defined as the rate of return earned based on its investment activities. The higher the profitability level of a company, the higher firm value. An independent variable in this study is company characteristics (X), they are total asset, company age, capital structure and company growth. The size of the company is the total assets owned by the company at any given time (Andawasatya, et al: 2017). In measuring the characteristics of the company, this study used the total assets owned by the company. To find out how big the company's assets are through a review of all assets owned by the company (Rahmawati, Topowijono and

Sulasmiyati, 2015). The age of the company is a long-standing company. To find out how long the company is aged is through a review of the company's long-standing (Hariyanto and Juniarti, 2014). DER is a comparison between the amount of the company's debt and the total equities of the company. this ratio shows the company's internal and external funding complexes (Rahmawati, Topowijono and Sulasmiyati, 2015). The company's growth is measured by the level of sales. The level of sales is the high level of sales of a company's goods/services. This shows that the company still exists and can compete in the business world, as well as being able to maintain its business continuity (Hariyanto and Juniarti, 2014).

Variable Operational Definitions

The dependent variable in this study is the level of profitability (Y) measured by ROA which is the measurement of wealth allocation by not looking at the origin of the source of funding. The higher the ROA, the more effective the use of assets by the company. The formulation of ROA in the study is as follows:

$$\frac{\text{Net Income for the Year}}{\text{Total Asset}} \times 100\%$$

An independent variable in this study is Company Characteristics (X2). The measurement of total assets is Ln the total number of assets presented in the financial position statement. This is done to avoid overly distant value differences between these variables and other variables. The measurement of the company's age is done by calculating the length of the year the company was established. The capital structure is measured by DER. The DER formula in this study is:

$$\frac{\text{Total Liabilities}}{\text{Total Equities}} \times 100\%$$

The company's growth is measured by the level of sales. The formulation of sales growth rate in this study is as follows:

$$G = \frac{S1 - S0}{S0} \times 100\%$$

G = Growth Sales Rate

S1 = Total Current Sales

S0 = Total Sales for Last Period

A summary of variables and their measurements is presented in Table 1.

Table 1. Research Variables

No.	Variable	Measurement
1.	Company Size	Ln Total Assets
2.	Company	Number of

	Age	Years The Company Was Established
3.	Capital Structure	(Total Liabilities / Total Equities) x 100%
4.	Company Growth	Growth Sales Rate
5.	Profitability	Return on Asset Ratio

Data Sources

The type and source of data used in research are secondary data, i.e. data obtained not directly, but can be obtained through intermediary media. Secondary data in this study is in the form of the company's annual report. The annual report is used to know two information, namely: (i) to know the financial performance of the company; and (ii) to know the implementation of GCG and (iii) characteristics of companies that have been listed on IDX. These data are obtained from the IDX website, which is www.idx.co.id and support from the official website of each company selected as a research sample. The data used in this study is a type of panel data. Panel data is a type of longitudinal data that is a combination of cross-section data and time-series data. Cross-section data is data collected at one time against many individuals. While time-series data is data collected overtime against an individual object. The form of equations or also referred to as structural models, as follows:

$$Y = \alpha_0 + \alpha_1 X_1 + \alpha_2 X_2 + \alpha_3 X_3 + \alpha_4 X_4 + \epsilon_1$$

Description:

Y = Profitability

α_0 dan β_0 = Constant, the magnitude to X1, X2, X3, X4, X5, X6, X7, X8= 0

X1 = Total Asset

X2 = Company's Age

X3 = Capital Structure

X4 = Company's Growth

IV. RESULT AND DISCUSSION

Research Results

Descriptive Analysis Results

Descriptive statistics provide an overview or description of data viewed from the average value (mean), standard deviation, variant, maximum, minimum, sum, range, kurtosis, and skewness (Ghozali, 2016: 19). In this study, the variables used were independent variables i.e. company size (X1); company age (X2), capital structure (X3), company growth (X4), with dependent variables profitability (Y). Of the 11

samples used in the observation, descriptive statistics show the following data:

Table 2. Descriptive Analysis Results

	N	Min imu m	Maxi mum	Mean	Std. Deviat ion
X ₁	55	.92	1234.2 0	282.8 433	393.82 979
X ₂	55	16.0 0	162.00	65.72 73	40.085 77
X ₃	55	.00	11.60	3.505 6	3.2129 4
X ₄	55	-.29	.82	.1174	.18491
Y	55	.11	11.85	3.355 1	2.3474 2
Valid N (list wise)	55				

Descriptive statistical results for variable characteristics of the company, namely the size of the company, age of the company, capital structure, and growth of the company are described as follows. Variable X₁ obtained an average of Rp 282,843,300,000 with a standard deviation of Rp 393,829,790. This result shows that the average total assets owned by SOEs are very large, amounting to Rp 282,843,300,000. Variable X₂ obtained an average of 65.72 with a standard deviation of 40.08. This result shows that the average SOE has stood long enough so that it has considerable business experience. Variable X₃ obtained an average of 3.5056 with a standard deviation of 3.2129. These results show that most of the company's funding is financed through both long-term and short-term debt. Variable X₄ obtained an average of 0.1174 with a standard deviation of 0.1849. This result shows that the average growth of SOEs is Rp 11% annually. Descriptive statistical results for Y obtained an average of 3,351 with a standard deviation of 2.34742. This result shows that the average return of SOEs compared to their total assets is 3,351 times which means that the average SOE is profitable and can be a means for investors to invest.

Classic Assumption Test

Before multiple regression analysis is performed, the assumption test is the assumption of residual normality, multicollinearity, heteroskedasticity, and autocorrelation.

Normality Test

Table 3. One Sample Test Kolmogorov-Smirnov

Residual	p-value
Model	0.913

From table 3 above, the p-value of model from the Kolmogorov-Smirnov one-sample test is greater than α (0.05). Based on these tests, an H₀ receive decision was taken which means that residual distribution is normally distributed.

Multicollinearity Test

Multicollinearity test is a test shown to test whether in the regression model there is a correlation between free variables (independent variables). A good regression model should not occur multicollinearity. One of the methods used in testing the absence of multicollinearity is to use the Variance Inflation Factor (VIF). If the VIF value is > 10 then it indicates multicollinearity. And if on the contrary VIF < 10 then there is no multicollinearity.

Table 4. Multicollinearity Test with VIF

Variable	Tolerance	VIF
X ₁ (Total Asset)	0.294	3.396
X ₂ (Company's Age)	0.478	2.091
X ₃ (Capital Structure)	0.206	4.845
X ₄ (Company's Growth)	0.868	1.152

Based on tables 4 above it is obtained that all VIF values of each free variable are smaller than 10 with a tolerance value greater than 0.1. Assumptions are met meaning that between free variables there is no strong correlation (no multicollinearity).

Heteroscedasticity Test

This test aims to test whether the regression model has the same residual variance. A good regression model is a model that has the same residual variety (homogeneous). The hypothesis is as follows:

H₀ = homogeneous residual variety

H₁ = homogeneous residual variety

Another heteroscedasticity test to determine whether the regression model has the same residual variance is to use a Glejser test. Glejser tests are performed by regressing between independent variables and their residual absolute values (ABS_RES). If the significance value

between an independent variable and a residual absolute is more than 0.05 then there is no problem

of heteroscedasticity. Glesjer test results are presented in Table 4. Following.

Table 5. Glesjer Test

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta	Tolerance	VIF
1	(Constant)	.569	2.134		.267	.791
	X ₁	-.002	.001	-.482	-2.358	.023
	X ₂	-.008	.005	-.218	-1.465	.150
	X ₃	-.161	.099	-.369	-1.636	.109
	X ₄	-1.008	1.047	-.132	-.962	.341

Table 5 shows that the significant value on an independent variable is more than 0.05 then it is stated that there is no problem of heteroscedasticity.

Table 6. Autocorrelation Test with Durbin Watson

Residual	p-value
Model 1	1.927

Judging from table 6 above, obtained DW values of 1,927. Since the DW value is between -2 to +2, it can be said that there is no residual autocorrelation (assumptions are met). Once all the classic assumptions are met, then proceed to multiple linear analysis to see the direct effect of X on Y.

Autocorrelation Test

The autocorrelation test aims to see if the linear regression model there is a correlation between the bully's error in the t period and the bully's error in the t-1 period. To detect the presence or absence of such symptoms, it can be done by detection with the Durbin-Watson experiment (DW Test) provided that if the D-W number is between -2 to +2, there is no autocorrelation. Based on the test results obtained the following results:

Multiple Linear Analysis

Based on the influence between variables, theoretically presented in the form of equations as follows:

$$Y = \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \epsilon_i$$

Table 7. Simultaneous Test Result F

Model	F	Count F table	p-value F	Description
Model	3,022	2.174	0,008	Significance
R square model		= 0,344		

Model 1 has an F-count value of 3,022 with a p-value of 0.008. Because the F-count value is greater than F-table or the p-value is less than α 5%, it can be concluded in the first model, variable X1 (Company Size), X2 (Company Age), X3 (Capital Structure), and X4 (Company Growth) affect variable Y (ROA).

Hypothesis Testing

Effect of characteristics of the company on Profitability.

Standardize regression test results are shown in Table 8 below:

Table 8. Results of Regression Analysis X to Y

Variable	Beta Coefficient	T	p-value t	Description
X ₁	-0.290	-1.436	0.158	Not Significant
X ₂	0.115	0.725	0.472	Not Significant
X ₃	-0.621	-2.828	0.007	Significant
X ₄	-0.085	-0.605	0.548	Not Significant
t _(0.05,41)	=	2.020		
R Square	=	0,344		

Based on table 8 above, it can be concluded that the value of R Square shows a value of 0.344 or 34.4%. This means that variable Y is described by X₁ (Total Asset), X₂ (Company Life), X₃ (Capital Structure), X₄ (Company Growth), and Y (ROA) of 34.4%, while the remaining 65.6% is influenced by variables outside the free variables studied. Standardize regression equation:

$$Y = 0,518 X_1 - 0,290 X_2 + 0,115 X_3 - 0,621 X_4 - 0,085 X_8 + \epsilon_i$$

The t-count value indicates that:

- 1) Variable X₁ has a calculated |t value| smaller than t-table (1,436 < 2,020) or p-value t greater than α (0.158 > 0.05). Therefore, variable X₁ is said to **have no significant effect** on variable Y.
- 2) Variable X₂ has a value of |t count| smaller than table t (0.725 < 2,020) or p-value t greater than α (0.472 > 0.05). Therefore, variable X₂ is declared to **have no significant effect** on variable Y.
- 3) Variable X₃ has a calculated |t value| greater than t-table (2,828 > 2,020) or p-value t smaller than α (0.007 < 0.05). Then variable X₃ is expressed to **have a significant effect** on variable Y. The negative coefficient obtained indicates the sense that an increase in variable X₃ can significantly decrease variable Y.
- 4) Variable X₄ has a |t calculated value| smaller than table t (0.605 < 2.020) or a p-value t greater than α (0.548 > 0.05). Therefore, variable X₄ is declared to **have no significant effect** on variable Y.

V. DISCUSSION

Effect of Total Assets on Profitability

The study did not succeed in finding the total effect of assets on profitability. The results of this study are similar to research A, Kirmizi, and Putri (2013) which mentions that the success of the company is not only determined by the size of the

company's assets but also other factors such as human resources. Besides, the results of this study are also similar to the results of Suryaputra and Christiawan research (2016) which did not find the effect of total assets on profitability. This is because the characteristics of total assets in most companies that are used as collateral to obtain working capital (Suryaputra and Christiawan, 2016) are not carried out by state-owned enterprises. The results of this study are different from the results of Gunawan and Juniarti research (2014) which found a positive influence of total assets on profitability assuming the total asset size of the company increases the company's ability to produce goods in bulk to reduce production costs. Reduced production costs can increase the profitability of the company. The results of this study are also different from the results of Hariyanto and Juniarti's research (2014) which found a negative influence of total assets on profitability. Furthermore, Hariyanto and Juniarti (2014) mentioned that this negative influence comes from the larger the size of the company the more complicated the bureaucracy in it so that the asymmetric potential of information is also higher.

Effect of Company Age on Profitability

The results of this study did not find the influence of the company's age on the profitability of the company. This research is similar to the results of research Gunawan and Juniarti (2014) and Hariyanto and Juniarti (2014) which mentions that the longer the company stands at a certain level the amount of profit will decrease caused by the number of competitors of the company or the delay of the company following market trends. The results of this study are different from the results of research A, Kirmizi, and Putri (2013) which found a positive influence of the company's age on profitability. This is because the longer the company stands the more stable the company's capital. Capital stability causes the company to be

able to expand the market to strengthen the market and increase the profitability of the company (A, Kirmizi and Putri, 2013).

Effect of Capital Structure on Profitability

The results of this study found a negative influence of capital structure on profitability. This is because the higher the debt owed by the company the greater the interest to be paid by the company, resulting in low profitability of the company. The results of this study are different from the results of research A, Kirmizi, and Putri (2013) which did not find the influence of capital structure on profitability. This is because the addition of debt is done to finance the productive activities of the company so that the addition of debt can cover the additional interest expense due to the loan.

Effect of Company Growth on Profitability

The results of this study did not find the effect of the company's growth on profitability. This is because the sale is a gross turnover that still has to be reduced by the cost of goods and other expenses to determine its profitability. The results of this study are different from the results of Suryaputra and Christiawan (2016) which found a positive influence of the company's growth on profitability. This influence is due to aggressive sales strategy and product diversification conducted by the company to improve the ability to receive products to increase the revenue and profitability of the company.

VI. CONCLUSION

This research aims to test the direct influence of company characteristics (company size, company age, capital structure, and company growth on profitability to company values. The conclusions of the test results are: total assets has no effect on profitability. The age of the company does not affect profitability, this indicates that the company's prolonged life indicates the possibility of management that is still traditional. The capital structure affect profitability, this is because investors care about the company's capital resources as long as the company can pay interest on creditors and provide a good rate of return for investors. The growth of the company does not affects profitability. This is because investors think that sales growth shows that the company uses all the resources it has to optimize the company's turnover. Based on the conclusions contained in this study, the researchers proposed suggestions to improve writing for the next study, among others: The samples used in this study are limited to state-

owned enterprises in Indonesia for further research samples can be enlarged for example in companies that have the same business characteristics as SOEs, to see the difference between SOEs and private companies. Profitability as a dependent variable in this study is measured using ROA for further research can use other measuring instruments such as ROE or ROI see

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