

The Factors of Capital Expenditure, Leverage, Profitability, Company Value Affect the Property Sector

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Abstract- This study aims to analyze the factors that influence the value of the company in the property and real estate sub-sectors listed on the Indonesia Stock Exchange in the period 2014-2019, this study uses secondary data obtained from the official website of the Indonesia Stock Exchange. The sample used in this study was 39 companies selected by the purposive sampling method. By using the panel data regression method to determine the effect capital expenditure, leverage, and profitability on firm value. Panel data regression analysis results show that the variable capital expenditure does not affect the value of the company, while the variable leverage, and profitability affect the value of the company. Based on the results of this study are expected to be a source of information for investors before investing. For companies the results of this study become a reference for improving financial performance so as to increase company value.

Keywords: *Capital Expenditure, Leverage, Profitability, Company Value.*

INTRODUCTION

The property and real estate sector supports growth in the real sector. The real sector, especially the property and real estate sub-sector, is one indicator of the rise of a country's macroeconomic conditions. In a developing country like Indonesia, increasing property development is a sign of an economic improvement. The property and real estate sub-sector is a sector with characteristics that are difficult to predict and high risk. on the other hand, when economic growth has decreased, this sector will quickly experience a drastic decline. Economic growth in Indonesia, one of the supporting factors is the property and real estate sector besides that it is an attraction for investors to be able to invest because land and building prices continue to increase every year, along with population growth and increasing human needs for housing, this is very attractive to be observed because it will provide a very large advantage (Saudi, 2018). The purpose of a company is to maximize firm value, therefore it is expected that managers can carry out financial functions includes investment decisions, funding decisions and dividend decisions. The success in carrying out these functions will be reflected in the company's value. High stock prices also make the company value high, apart from being an investor's perception, company value also shows how successfully the management carries out its duties (Prasetyorini, 2011).

Company management must have the ability to take advantage of all the opportunities that exist for company management, one of which is about financial problems. Financial performance can be seen from investment decisions and funding decisions from the company. In doing business, of course, requires capital costs that will

be used to finance company expenses or Capital Expenditure. Capital expenditure is the cost incurred by a company to buy, repair, or maintain long-term assets necessary for the continuity of the company's business. Long-term assets are property, tools or machines, vehicles, furniture, technology, and others. These assets will be used over the long term, over one accounting period. Even these assets can be used as long as the company is running with the existence of Capital Expenditure, the company can reduce the risk of a smooth production process.

there is damage to fixed assets, so as soon as possible repaired, modernized or buy new assets. With a smooth production process, the more effective the use of fixed assets will be and the better the company's performance. Good company performance will increase the company's stock price and in turn affect the increase in company value the movement of the average company capital expenditure tends to decrease. In 2014 to 2019, there was a decrease. The decrease in the level of capital expenditure in 2014 was not followed by a decrease in company value. And the increase in capital expenditure in 2018 and 2019 was not followed by an increase in company value. The results of research presented by Rahmiati (2013), which states that Capital Expenditure has a positive and significant effect on firm value, which means that the higher the Capital Expenditure, the higher the firm value will be followed. Sarpi (2009), Desak and Wayan (2007) that Capital Expenditure. be one of the factors that will affect the increase or decrease in company value. Besides the capital expenditure variable which is predicted to have a close relationship with firm value is leverage. Nimalathan (2013) states that the leverage variable affects firm value. Different research results put forward by Asmirantho (2014), Sudiani (2015), Dewi and Wirajaya (2013) show opposite results. The decrease in leverage in 2014 was followed by an increase in company value, and vice versa in 2018, the level of leverage has increased while the value of the company has decreased. Another factor that affects firm value is (profitability). Profitability is the company's ability to distribute the revenue it earns to shareholders, the higher the company's profitability value, the greater the profit and the possibility of an increase in the amount

this time, researchers limit the measurement of company leverage by measuring the debt to equity ratio (DER) which is used in analyzing financial statements to measure the extent to which debt can be covered by own capital.

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

Profitability

according to Kasmir (2016), the profitability ratio is a ratio to assess the company's ability to seek profits, while according to Fahmi (2012), the meaning of the profitability ratio is useful to show the company's success in generating profits. In this study, researchers used the proxy Return on equity (ROE) which is the ratio to measure net profit after tax with own capital.

$$\text{ROE} = \frac{\text{EAT}}{\text{Equity}}$$

The value of the company

Firm Value Is the market value of a company's equity plus the market value of debt. Thus, the addition of the

company's equity to the company's debt can reflect firm value (Kusumajaya, 2011). To create value or value for the company, financial managers must make investment decisions, and the right funding decisions. High company value will be followed by high shareholder wealth (Bringham & Houston, 2006), so that the higher the stock price the higher the value. company. There are several ratios to measure the market value of a company, one of which is Tobin's Q. This ratio is considered to provide the best value, because this ratio can explain various phenomena in company activities, for example the occurrence of cross-sectional differences in investment decision making and diversification Sukamulya (2004). This study tries to examine firm value with a firm value approach using the Tobin's Q ratio. The reason for choosing Tobin's Q ratio in this study to measure firm value is because the calculation of the Tobin's Q ratio is more rational considering that the elements of obligation are also included as the basis for the calculation. The calculation formula (Su Journalist & Yasa, 2016):

$$Q = \frac{\text{MVE} + \text{Total Debt}}{\text{Total Asset}}$$

Based on previous descriptions and referring to previous research, the research hypothesis can be formulated as follows:

H1: Capital Expenditure has a positive and significant effect on firm value

H2: Leverage has a positive and significant effect on firm value.

H3: Profitability has a positive and significant effect on firm value.

This research was conducted at Property and Real Estate companies listed on the IDX in 2014-2019.

METHODOLOGY

Types and Sources of Data

In this research, the method used is descriptive method with a quantitative approach (Martono, 2012). The data used is historical from time series and cross section. Secondary data used for this study were obtained from sources of banking sector companies for the period 2014 to 2019 which were obtained from the website www.idx.co.id. And the company's annual financial reports are obtained from the respective websites of the company's official web pages.

The Population and Sample

The population used in this study were all Property and Real Estate companies listed on the IDX in 2014-2019, totaling 65 companies. Using purposive sampling technique, the resulting sample is 39 companies.

Data Analysis Model

Testing this population study uses a model regression panel data with the Eviews 9 program. The analysis used is combine between cross section and time series must select the appropriate estimation model so that the research results are more accurate. In general, there are three estimation models, Random Effect Common Effect, and Fixed Effect, For The regression model in this study can be expressed by the:

$$Y = C + b_1X_1 + b_2X_2 + b_3X_3 + e$$

where:

X1 = Capital Expenditure

X2 = Leverage,

X3 = Profitability

Assumption Classic Test

Assumption classical test used in study consisted of normality, multicollinearity test, autocorrelation test, and heteroscedasticity test. The normality test is carried out to find out whether in a regression model, the residuals are normally distributed. One form of normality tests be used in the research from Jarque-Bera.

Multicollinearity

Multicollinearity test is conducted to see whether there is a linear relationship between the independent variables in the panel data regression model. If the value in the correlation matrix is below 0.8, there will be no multicollinearity between the independent variables. The autocorrelation test used the Durbin-Watson statistical test pioneered by J. Durbin and G. Watson in 1951 (Ghozali, 2013).

Heteroscedasticity

The Heteroscedasticity test occurs due to changes in situations that are not reflected in the regression model specifications which result in the accuracy of the data. Ghozali (2013). The heteroscedasticity test in this study used the Breusch-Pagan Godfrey (BPG) test. In the Breusch-Pagan Godfrey test, probability values will be obtained. The test criteria are if the prob. value. α count is smaller than α 5%. it can be said that the variable independent for explain dependent variable.

Hypothesis Testing (t test)

t-test shows how strong the influence of one independent variable individually to explain the dependent variable. If a calculated probability value $> 0,05$, its means that the independence variable has no influence on the dependent variable. Conversely, if the value of probability $< 0,05$ meand that the independent variable has an influence on the dependent variable.

RESULTS AND ANALYSIS

The Jarque-Bera test results to determine the normality of the data, showing a probability value $0,00 < 0,05$ meaning its not normally distributed, even though the data is not distributed. normal, but these data can be used for further testing, because 81% of the population was used as the study sample. The results multicollinearity correlation for independent variable. showed no multicollinearity symptoms among the independent variables, because the whole correlation coefficient was below 0.8. The results of the heteroscedasticity test using the BPG show that the probability-value obs * square is $0.262 > 0.05$, which indicates that there is no heteroscedasticity among the residuals in the regression model. In panel data regression, to be able to determine the right model in this study must first go through several test stages. First, the Chow test is conducted, which compares whether the Comment Effect or Fixed Effect model is good to use.

The results obtained from the Chow test are the Fixed Effect model that is appropriate to use because the Chi Square cross-section probability value is $0.0000 < 0.05$. The second stage is to conduct a Hausman test which compares whether a Fixed Effect or Random Effect model is appropriate to use. The result obtained from the Hausman test is a random cross-section value of $0.1199 > 0.05$ so that the correct model is the random effect. The third stage is to perform a Lagrange-Multiplier test that compares whether the correct fixed and random effect model

is used. The results are obtained from the Lagrange-Multiplier test is the Breusch-Pagan value of 0.0000 which is smaller than the significant value of 0.05 . So that the appropriate model in this study is the random effect model. Panel data regression:

Table 1: F Statistic

Variable	Coefficient	Std. Error
Capital_Expenditure	-0.206552	0.423588
Leverage	0.198556	0.072827
Profitabilitas	1.089168	0.455391
C	0.674951	0.145302
R-squared	0.204760	
F-statistic	14.74084	
Prob(F-statistic)	0.000000	

source: data processing

Based on the results contained in Table 1, equation form a

$$Y: 0.674936 - 0.206452X_1 + 0.198564X_2 + 1.089098X_4$$

F Test Results

The F test illustrates that the independent variables used in this research are able to explain the dependent variable by level 5% confidence. The results of the F test as shown in Table 1 above show that the prob. value (F-statistic) is $0.00000 < 0.05$. which means that the variables Capital Expenditure, Leverage, and Profitability jointly affect firm value. Meanwhile, the coefficient of determination test results show that the regression model developed is still relatively weak, because the coefficient of determination (R²) is only 20.47%, the remaining 79.53% is influenced by other variables outside of this study.

Table 2: DER and Profitability

Variabel	t-Statistic	Prob.
<i>Capital Expenditure</i>	-0.4876	0.6263
<i>Leverage</i>	2.7264	0.0069
<i>Profitabilitas</i>	2.3917	0.0176

source: data processing

The test results in Table 2 show that the leverage variable, namely DER and profitability, namely ROE, has a

positive and significant effect on firm value because the probability value (α_{count}) < 0.05.

DISCUSSION

Capital Expenditure on firm Value

The results of this study indicate that capital expenditure has no effect on firm value, so the hypothesis is rejected. This condition shows that an increase or decrease in the capital expenditure not effect on firm value. Investors do not pay much attention to the capital expenditure issued by the company, that is. The allocation of funds issued by the company for capital expenditures in the form of fixed assets is not the main consideration for investors in buying shares in the property and real estate sub-sector companies. This research is in line with research conducted by Sudiyanto et al. (2012) which states that capital expenditure has no effect on firm value. This study is contrary to research conducted by Rahmiati (2013) which states that capital expenditure has a positive effect on firm value.

The Effect of Leverage on Firm Value

The test results show that Leverage has a positive effect on Firm Value in the property and real estate sectors. so that the hypothesis is accepted. This condition shows that the more funds that come from debt, the more the company value will be increased. The greater the use of debt will motivate the company to improve performance because of the responsibilities that must be fulfilled to the creditor. The results of this study are in line with Norawati Harapan (2015) and Divya (2017), which state that liver has a positive effect on firm value.

Effect of Profitability on Firm Value

The results of this study indicate that profitability has a positive and significant effect on firm value. So that the fourth hypothesis is accepted. This condition shows that the more profitable a company is, the more trusted by investors. The results of this study are in line with research conducted by Tri Wahyuni (2013) and Norawati Harahap (2015) which states that profitability has a positive effect on corporate value.

CONCLUSION

The results of the study show that the regression model used has passed the classical assumption test and the regression model used is correct based on the results of the F test. The test results of the coefficient of determination show that the variables used in this study are able to explain the dependent variable by 20.47%. Hypothesis test results show that leverage and profitability have a positive and significant effect on firm value.

SUGGESTIONS

For Investors

The research that was conducted still has several limitations that can affect the results of the research, this research is expected to provide information for potential investors that can be taken into consideration before making the right investment decisions, so that obtain the expected profit

For the Company

The results of this research are expected to become a reference for company management in making policies and become information that can help management in making decisions regarding the application of corporate

value.

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