

The Effect Of Profitability On Company Value In Property And Real Estate Companies Listed On The Indonesian Stock Exchange From 2020 To 2023

(Pengaruh Profitabilitas Terhadap Nilai Perusahaan Pada Perusahaan Properti Dan Real Estate Yang Terdaftar Di Bursa Efek Indonesia Tahun 2020 Sampai Dengan 2023)

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Abstract: The property and real estate sector plays an important role in the Indonesian economy, but the profitability and company value in this sector show fluctuating trends.

Objectives: This study aims to analyse the profitability, company value, and the effect of profitability on company value in property and real estate companies listed on the Indonesia Stock Exchange for the period 2020–2023.

Methodology: This study uses a quantitative method with purposive sampling of 40 data points, using secondary data from financial reports, and analysed using simple linear regression through SPSS version 24.

Research Results: The analysis results show that profitability has an average value of 4.289 and average company value of 1.189, both of which show a positive trend. The regression test proves that profitability has a positive and significant effect on company value, with a coefficient of determination of 0.418.

Keywords: Profitability, Firm Value, Real Estate.

1. Introduction

A company is a business entity that operates to produce goods or services with the main objective of making a profit and creating value for owners and shareholders. In the context of national economic development, the property sector has a strategic

role because it not only absorbs a large workforce but also provides a multiplier *effect* for other sectors such as industry, trade, and services. The Indonesian Real Estate Research (REI) emphasises that this sector contributes significantly to the economy through its links with various supporting industries and the development of financial products (Egi Gumala Sari and Yusuf Faisal (2024).

High company value is often seen as an indicator of shareholder welfare, as it reflects rising share prices and market confidence in the company's long-term prospects. Thus, company value not only reflects current performance but is also an important measure in assessing future growth potential (Suryandani 2018; Chiquitta Kristiolina Ompusunggu and Henryanto Wijaya 2021).



(Source: Industry data, 2025)

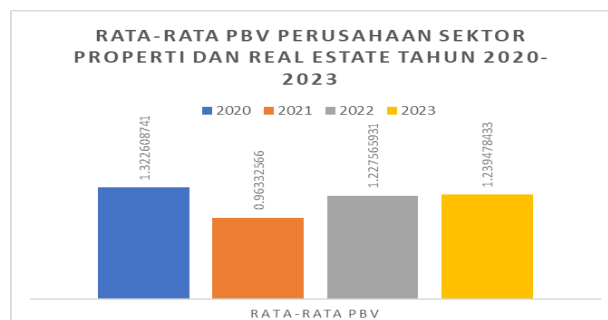
Figure 1. Growth Trends in the Property and Real Estate Industry

The real estate industry in Indonesia plays an important role in the national economy due to its contribution to the formation of Gross Domestic Product (GDP). Although the nominal value of this sector's GDP continued to increase throughout 2011–2025, the annual growth rate showed an unstable pattern. After experiencing a slowdown in the 2011–2016 period, the sector recorded a recovery in 2019, but was again depressed by global uncertainty and the COVID-19 pandemic in 2020–2022. Projections for 2024 to the first quarter of 2025 indicate an improvement, although the recovery is still relatively moderate.

Previous studies have shown that the real estate sector plays an important role in the national economy, not only through its contribution to GDP, but also because of its multiplier effect on the construction, banking, and financial services sectors (S. Royan Sumando, Isfenti Sadalia 2022). The commercial property price index has even been

shown to have a significant impact on economic growth, while the residential index does not have the same effect (Pujiningsih, Khoirudin, and Khasanah 2024). Other findings confirm that the performance of this sector is greatly influenced by macroeconomic factors and internal company conditions, including GDP, interest rates, inflation, profitability, and leverage (Olivia Yurisafira, Yos Sunitiyoso 2023).

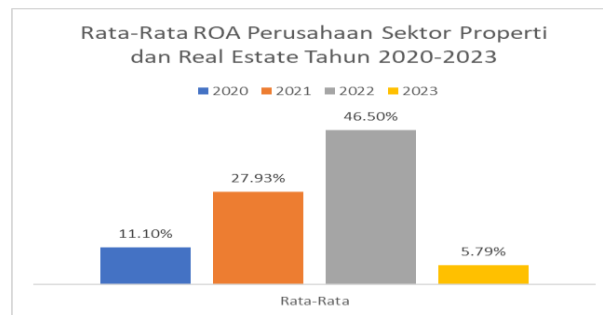
A company's value reflects investors' perceptions of its success in generating profits and is often measured by its share price. An optimally managed capital structure enables companies to maximise their use of capital, which has an impact on increasing profitability. Consistent profit growth not only strengthens company value, but also increases investor confidence and competitive position in the market (Imanullah and Syaichu 2023; Nurcahyati and Apriadi 2025).



Source: Financial Reports, Data processed, 2025

Figure 2. Average PBV of the Property and Real Estate Sector from 2020 to 2023

The data for the 2020–2023 period in Figure 2 shows that the average Price to Book Value (PBV) of companies in the property and real estate sector in Indonesia has fluctuated. PBV values declined sharply in 2021 due to weak demand, then improved in 2022 in line with economic recovery, and weakened slightly again in 2023. This trend illustrates that market valuation of companies does not only depend on internal performance, but is also influenced by external factors such as monetary policy and macroeconomic conditions. Therefore, companies are required to devise strategies that can maintain profitability in order to keep investor value and confidence stable.



Source: Processed data, 2025

Figure 3. Average ROA of Property and Real Estate Companies from 2020 to 2023

Figure 3 shows the development of Return on Assets (ROA) for companies in the property and real estate sector in Indonesia in 2020–2023, which shows sharp fluctuations, from 11.10% in 2020 to 46.50% in 2022, then dropping drastically to 5.79% in 2023. This condition confirms that the profitability of this sector is not yet stable and is greatly influenced by macroeconomic factors, market demand, and the effectiveness of asset management. Previous research has proven that ROA has a positive effect on Price to Book Value (PBV), so that increased profitability can strengthen company value and investor confidence (Meliana Kharisma Putri, Khaeruman 2024). Thus, efficient asset management is key for companies to maintain performance and value sustainability amid external dynamics.

2. Theoretical Review

2.1. Financial Statement Analysis

According to (Alexander Thian 2022), financial statement analysis is understood as a systematic process of dissecting the components of financial statements into more detailed parts in order to gain a more accurate understanding of the company's condition. This process allows for the identification of the company's strengths and weaknesses while providing a basis for decision-making aimed at improving performance and business sustainability. In line with this, (Harahap 2018) emphasises that financial statement analysis also includes the breakdown of financial statement items, both quantitative and non-quantitative data, to assess significant correlations between elements, thereby producing more in-depth information about the company's financial position and supporting more accurate managerial decisions.

According to Ittelson and Robinson in (Setiawati 2025), emphasises the function of this analysis as a tool for understanding the internal conditions of a company, while Robinson sees it as the application of various techniques, including ratio and trend analysis, to assess performance and monitor financial pattern dynamics. Recent empirical studies also confirm the relevance of financial ratios as performance indicators (Lestari, Setyawati, and Paulina Maria Try Kabora, 2023) and show that financial performance and macroeconomic factors contribute significantly to the formation of company value (Faradila and Effendi 2023). Therefore, financial statement analysis is not only a means of understanding the internal condition of a company, but also serves as a strategic foundation for formulating business policies oriented towards sustainability.

2.2. Understanding Financial Accounting

Financial accounting essentially functions as an information system that generates financial statements for use by both internal and external parties. (Bahri 2020:4), explains that financial accounting involves the process of recording transactions and preparing periodic financial statements in accordance with financial accounting standards. According to (Hanggara 2019), financial accounting is a branch of accounting that focuses on recording all of a company's financial activities and processing economic transactions comprehensively, which are ultimately presented in the form of financial statements.

(Kieso, Weygandt, and Warfield 2019), emphasise that financial accounting is a process that culminates in the preparation of financial statements, which play an important role in business decision-making. Financial accounting aims to produce information intended for external parties (Eddy Purnawirawan and Sunarno Sastroatmodjo 2021). Thus, financial accounting focuses on the preparation of periodic financial statements that can be used by external parties as a basis for decision-making.

Theoretically, financial accounting plays a strategic role in reducing information asymmetry through the agency theory framework, particularly in the context of

market efficiency and governance. Additionally, the stakeholder theory approach now increasingly emphasises the need for inclusive reporting to various stakeholders, not only shareholders, but also to create shared value and strengthen the social legitimacy of the organisation (Hörisch, Schaltegger, and Freeman 2020; Khomsiyah, Nilawati, and Aryati 2024; Rissy 2021).

2.3. Profitability

Profitability is a company's ability to generate profits through a series of policies set by company management. According to (Lawrence J. Gitman 2015), profitability reflects the relationship between income and expenses arising from the utilisation of all company assets, both current and fixed, in productive operational activities. This shows the extent to which a company is able to manage its resources to generate profits, while also serving as an indicator of management's effectiveness in maximising the value of its assets. (Kasmir 2019) states that profitability is a ratio used to assess a company's ability to seek profits or gains. This ratio also provides a measure of the effectiveness of company management, as reflected in the profits obtained from sales and investment income.

A low profitability ratio indicates suboptimal company performance, while a high ratio reflects better performance. Profitability serves as an indicator to assess how effectively a company utilises its assets and how efficiently management manages resources to generate profits (Imelza Ariani et al. 2023). It can be concluded that profitability is a company's ability to generate profits through policies established by company management and as a tool to measure the effectiveness of a company so that investors can invest their capital in the company.

2.4. Company Value

Company value reflects the market's perception of a company's performance and prospects. According to (Harmono 2016), company value can be measured through the share price formed from the interaction of supply and demand in the capital market, which reflects the public's assessment of the company's performance. A high

share price indicates strong market confidence in the company's ability to generate profits and manage resources effectively.

Similarly, (Indrarini 2019:2) states that company value is investors' perception of the success of managers in managing the company's resources entrusted to them, which is often associated with stock prices. Company value can be measured using valuation ratios or market ratios, such as Price to Book Value (PBV), Price Earning Ratio (PER), and Tobin's Q, which provide an overview of the company's performance and prospects in the eyes of investors.

3. Research Methodology

This study uses a quantitative approach with the aim of testing the effect of profitability (X) on company value (Y) in property and real estate issuers listed on the Indonesia Stock Exchange (IDX) during the period 2020–2023. The research population includes 15 companies in related sectors, while sample selection was conducted through purposive sampling, resulting in 40 company observations according to the research criteria. The type of data used is secondary data, obtained through documentary studies of annual financial reports and sustainability reports published on the official websites of the IDX www.idx.co.id, idnfinancials.com, sahamok.com, and the official websites of each company.

The analysis methods included classical assumption tests (normality), correlation analysis, coefficient of determination, and multiple linear regression analysis, which were then used as the basis for hypothesis testing. The entire data analysis process was carried out using SPSS version 24 software.

4. Reseach Result

4.1. Descriptive Statistics

Table 1. Descriptive Statistics

Descriptive Statistics							
	N	Min	Maximum	Mean	Standard Deviation	Skewness	Kurtosis

	Statistic	Statistic	Statistic	Statistic	Statistics	Statistics	Standard Error	Statistic	Standard Error
Profitability	40	-5,000	19,960	4.28925	5,341.777	1,359	.374	2,554	.733
Company Value	40	.001	5,750	1.18880	1.401091	1.802	.374	2.817	.733
Valid N (listwise)	40								

Source: (SPSS data output results)

Based on the descriptive statistics in Table 1, the profitability variable has an average value of 4.29 with a standard deviation of 5.34, indicating a fairly high level of data variation. Positive skewness (1.36) and positive kurtosis (2.55) values indicate a right-skewed and relatively flat data distribution. Meanwhile, the company value has an average of 1.19 with a standard deviation of 1.40, which also indicates a large variation in data. The distribution of company values tends to be skewed to the right with a wide spread, as indicated by a skewness of 1.80 and a kurtosis of 2.82.

4.2. Normality Test

Table 2. Normality Test Results

One-Sample Kolmogorov-Smirnov Test		
		Unstandardised Residual
N		40
Normal Parameters ^{a,b}	Mean	.000000
	Standard Deviation	.75725495
Most Extreme Differences	Absolute	.132
	Positive	.132
	Negative	-.099
Test Statistic		.132
Asymp. Sig. (two-tailed)		.078 ^c
a. Test distribution is Normal.		
b. Calculated from data.		
c. Lilliefors Significance Correction.		

The results of the Kolmogorov-Smirnov normality test in Table 2 show a significance value of 0.078 (>0.05), so that the residual data is normally distributed and meets the classical assumptions for regression analysis.

4.3. Correlation Test

Table 3. Correlation Test Results

		Correlations	
		Profitability	PBV
ROA	Pearson Correlation	1	.841**
	Sig. (two-tailed)		.000
	N	40	40
PBV	Pearson Correlation	.841**	1
	Sig. (two-tailed)	.000	
	N	40	40

** . Correlation is significant at the 0.01 level (two-tailed).

Based on Table 3, the correlation test results show that profitability (ROA) has a very strong positive relationship with company value (PBV), as indicated by a correlation coefficient of 0.841 with a significance of 0.000 (<0.05). This finding indicates that the higher the company's profitability, the greater the tendency for an increase in company value.

4.4. Multiple Linear Regression Analysis

The results of the simple linear regression analysis produced the equation $Y = 0.242 + 0.221X + e$, which shows that every one-unit increase in profitability (X) will increase company value (Y) by 0.221 with a constant of 0.242. This confirms the positive effect of profitability on company value.

4.5. Partial Test (T-test)

Table 4. T-Test Results

		Coefficients ^a				
		Unstandardised Coefficients		Standardised Coefficients	t	Sig.
Model		B	Std. Error	Beta		
1	(Constant)	.242	.156		1.549	.130
	Profitability	.221	.023	.841	9,596	.000

a. Dependent Variable: Company Value

The t-test results in Table 4 show that the profitability variable has a significant effect on company value with a regression coefficient value of 0.221, a t-value of 9.596, and a significance of 0.000 (< 0.05). This confirms that profitability has a positive and significant relationship with company value, so that the higher the profitability, the greater the company value.

4.6. Coefficient Determination Test

Table 5. Results of the Coefficient of Determination Test

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Standard Error of the Estimate	Durbin-Watson
1	.841 ^a	.708	.700	.767154	1,908
a. Predictors: (Constant), Profitability					
b. Dependent Variable: Company Value					

The results of the coefficient of determination test in Table 5 show that the R Square value is 0.708, which means that profitability can explain 70.8% of the variation in company value, while the remaining 29.2% is explained by other factors outside the research model. This finding indicates that profitability has a strong contribution in determining company value.

4.7. Coefficient Determination Test

The results of the descriptive analysis show that the profitability variable in the property and real estate sector companies has a minimum value of -5.000 and a maximum of 19.960 with an average of 4.289 and a standard deviation of 5.342, which indicates high data variation. In general, profitability is on a positive trend, reflecting the effectiveness of companies in generating profits, in line with the findings of Egi Gumala Sari and Yusuf Faisal (2024), and (Yuyun Yunaningsih 2025), which confirm that an increase in the profitability ratio contributes to company performance and an increase in market value. Meanwhile, the company value variable has a minimum value of 0.01 and a maximum of 5.750 with an average of 1.189 and a standard deviation of 1.401, indicating a fairly large level of variation. An increase in company value reflects increased investor confidence, consistent with the research

by (Novitasari and Indrawati 2024), which states that high stock prices reflect good company value and attractiveness to investors.

The partial test results show that profitability has a significant effect on company value, with a significance value of 0.000 (<0.05) and a t-value of 9.596 greater than the t-table value of 2.023. Thus, the hypothesis stating that profitability has a positive effect on company value is accepted. This finding is in line with previous studies (Wisang Candra Bintari et al. 2024; Nofi Nurhidayaha et al. 2024) which confirm that the higher the profitability, the better the company's performance, which ultimately increases investors' perception of company value.

5. Conclusion

The results of this study confirm that profitability has a positive and significant effect on company value in the property and real estate sector listed on the Indonesia Stock Exchange for the period 2020–2023. The findings show that an increase in profitability contributes directly to an increase in Price to Book Value (PBV), making it an important indicator in shaping investor perceptions and providing a signal of optimism about the company's performance and prospects.

In practical terms, these results emphasise the need for companies in the property sector to prioritise strategies that support increased profitability, whether through cost efficiency, optimisation of asset utilisation, or the development of business models that are responsive to market dynamics. Continuous improvement in profitability will strengthen the company's financial position while increasing investor interest in the company's shares.

For future research, it is recommended that the variables used be expanded to consider other factors, such as capital structure, dividend policy, company size, and macroeconomic variables. In addition, a longer research period and cross-sector comparative analysis will provide a more comprehensive understanding of the determinants of company value in the Indonesian capital market.

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