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The Effect of Profitability, Debt Policy, and Investment Decisions on the Value of Insurance Companies Listed on the Indonesia Stock Exchange (2019-2023)

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Abstrak: This study analyzes the effect of profitability (ROE), debt policy (DER), and investment decisions (PER) on company value (PBV) in the Indonesian insurance sub-sector (IDX, 2019-2023) using multiple linear regression and secondary data from company financial reports. The regression analysis shows a positive and significant effect of profitability (ROE) and a negative and significant effect of debt policy (DER) on company value (PBV). Investment decisions (PER), although showing a positive effect, are not statistically significant. The model explains 66.5% of the variance in PBV. These findings have practical implications for investors, insurance company management, and regulators in investment decision-making, corporate strategy, and regulatory development. This research contributes original insights by providing up-to-date empirical data for the post-pandemic period, filling a gap in the literature, and offering a comprehensive understanding of the dynamics of insurance company valuation in Indonesia.

Keywords: Profitability, Debt Policy, Investment, Decisions.

A. Introduction

Modernization and rapid technological development and economic progress in Indonesia have had both positive and negative impacts. One of the important pillars of wise financial planning is insurance (Pangestu, 2022). The advantage of insurance lies in its ability to provide comprehensive financial protection, reducing the negative impact of various unforeseen risks. By having an insurance policy, one can feel peace and security knowing that the family's valuable assets and well-being are protected from potential financial losses that can be devastating (Ghozali, 2018). These advantages include various types of insurance products that are tailored to various needs. For example, health insurance provides protection against medical expenses that are often very high, while vehicle insurance protects against losses due to accidents or theft. Property insurance, like home insurance, provides a guarantee of protection against damage or loss of valuable property (Ghozali, 2021). Furthermore, life insurance plays a crucial role in securing the future of the family by providing financial benefits to the heirs in the event of the policyholder's death, thus helping to ease the financial burden of the left behind family and ensure their survival (Riyanto, 2022).

Agreements between insurance companies and the insured, while intended to provide protection, are also vulnerable to insurance fraud by the insured or third parties who intentionally commit unlawful acts to gain financial gain illegally. The Indonesian Life Insurance Association (AAJI) has recorded a significant increase in insurance fraud cases in recent years, especially due to "false death claims" with the mode of falsifying documents, murder, and false witnesses. This situation was exacerbated by the Covid-19 pandemic which had a negative impact on the global stock market. The decline in the value of the stock market results in a decrease in the value of investments in unit-linked insurance policies. This situation highlights the importance of strict OJK supervision and education for the public to prevent fraud (Gulo & Arita, 2023).

Assessing the performance and financial health of a company is crucial, both for investors and the management of the company itself. Various methods are used to determine the value of a company, and one of them is Price to Book Value (PBV), as explained by (Brigham & Houston, 2019). PBV is a ratio that compares the market price of a stock to its book value per share, providing an idea of how the market values a company relative to its net assets (Hairudin et al., 2022).

Table 1.1. Price Book Value
Insurance Sub-Sector Companies listed on the IDX for the 2019-2023 period

No.	Issue Code	Price Book Value (PBV)					Flat - Flat
		2019	2020	2021	2022	2023	
1	ABDA	3,45	2,49	2,40	2,76	2,32	2,69
2	AMAG	0,76	0,56	0,90	1,06	0,85	0,83
3	ASDM	0,31	0,24	0,25	0,24	0,24	0,26
4	ASMI	21,71	20,00	5,03	2,50	1,16	10,08
5	ASRM	0,11	0,25	0,23	0,20	0,18	0,20
6	LPGI	0,03	0,03	0,04	0,24	0,14	0,10
7	MREI	1,39	1,39	1,58	1,60	0,74	1,34
8	MTWI	0,73	0,69	1,29	1,09	0,77	0,91
Flat - Flat		3,56	3,21	1,47	1,21	0,80	2,05

Source : www.idx.co.id, www.britama.com (Data processed)

As shown in table 1.1, the Price Book Value (PBV) of insurance subsector companies on the IDX for the 2019-2023 period, with average PBV fluctuating between years and between companies. This is consistent with the statement that profitability, which is very important in determining the value of a company, shows significant fluctuations in Indonesia's insurance subsector during the period (Kusaendri, 2022).

According to Kasmir (Kasmir, 2021), these profitability ratios serve as an important indicator to evaluate how effective a company is in converting revenue into profits and at the same time reflects management's efficiency in managing the company's resources. The higher the profitability ratio achieved, the greater the attractiveness of the company to potential investors, thus potentially increasing the company's value in the market. Analysis of profitability ratios, particularly ROE, which shows fluctuations from year to year and between companies, indicates that many insurers have not yet achieved optimal profitability, as described in the next paragraph (Sabrina & Maulana, 2024). An ROE value below 1 indicates inefficiency in generating profits from shareholder equity.

Daniel Brando Siahaan explained (Siahaan & Herijawati, 2023), increasing the value of the company directly has an impact on increasing the wealth of shareholders. Therefore, understanding and managing company values is the key to success for any company. A company's value can be measured from a variety of perspectives, including stock market value (based on the stock price in the market), book value (the difference between total assets and total liabilities), and intrinsic value (the true value of assets and potential earnings). In the context of companies that are already listed on the stock exchange (Go Public) (Riyanto, 2022), the interaction between the demand and supply of stocks in the market determines the price of the stock, which then contributes to the valuation of the company's overall value. The PBV ratio provides valuable insights into the market's perception of a company's value relative to its book value, providing important information for the Company's investment and management decision-making (Syafrida, n.d.).

The use of debt as a source of funding is an important strategy implemented by companies to support the growth and development of their business (Kusaendri, 2022). Debt policy, as described by Brigham & Houston in his book (E. F. Brigham & Houston, 2021), is the company's option to utilize debt as an additional source of financing, complementing internal funding sourced from retained earnings. High debt levels, however, can have a significant impact on a company's financial performance as well as the

dividend policy implemented, as emphasized by (Juan Carlos Pangestu , 2022). Companies often need considerable funds to carry out various operational activities, expand, or invest in new projects. Therefore, debt policy is an integral part of a company's financial strategy. An effective debt policy refers to a planned and measurable strategy in managing and utilizing debt as a source of financing, with the primary goal of supporting sustainable business growth, increasing corporate liquidity, and ultimately, maximizing value for shareholders (Harmon, 2022).

This study uses Debt to Equity Ratio (DER) as the main indicator of debt policy, which shows the proportion of financing from debt to own capital. The DER analysis aims to assess a company's reliance on debt and its implications for performance and risk. The results of the analysis of the ROE and DER of ABDA, AMAG, ASDM, ASMI, ASRM, LPGI, MREI, and MTWI companies (2019-2023) show significant annual fluctuations without a clear trend. Key anomalies include very high DER MTWI in 2020 and 2023, as well as high but unsustainable ASDM ROE in 2019. This variability requires further analysis, including comparisons with industry benchmarks, studies of financial statements and corporate strategies, and macroeconomic and industry contexts.

On the IDX, a company's value can change significantly in seconds, minutes, or even hours, indicating the high level of competition and fluctuations in the current economy. Therefore, the right and strategic investment decisions are crucial for companies to attract investors and increase the company's value in the market (Wulandari et al., 2021). The investment decision-making process involves a commitment to allocate financial resources into various assets in the hope of generating future profits, as explained by (Rajagukguk et al., 2019). PER is a simple ratio obtained by dividing the stock market price by earnings per share. A high PER ratio indicates that investors are willing to pay a higher price for every rupiah of profit generated by the company.

This can indicate a positive growth prospect for the company in the future and is attractive to investors looking for great profit potential. In other

words, companies with high PERs are considered to have the potential to generate greater profits for investors compared to companies with low Per. Therefore, the company's management must consider the PER in investment decision-making to maximize the company's value and its attractiveness in the capital market (Arochman & Southampton, 2024).

The results of research that have been conducted by various parties show that there are differences in research results regarding the influence of profitability, debt policy, and investment decisions on company value. Although some studies have shown a positive relationship between profitability and company value (Suardana, Endiana, & Arizona, (2020); Rajagukguk, Ariesta, & Pakpahan, (2019), another study found different results. Hartono, Susanti, and Fauzi (2019) for example, found a non-significant positive influence of investment decisions, while Putranto, Maulidhika, and Scorita (2022) note the negative influence of profitability. Arizki, Masdupi, and Zulvia (2019), even finding a negative influence of investment decisions on the value of the company. This lack of consistency shows the need for further research, especially focusing on the insurance sector in Indonesia for the 2019-2023 period to provide a more comprehensive and contextual picture.

This disparity in findings sparked interest in conducting further research to provide a more comprehensive understanding. Therefore, this research was conducted with the title "The Influence of Profitability, Debt Policy, and Investment Decisions on Company Value in the Insurance Subsector Listed on the Indonesia Stock Exchange 2019-2023".

B. Method

This study uses an associative quantitative approach to test the hypotheses that have been formulated. Reliable secondary data, obtained from the Indonesia Stock Exchange (www.idx.co.id) and the official websites of the insurance companies studied, were statistically analyzed to uncover the cause-and-effect relationship between variables. This approach is in accordance with the philosophy of positivism (Scott, 2019), allows

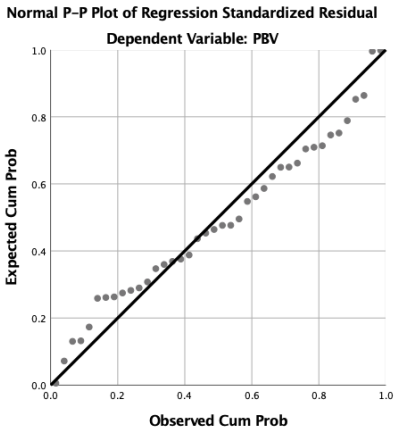
hypothesis testing and answering the formulation of research problems. The quality and reliability of data are guaranteed thanks to the use of reliable sources. Systematic research planning and implementation is a crucial stage in the research process (Nazir, 2017).

This associative research examines the relationship between profitability (X1), debt policy (X2), investment decisions (X3) as independent variables, and company value (Y) as dependent variables in the IDX insurance subsector (Sekaran, 2017). The analysis of this associative research aims to reveal the relationship between two or more variables, as well as to find out the direction and strength of the relationship, including the possibility of causal influence between independent variables and dependent variables. (Sugiyono, 2019, p. 55).

C. Results and Discussion

a) Normality Test

Figure 1
Standard Residue of Normal Regression P-Plot



The P-P plot shows a residual regression model for PBV variables distributed close to normal, although there is a slight deviation in the tail. In general, the assumption of normality is met.

Table 1
Kolmogorov-Smirnov Test Results One Sample
Kolmogorov-Smirnov Test One Sample

		Unstandardized Residual
N		40
Normal Parameters[a,b]	Mean	0.0000000
	Std. Deviation	0.76568641
Most Extreme Differences	Absolute	0.121
	Positive	0.121
	Negative	-0.056
Test Statistic		0.121
Asymp. Sig. (2-tailed)		142[c]

a. Test distribution is Normal.
b. Calculated from data.
c. Lilliefors Significance Correction.

The results of the Kolmogorov-Smirnov test showed that the data was normally distributed (p = 0.142 > 0.05).

b) Multicollinearity **Test**

Table 2 Multicollinearity Test Results

Coefficients[a]

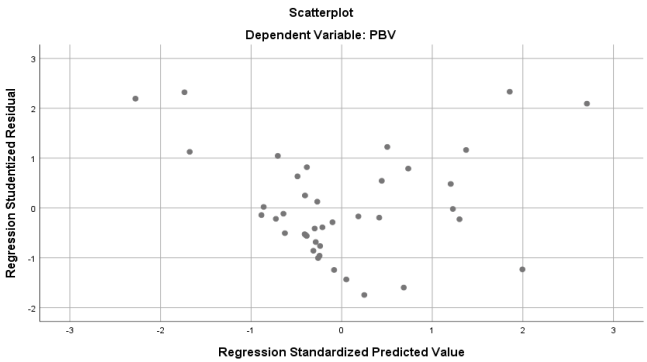
Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	Return On Equity	0.805	1.243
	Debt to Equity Ratio	0.849	1.178
	Price Earning Ratio	0.918	1.809

a. Dependent Variable: PBV

Multicollinearity analysis showed no significant problems in the regression model because all VIF values were well below 10. The regression model is considered valid.

c) Heterokedasticity Test

Figure 2 Heteroscedasticity Test Results



In general, scatterplots show that there is no clear or systematic pattern between standardized residual and standardized predictive values. The dots are randomly scattered around the zero (horizontal) line. This suggests that the assumptions of homocedasticity and linearity are likely to be met. There is no indication of the presence of non-constant residual variance or significant deviation from the linear relationship between dependent and independent variables.

Table 4a Heteroscedasticity Test Results

Koefisiensa						
Pattern		Non-Standard Coefficients		Standard Coefficients	t	Alone.
		B	Std. Error	Beta		
1	(Constant)	.492	.173		2.840	.007
	DEER	26.660	64.474	.075	.413	.682
	YES	.427	7.520	.010	.057	.955
	FOR	.003	.003	.202	1.195	.240
a. Variable Dependence: ABS_RES						

The heteroscedasticity test (Table 4a) showed a significance value (Sig.) of > 0.05 for all independent variables (0.117; 0.108; and 0.513). Therefore, the zero hypothesis of no heteroscedasticity is accepted. The regression model is free of heteroscedasticity.

d) Autocorrelation Test

Table 4b Autocorrelation Test Results

Model[b] Summary					
By	R	R Square	Customized R Box	Std. Estimation Error	Durbin-Watson
1	.815a	.665	.637	.79695	1.754
a. Predictor: (Konstanta), PER, DER, ROE					
b. Dependent Variable: PBV					

Based on table 4b, the results of the Durbin Watson autocorrelation test in the table yielded a value of 1.759, Since this value is close to 2, there is no indication of autocorrelation in the data.

e) Double Linear Regression Analysis

Table 5 Results of Multiple Linear Regression Analysis

By		Non-Standard Coefficients		Standard Coefficients	Alone.
		B	Std. Error		
1	(Constant)	.949	.300		.003
	Return of Equity	608.349	111.676	.586	.000
	Debt to Equity Ratio	-42.627	13.025	-.343	.002
	Price Earnings Ratio	.004	.005	.093	.364

a. Dependent Variables: Book Value Price

Based on table 5, the coefficient of the double linear regression equation can be interpreted as follows:

a. The value of Constanta is 0.949. This means that there is a non-directional influence between independent and dependent variables. All independent variables (X) have a value of 0 or do not change, so the value of PBV (Y) is -0.521.
b. The value of the regression coefficient on ROE (X1) is 608.349, meaning that if the ROE variable (X1) increases on one scale assuming that the other variable remains constant, it will be followed by an increase in PBV (Y) of 608.349.
c. The value of the regression coefficient on DER(X2) is -42.627, meaning that if the variable DER(X2) increases one scale assuming that the other variable remains constant, followed by an increase in PBV (Y) by 42.627.
d. The value of the regression coefficient in PER (X3) is 0.004, meaning that if the variable PER (X3) increases on one scale assuming that the other variable remains constant, it is followed by an increase in PBV (Y) by 0.004.

f) Partial Test Results

Table 6 Preliminary Test Results (UJi t)

Koefisiensa						
		Non-Standard Coefficients		Standard Coefficients		
By		B	Std. Error	Beta	T	Alone.
1	(Konstan)	.949	.300		3.164	.003
	DEER	608.349	111.676	.586	5.447	.000
	YES	-42.627	13.025	-.343	-3.273	.002
	FOR	.004	.005	.093	.919	.364
a. Dependent Variable: PBV						

Based on the test results contained in table 4.6

a. The Effect of Profitability (ROE) on Company Value (PBV)
From the results of the t-test calculation in table 4.10, the Return On Equity variable has a t-table value of 5.447 with a t-table value of 2.028 and a significant level of 0.000. So since the calculated t-value is smaller

than the t-table (5.447> 2.028) and the significant value is smaller than 0.05 (0.000 <0.05), it can be concluded that Ho is rejected and Ha is accepted, meaning that the Return On Equity variable has a positive and significant influence on the Price Book Value.

b. The Effect of Debt Policy (DER) on Corporate Value (PBV)
From the results of the t-test calculation in table 4.10, the Debt-to-Equity Ratio variable has a t-table value of -3.273 with a t-table of 2.028 and a significant level of 0.002. So since the calculated t-value is greater than the t-table (-3.273 <2.028) and the significant value is less than 0.05 (0.002 <0.05), it can be concluded that Ho is accepted and accepted Ha, meaning that the Debt-to-Equity Ratio variable has a negative and significant influence on the Book Value of the Price.

c. The Effect of Investment Decisions (PER) on Company Value (PBV)
Berdasarkan hasil perhitungan uji t pada tabel 4.10, variabel Price Earning Ratio memiliki nilai t-hitung sebesar 0,919, dengan nilai t-tabel sebesar 2,028 dan tingkat signifikansi sebesar 0,364. Karena nilai t-hitung lebih kecil dari t-tabel (0,919 < 2,028) dan nilai signifikansi lebih besar dari 0,05 (0,364 > 0,05), maka dapat disimpulkan bahwa Ho ditolak dan Ha juga ditolak. Artinya, variabel Price Earning Ratio berpengaruh negatif namun tidak signifikan terhadap Price Book Value.

g) Test F Results (Simultaneous Test)

Table 7 T Test Results

ANOVA						
By		Number of Squares	Df	Square Average	F	Alone.
1	Back	45.303	3	15.101	23.776	000b
	Remnant	22.865	36	.635		
	Entire	68.168	39			
a. Dependent Variable: PBV						
b. Predicator: (Konstanta), PER, DER, ROE						

The results of the above table can be seen from the values of Sig. 0.000 or < 0.05 and Fcalculate 23.776 > table 3.27 F. Therefore, it can be concluded

that all independent variables including ROE (X1), DER (X2), and DER (X3) have simultaneous effects on PBV-dependent variables.

h) R2 Double Linear Regression Analysis Test

Table 8
Results of Determination Coefficient Analysis (R2)

By		Non-Standard Coefficients		Standard Coefficients	Alone.
		B	td. Error		
1	(Konstan)	.949	.300		.003
	Return of Equity	608.349	111.676	.586	.000
	Debt to Equity Ratio	-42.627	13.025	-.343	.002
	Price Earnings Ratio	.004	.005	.093	.364

a. Dependent Variables: Book Value Price

Based on table 4.9, the regression model explains 66.5% of PBV variance using ROE, DER, and PER. 33.5% of PBV variances are still unexplained, requiring further research.

D. Conclusion

Based on the results of the research that has been conducted, it can be concluded that Profitability has a positive and significant influence on the Company Value in insurance subsector companies listed on the Indonesia Stock Exchange for the 2019-2023 period. Debt Policy has a negative and significant effect on the Company Value of insurance subsector companies listed on the Indonesia Stock Exchange for the 2019-2023 period. Investment Decisions have a positive and insignificant effect on the Company Value of insurance sub-sector companies listed on the Indonesia Stock Exchange for the 2019-2023 period. The suggestion that can be conveyed for further research is that further research is expected to use other variables that can affect the

value of the company, or use other financial ratios such as ROA, DAR, Current Ratio, Leverage, Liquidity to suit the needs of further researchers in taking the research title. Using other company value proxies such as MVA, EPR and, Tobin's Q. As well as it is advisable not only to rely on quantitative data, but also consider involving case studies or interviews with related parties.

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