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The Effect of Profitability on Firm Value in Manufacturing Company at Indonesia Stock Exchange

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ABSTRACT
The purpose of study was to analyze and explain the effect of profitability on firm value. The data used in this study was secondary data obtained from a manufacturing company located in the Indonesia Stock Exchange. The population of this research is manufacturing various industry sub-sectors listed in Indonesia Stock Exchange as research objects. Period manufacturing various industry sub-sectors used in the study covers a period of six years, i.e. 2009 to 2014. The method of data analysis used in this study was path analysis which is a multiple regression equation groove connected simultaneously, and technical analysis the data in this study using analysis software SmartPLS 2.0. The results of data analysis proves that the profitability has affect the firm value because the value is a positive on the achievement of profit to justify the payment of dividends, so the stock price will increase because the company showed a positive signal to pay dividends.
Keywords: *Profitability, Firm Value*

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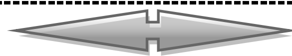
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I. INTRODUCTION

The manufacturing industry in Indonesia has grown 6.7 percent in the third quarter in 2012 and continues to grow. Growth in manufacturing industries is greater due to the increased investment, in addition to a growing number of sectors infrastructure, but also manufacturing industries based resource will be increased according to the BPS In 2012 marked by the flow of foreign funds into Indonesia will make the economy overheating in 2012 , besides that of the manufacturing industry in Indonesia is quite expansive in all areas of industry, because the government provides tax incentives such as tax allowance and tax holiday ,.

Contribution of the manufacturing sector is 23.5 percent of Gross Domestic Product at current prices in the second quarter of 2012. The driving factors for the manufacturing industry are the increasing imports of capital goods by 20.10 percent. Some of the sectors that contributed to the GDP at current prices in the second quarter of 2012 the mining sector amounted to 12.1 percent, the services sector by 11 percent, the construction sector by 10.3 per cent, 7.2 per cent of the financial sector, the transport sector and communication 6.5 percent. Electricity, gas and water supply is the smallest contribution to Indonesia's GDP in the second quarter of 2012 amounted to 0.8 percent (CBS, 2.012). Table 1.1 shows the total up to 2011 still grew to 4.45 percent, and is expected to continue to grow in 2012.

Manufacturing industrial production growth 2012 increased by 2.55 percent from 2011. Growth in industrial production of large and medium manufacturing monthly during the second quarter of 2012 increased in April and May, while in June 2012 decreased. In Table 1.1 explains that in total until the fourth quarter of 2011 before entering the year 2012, the manufacturing sector is still relied upon by the government to support national economic growth, and expects the government at every turn.

Table 1.1. Index and Industrial Production Growth of Large and Medium Manufacturing Quarterly Year 2001-2011

Month	Quarterly				Growth
	I	II	III	IV	
2001	98.53	106.36	110.75	101.44	
	-5.68	*7.95*	*4.12*	*-8.41*	
2002	97.66	109.66	116	107.38	5.86%
	-3.72	12.29	5.78	-7.44	
2003	109.2	111.61	120.53	112.88	5.12%
	1.7	*2.2*	*7.99*	*-6.35*	
2004	111.52	113.75	124.5	119.57	5.93%
	-1.2	*2*	*9.45*	*-3.96*	
2005	118.76	118.08	124.37	114.18	-4.51%
	-0.68	*-0.57*	*5.33*	*-8.19*	

2006	109.61	114.74	123.89	119.43	4.60%
	-4	*4.68*	*7.97*	*-3.59*	
2007	117.46	122.67	128.85	124.76	4.46%
	-1.65	*4.43*	*5.04*	*-3.18*	
2008	124.33	126.72	130.91	126.64	1.51%
	-0.34	*1.92*	*3.31*	-3.26	
2009	124.56	127.53	131.03	132.29	4.46%
	-1.65	*2.38*	*2.74*	*0.96*	
2010	129.87	133.01	135.84	139.61	5.53%
	-1.83	*2.42*	*2.13*	*2.77*	
2011	136.56	139.61	143.46	0	-100.00%
	-1.69	*1.61*	*2.95*	*3.09*	
Source: Official Statistics. BPS (2012)					

Because not remove the management of the company with ownership. The situation is contrary to the agency theory, emphasizing the importance of the owner of the company (principal) hand over management of the company to the professionals (agents) who are more understanding in running the daily business. However, in practice, this separation does not mean without causing negative impacts. Berle and Means (1932) in Himmelberg suggests that surveillance (monitoring) to a low of managers by shareholders may lead to the company's assets used by the manager for his own benefit and not to maximize shareholder value (shareholder value).

Differences information held by the manager and the owner (asymmetry of information) is often more profitable for the manager knowing the daily activities of the company in detail. Separation without good supervision can provide flexibility for managers of the company to maximize its own interests through the charging of costs borne by the owner of the company. The conflict of interests is more familiar with the term agency problem can occur when the manager of a company has less than 100 percent of the company's common stock.

Shareholders appoint manager to manage the company in order to enhance corporate value and shareholder wealth. With authority possessed, manager acting not in the interest of shareholders but for their personal interests. It was not favored by shareholders for costs incurred by the manager will add to the cost of the company leading to decreased profits and dividends to be received shareholder. Different interests that the conflict is known as the agency conflict, so cost control is called agency cost. To reduce in supervise and monitor the behavior of managers, shareholders prepare the agency cost that can be done, or by improving the managerial ownership. With the involvement of share ownership, the manager will act cautiously because they bear the consequences of his decision. The involvement of managers in the ownership of shares, make manager motivated to improve its performance in managing the company. Agency costs can also be reduced with institutional ownership by enabling the monitoring through institutional investors. With institutional ownership would boost oversight of managerial performance.

Issuers in the long term course aims to optimize the value of the company. Indicator value of the company is reflected in the market price of its shares (Fama, 1992). The Firm value to the attention of the owner of the company, because the company's value indicates the prosperity of the shareholders (investors). Increasing the value of the company must often face constraints agency (agency problem). Agency problem arises when shareholders are not just one or two people, but more than that, much less owned by the public (general public) (Mahadwartha, 2003). Investors no longer able to control, because it’s increasingly large and complex.

The main task managers of manufacturing companies in the stock exchange is to enhance shareholder value through financial decisions in the form of investment decisions, financing decisions and dividend policy. In its implementation will affect other financial decisions and to the achievement of company objectives. Investment decisions include the allocation of funds, both funds originating from within the company or outside the company on various forms of investment.

The number of issuers in the Indonesian capital market in 2000 of 287 listed companies grew to 333 listed companies in 2005, up to around 452 issuers in 2010 (CIDM, 2010). This growth impetus as a result of various factors both inside and outside the country, such as economic growth in the domestic and global economic conditions (Mas'ud, 2008: 142). Increased issuers that issued shares in the Indonesian Stock Exchange resulted in the greater number of shares outstanding, this development illustrates one indicator of capital market development in Indonesia, in addition to the increase in stock price and market capitalization

II. LITERATURE REVIEW

Pecking Order Theory

This theory was first introduced by Donaldson in the year (1961) while naming the pecking order theory conducted by Myers (1984). According to Myers (1984) companies are more likely to use funding from internal capital, the funds derived from cash flow, retained earnings and depreciation. Companies issuing securities

sought first from the internal, retained earnings, and low-risk debt and equity last (Myers, 1984; Myers and Majluf, 1984). Pecking order theory predicts that external debt financing is based on internal funding deficit.
Huang and Ritter (2004) stated that the pecking order theory gives a lot of influence by giving the view that the theory is consistent with the many facts that occurred about the use of external finance made by companies. The advantages of the pecking order itself is considered still able to organize the evidence that exists and explains well some aspects of the company's funding of behavior observed. Later it was found that there is a lot of empirical evidence from various surveys that support this model is because this model has the form of a simple model with the availability of the parameters of model testing. As one of the limitations of the pecking order is this theory ignores the importance of agency theory that would arise if the company maintains financial slack in large quantities.

Agency Theory

Jensen and Meckling (1976) stated the agency relationship arises when one or more individuals (employers) pay other individuals (agents or employees) to act on its behalf, delegating the power to make decisions to agents and employees. In the context of financial management, this relationship appears between: shareholders with the managers and the shareholders with creditors (bondholders).
Controls of companies today are often handed to professional manager who is not the owner of the company. The owners are no longer able to control the company, because it's increasingly large and complex. The main objective to be achieved is to maximize the prosperity of the owner of the company. Thus the management can be seen as an agent of the owner of the company that employs them, give power and authority to take the best decisions that benefited the company.
Agency problems arise mainly when the company generates free cash flow is very large. What is meant by free cash flow is net cash flow that cannot be reinvested because no profitable investment opportunities. Another cause of conflict between managers and shareholders are funding decisions. The shareholders only care about the systematic risk of the company's shares, because they are investing in well-diversified portfolio. But the manager instead more concerned with the company's overall risk. According to Fama and French (1992), there are two underlying reasons namely; 1) The substantive portion of their wealth in human capital specific company, which makes them non-diversifiable wealth. 2) the manager will be threatened his reputation, as well as the ability to generate earnings, when the company was facing bankruptcy. Thus the managerial ownership and institutional investors can influence the decision of whether the fund raising through debt or the issuance of new shares. If funding is obtained through debt means the ratio of debt to equity will be increased, so that ultimately will increase the risk.
Agency cost is reflected in the following activities (Jensen and Meckling, 1976):

a. Expenditures for monitoring as well as fees for the examination of accounting and internal control procedures. The fee must be removed to ensure that management acts on the basis of the best interests of the owner of the company.

b. Spending incentive compensation for management of the achievements that consistently maximizes the value of the company. Common forms of incentive stock option are assigning rights to management to purchase the company's shares in the future at a predetermined price. The second form is the share performances that supplying the stock to management on the achievement of objectives, the achievement of a particular rate of return. Providing incentives often the form of cash bonuses linked to the achievement of certain goals.

c. Fidely bond is a contract between the company and a third party where the third party - the bonding company - agreed to pay the company if the manager dishonest, causing losses for the company.

d. Golden parachutes and poison pill can be used also to reduce conflicts between management and shareholders. Golden parachutes are a contract between management and shareholders which ensure that management will be compensated a certain amount if the company is bought by another company or a change of control of the company. Thereby management does not have to worry about losing their jobs. While the poison pill is a shareholder effort to keep the company was not taken over by another company. This business can be done by issuing the right to sell shares at a specified price or issuing bonds is accompanied by the right bond sale at a certain price. Therefore, when the company was bought by another company, the buyer must buy the company's shares and bonds at a predetermined price.

According to Jensen and Meckling (1976) bonding mechanism through dividend policy, ownership structure and debt structure can be used to reduce agency costs arising from agency problems (agency conflict). Crutchley and Hansen (1989) say that the use of debt is expected to reduce the agency conflict. The addition of debt in the capital structure to reduce the use of stock, thereby reducing agency costs. When in debt, the company has an obligation to repay the loan and pay interest expense on a periodic basis. This condition causes the managers have to work hard to meet those obligations by increasing profits. However, as a consequence of this policy, the company faced a debt agency cost and risk of bankruptcy (Crutchley and Hansen: 1989). This is also supported by the results of Grossman and Hart (1980), the presence of lenders in the capital structure is one alternative to

reduce the agency conflict. The existence of the creditor will increase oversight and restrict the space for management.
Agency theory (agency theory) proposed by Jensen and Meckling (1976) stated that generally all shareholders included in the management level has its own interests. However, Demsetz and Villalonga (2001), which examines two dimensions of the shareholding which the five largest shareholders and managerial ownership, expressed a different opinion. According to Demsetz and Villalonga (2001), this has a position as a member of the board (board member) could be because he has or represent someone outside the company who own the company's stock in large quantities. Such board members do not have the same interests as the manager of the company. However, conflicts of interest can arise if investors outside the company have a vested interest on the company. Agency theory has become the starting point of the development of the topics in this study. Researchers intend to find out that the extent of managerial ownership would affect the value of the company by taking into account the possibility of a conflict of interest between the owner and the manager.

Signaling Theory
Cue or signal according to Brigham and Houston (2001) is an action taken by the management company to give guidance to investors on how to look at the management company's prospects. According to Brigham and Houston (2001), the company with favorable prospects will try to avoid the sale of shares and undertake any necessary new capital by other means, including the use of debt which exceeds the target capital structure is normal. Companies with less favorable prospects are likely to sell its stake. Announcement of issuance of shares by a company usually a cue (signal) that the management of the company's prospects looked bleak. If a company offers the sale of new shares more often than usual, the stock price will decline, because issuing new shares means giving negative cues which can then depress the stock price the company's prospects even brighter.
To enter several markets which he traded, he had to borrow again a very large amount of money to purchase the infrastructure needed to transport, store, and transmit the traded commodities. High levels of debt cause a wide open road of bankruptcy and also downgraded the investment and would also make attractive bank loan back. The level of debts owed Enron make its value falls until it becomes zero and the loss of 70 billion US dollars for the losses. Results of research conducted Sudjoko and Soebiantoro (2007), and Susanti (2010) found results that leverage has a negative and significant relationship to the value of the company. This means that the higher the leverage of a company, then the company's value will drop.

Firm Value
The purpose of financial management is to maximize the value of the company. If the company goes smoothly, the company's stock value will increase, while the value of corporate debt (bonds) is not affected at all (Mas'ud, 2008). Conversely, if the company runs less smoothly, the rights of the creditor takes precedence, the company's stock value will decrease drastically. So it can be concluded that the value of stock holdings can be an appropriate index to measure the value of the company. For this reason, the purpose of financial management is often in the form of company stock value maximization, or simply the maximization of share price (Weston and Copeland, 1997).
One measure that indicates the size of a company's value is a measure of the company's assets. Companies that have total assets of the shows that the company has reached a stage of maturity where at this stage the company cash flow has been positive and is considered to have good prospects within a relatively long time, but it also reflects that the company is relatively more stable and better able to generate profits than companies with total assets were small (Daniati and Suhairi, 2006).
Assets is a measure of the magnitude or scale of an enterprise. Usually, large companies have assets greater value. Theoretically, the larger company has certainty (certainty) that is larger than the small firms that will reduce the level of uncertainty about the company's prospects ahead. It can help investors predict the possible risks when investing in the company.
The main objective of the company is increasing the company's value through increasing affluence owners or shareholders. One way to measure the value of the company is to use Tobin 's Q. The Q ratio is the ratio of market to book value which is calculated from the ratio of the market price of the company's equity plus debt divided by the value of corporate assets. In addition to using Tobin "s Q, in assessing the value of the firm can use the method PBV (Price to Book Value). Hasnawati, 2005 that the company's value is affected by factors financing decision, dividend policy, external factors such as inflation rates, foreign exchange rates, economic growth, political and market psychology. There is also a defining value of the company as the market value. Because the value of a company that can provide prosperity maximum stockholders if the company's stock price to rise. The higher the stock price the higher the wealth of shareholders.

1) Price to Book Value (PBV)

Investors should be cautious in making investment decisions before understanding the information relating to the company that issued the shares. Investors need to perform various analyzes, both technical analysis and fundamental analysis. The analysis is useful to assess the stocks to be selected and to determine the level of expected return in determining investment strategy that will be done.

Investors can consider the ratio of capital markets such as the ratio of price per book value (PBV) to discern which stocks whose price is reasonable, too high (overvalued) or too low (undervalued). This strategy generally connect ratio of price to book value with share intrinsic value is estimated based on the stock assessment model (Hartono, 2000b: 82). Rosenberg et. al. (1985) found that stocks that have a low PBV ratio will produce returns that are significantly higher than stocks that have a high PBV ratio.

Pontiff and Schall (1998) found that the price to book value is a predictor of stock returns that are more powerful than the interest rate spreads and dividend yield. Chan, et. al. (1998) found that the size, book to market ratio, and dividend yield is the most important variable in explaining stock returns. For that the company's value is often proxied by the Price to Book Value (PBV). Growth prospects greatly affect the amount of dividend to be paid in the future, the higher the growth of the company, the greater the amount of dividends to be paid by the company in the future.

Hartono (2000b: 252) give a rational reason that companies are reluctant to reduce dividends. If companies cut dividends, it will be considered as a bad signal because the company needs funds. Therefore, companies that have a high risk tend to pay a smaller dividend payout so that later do not cut dividends if profits fall. For companies who are at high risk, the probability of experiencing a declining profit is high. From the results of this thinking it can be concluded that there is a negative relationship between risk and dividend payout, ie high risk, low dividend payout.

2) Tobin's Q

The company's value in this study was defined as the market value. The value of the company can deliver maximum shareholder wealth when the company's stock price to rise. The higher the stock price the higher the wealth of shareholders. To achieve the company's value generally investors hand over its management to the professionals. The professionals are positioned as the manager or the commissioners. One alternative used in assessing the value of the company is to use Tobin's Q. This ratio was developed by Professor James Tobin (1967). This ratio is a valuable concept because it shows the current estimate of the financial markets on the value of the return on every dollar of incremental investment. If the q-ratio above one indicates that the investment in assets to generate profits that provide higher value than investment expenditure, this will stimulate new investment. If the ratio is below one-q, investment in assets is not attractive.

Mark and Li (2000) cited in Suranta and Puspita (2004) stated that the relationship of managerial ownership structure and value of the company is a non-monotonic relationship. Non-monotonic relationship between managerial ownership and corporate value caused their incentive owned by the manager and they tend to try to do the alignment of interests with outside owners by increasing their shares if the company's value comes from increased investment. Wennerfield et. al. (1988) cited in Suranta and Puspita (2004) concluded that Tobin's Q can be used as a measuring tool in determining the value of the company.

3) M / B Ratio

Market-to-book ratio is a proxy for measuring the value of the company. The use of two quarters of this was done because he did not know the date of publication of the annual report with certainty. Market-to-book ratio is calculated by dividing the company's stock market value and the book value of equity. The emergence of Market Timing Theory (MTT) from Barker and Wurgler (2002) is expected to provide "answers"; but will not be as easy as imagined. Proxy MTT in general is the market to book ratio i.e. in cases IPO. Many academics as quoted Huang and Ritter (2005) criticize this proxy because the general market to book ratio is a proxy investment decisions; namely under-valued or over-valued its stock

Profitability

Profitability or earnings capacity is the company's ability to generate profits in profitability reflects the profit from financial investments. Myers and Majluf (1984) found that financial managers use the packing order theory with retained earnings as a first choice in the fulfillment of the funds and debt as a second choice as well as the issuance of shares as the third choice will always increase the profitability to increase profits. Profitability ratio is a ratio to measure the ability of the company makes a profit in relation to sales, total assets and own capital (Sartono, 2008). This ratio is considered by prospective investors and shareholders as it relates to the share price and dividends to be received. Profitability as a benchmark in determining the alternative financing, but a way to assess the profitability of a company are a diverse and highly dependent on income and assets or capital to be compared from the profits derived from company operation or net profit after tax with their own

capital. With the variety of ways in the profitability of a company's research is not surprising that there are some companies that have a difference in determining an alternative to calculate profitability. It is not a requirement but the most important is the profitability of which will be used, the aim is solely as a tool to measure the efficiency of use of capital in the company concerned.
Profitability ratio can be measured from two approaches that the sales approach and investment approach. The size that is widely used is the return on assets (ROA) and return on equity (ROE), profitability ratio measured by ROA and ROE reflects the attractiveness of the business (business attractive). Return on assets (ROA) is a measurement of the ability of firms as a whole in making a profit with the overall number of assets available within the company. ROA is used to see the level of operating efficiency of the overall company. One measure of profitability ratios are often used are return on equity (ROE), which is a measure of a company's ability to generate profits with total own capital employed. This ratio indicates the efficiency of investment seen in the effectiveness of the management of their own capital.
In this study to measure the level of profitability of the sector companies finance company listed on the Stock Exchange used Return On Equity (ROE), because ROE measures the ability of the company makes a profit available to shareholders of the company in shares of their own capital invested by shareholders.

III. CONCEPTUAL FRAMEWORK AND HYPOTHESIS

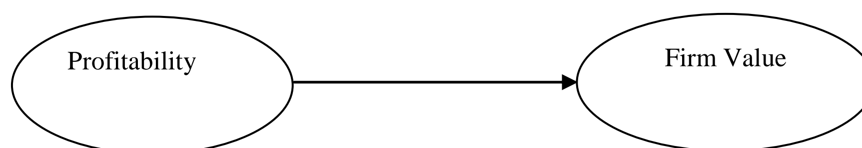

Figure1. Conceptual Model and Research Hypothesis

Based on the results of the study of literature, research and conceptual framework regarding the effect of profitability on Firm Value, the research hypothesis as follows:
Hypothesis: profitability has significant effect on Firm Value

IV. METHODOLOGY

This research population is all companies listed in Indonesia Stock Exchange until the end of 2014. The reason is the development of the manufacturing industry is expected to be increased to support the Gross Regional Domestic Product (GRDP) Provincial and national income, so that the manufacturing sector is very interesting to study.
The method used in this research is the method of path analysis which is a multiple regression equation groove connected simultaneously, and for measurements with the help of software SmartPLS 2.0. The study population was 132 manufacturing companies. This study has a population of all manufacturing companies listed in Indonesia Stock Exchange until the study was started, that per January 1st 2014.
This research using the company manufacturing various industry sub-sectors listed in Indonesia Stock Exchange as research objects. Period manufacturing various industry sub-sectors used in the study covers a period of six years, ie 2009 to 2014. The sample was taken by purposive sampling method of sampling based on certain criteria

V. RESULT AND DISCUSSION

Evaluation of Convergent Validity
This evaluation is done by looking at the value of the loading factor (loading Outher) on each variable. If the value is greater than 0550 then it can be said that the variable is valid.

Evaluation of Discriminant Validity
This evaluation is done by using the value of cross loading. Square root value of average variance exctract (AVE), and a composite value of reliability. Discriminant validity of the measurement model assessed by measurement of cross loading the constructs. If the correlation constructs with the basic measurements of each indicator is greater than other constructs, then the latent constructs are able to predict better indicator Instead of the other constructs.

Validity Test
Test the validity of the views of three things: the first value Convergent Validity> 0.60 value loading factor should be above 0.60 has been tested at the beginning, two values Average Variance Extracted (AVE)> 0.5 seen from the AVE in Table 1 shows all the variables has more validity AVE high because values above 0:50.

Table 1 Results Average Variance Extracted (AVE) Validity testing

Variable	**AVE**	**Composite Reliability**	**R Square**	**Cronbachs Alpha**
Firm Value	0,65	0,79	0,48	0,46
Profitability	0,67	0,80		0,52

Source: Processed Data Smart PLS

The test results in Table indicator which compares the root of AVE in the table with the correlation between variables. If the root value AVE is higher than the correlation between variables, it is called has a good discriminate validity. In Table 1 showed that the output validity discrimant AVE diagonal values and other values are correlated between variables. When viewed from the output, then all the diagonal value is higher than the correlation between variables, and thus all models meet discrimant good validity.

2. Test Reliability

Reliability test using composite reliability> 0.70 were good reliability requirements. When viewed from the composite output reliability all the variables of profitability, growth, ownership structure, and the size of the company to corporate value through capital structures all reliable because it has a composite realibility (CR) above 0.70. Reliability test in Table 5.4 can also be seen from the value of Cronbach Alpha> 0.70 are considered good. When viewed from the output Cronbach Alpha on Table 5.6 all the variables already meet good reliability because all have had a Cronbach Alpha of more than 0.70.

Table 2. Testing Reliability

Variable	**R Square**	**Cronbachs Alpha**	**Composite Reliability**	**Description**
		CA > 0.5	**ρc □ 0.7**	
Firm Value	0,48	0,46	0,79	Reliable
Profitability		0,52	0,80	Reliable

Source: Processed Data SmartPLS

3. Significance of Model

Significance test models using re-sampling techniques bootstrapping with 1000 and the results can be seen in Table 3 below and in the model image shows the value t statistic of relationship between variables that will be compared with the value t table

Table 3. Path coefficient

Independent Variable		Dependent Variable	Loading Factor	Standard Error	T Statistics	Significance 5 present Cut off>1,96
Profitability	->	Firm Value	0,5962	0,108	5,499	Not Significant

Source: Processed Data Smart PLS, 2016

4. Determinant Coefficient

In Table 4 shows the capital structure of the R2 value of 0.25, which means the variability of capital structure, can be explained by the company's growth, profitability, ownership structure, and the size of the company by 2.5 percent. Likewise, the value of R2 value of the company at 0:48, which mean the company's growth, profitability, ownership structure, company size and capital structure to the company's value by 48 percent.

Table 4. Adjusted R Square

Dependent Variable	**R Square**	**Description**
Firm Value	0,48	Not Significant and Positive Effect

Source: Processed Data Smart PLS, 2016

VI. DISCUSSION

The effect of Profitability on Firm Value Profitability has effect the Firm Value with the coefficient of 5.499 means that the higher profitability of the influence the increase in value of the company. The condition occurs because the firm value has positive on the achievement of profit to justify the payment of dividends.

Descriptive analysis results showed that during the period 2009-2014. Based on a description of profitability in Tables 5.3 and 5.4 shows growth in Return on Assets (ROA) grew by 32.98%, the Return On Capital Employed (ROCE) grew by 32.99%, Growth Per Earning ratio (GPER) grew by 111.43% Total assets expanded by 146.59%, Total Revenue expanded by 126.11%, the maximum condition on a ROA of 568.63, 427.61 and a minimum average of 507.47. Then the description of the company's value based on Table 5.9 shows the ratio Tobins'Q negative growth of 10% with a maximum condition 48.00, minimum 34.00, and an average of 43.33. Price Earning Ratio (PER) grew 53% to a maximum of 228.00 conditions, minimum 132.00, and an average of

170.83. Market Price To Book Value (PBV) grew 93% to a maximum of 197.00 conditions, a minimum of 44.00, and an average of 104.83.
This study is in line with Haugen and Baker (1996) and Yang et. al. (2010) proved that the greater profitability of the company more profits are distributed and are distributed to shareholders, thus the value of the company is expected to be higher. Furthermore Chowdhury (2010) states that the positive effect on the profitability of the company's value. Kusuma (2009) stated that profitability and significant positive effect on firm value. Indra Kusuma et. al. (2012) empirically find that profitability and significant positive effect on firm value, while Chen et. al. (2011) empirically find that profitability and significant positive effect on firm value. Iturriaga and zans (2001) stated empirically that the profitability of positive and significant impact on corporate value further Dwita ayu Risqia et. al (2013) research results stated that profitability and significant positive effect on firm value

VII. CONCLUSION

Profitability has effect the firm value because the firm value has positive sentiment on the achievement of profit to justify the payment of dividends, so the stock price will increase because the company showed a positive signal to pay dividends.

VIII. SUGGESTION

1. The value of the company can be improved through the expansion of the market to absorb large capital, focused and planned sales of major products, saving production costs, and operating costs, then use the right technology relevant more efficient.
2. Achievement of the profitability of the company is greater than the cost of capital, in order to balance the benefits and costs will lead to the optimal debt.

For further research is recommended in order to increase the time period of the study, as well as adding other variables such as taxes, changes in foreign exchange rates are predicted to affect the capital structure and corporate value or add other variables or replace with other proxies that can better represent the independent variables, dependent or capital structure as an intervening variable.

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