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Profitability and Leverange on Firm Value in a Sharia Insurance Company

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Abstract This study aims to examine the effect of profitability and leverage on firm value. The population in this study is a sharia insurance company listed on the Indonesia Stock Exchange (BEI). The independent variable of this study is a profitability (X1) which is measured using Return On Asset (ROA) and leverage (X) is measured the Debt Equity Ratio (DER), while the dependent variable of this study is the firm value (Y) as measured by Price Book Value (PBV). This research method uses quantitative research methods using purposive sampling method and based on predetermined criteria. From the sampling method used, there are 11 Islamic insurance companies listed on the Indonesia Stock Exchange (IDX) period 2016 – 2018. Data analysis techniques use regression analysis and path analysis using SPSS 22. The results show that profitability affects firm value and leverage, has no effect on firm value.

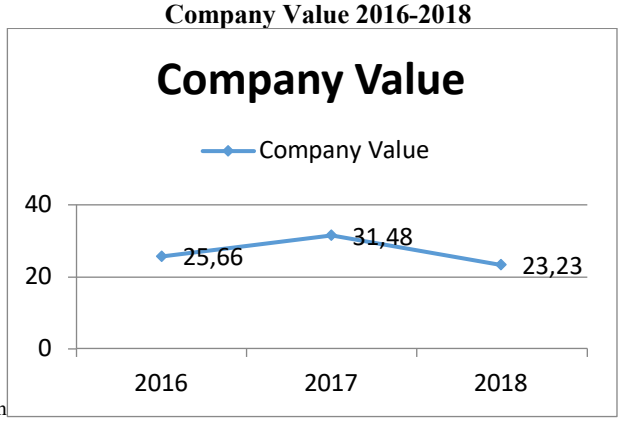
Keywords Profitability, Leverage, Firm Value

1. Introduction

The goal of a company in the long term is to optimize the value of the company, the creation of company value is done by reviewing the financial performance of the increase in company value as measured by using PBV, where a high level of firm value will make the market believe not only in the company's current performance, but also company expectations. in the future.

The Indonesia Stock Exchange (IDX) shows the growth of the Islamic finance industry in Indonesia by forming a micro insurance product that was officially launched in 2014. The development of Islamic insurance in Indonesia can be seen through the total company value in the following graph:

Development of Sharia Insurance Company Value 2016-2018



Sumber: www.idx.com

Figure1. Company Value

Based on the graph above the company value data released by the Indonesia Stock Exchange (IDX), shows the development of the number of Islamic insurance companies, this is marked by the growth in the value of insurance companies targeting throughout 2018 where from 2016 - 2017 which reached 25.66% in 2018 index the value sector of Islamic insurance companies has decreased reaching 8.25% which has an impact on the lack of investor interest in investing so that Islamic insurance companies experience a decline in company value.

This shows that with the increasing position of investment and working capital and the increasing number of Islamic insurance companies in 2018, it was not followed by an increase in the value of insurance companies in 2018. Investors generally pay attention to companies in obtaining measurable profits with the profitability ratio generated by the company. profitability is an indicator of the performance of the company management in managing the company's assets, which is shown by the profits generated by the company.

The indicator in profitability is return on assets (ROA). ROA describes the extent to which the company's assets invested or placed are able to provide expected returns[21]. In addition to estimating company value through profitability, there is leverage, which is a ratio that measures how far the company is represented by equity. Leverage shows the proportion of using debt to finance the investment. The greater the company's debt, the greater the risk faced by the company so that as a result this condition encourages corporate value management to carry out income smoothing practices[22].

This study aims to examine and analyze the effect of profitability and leverage on firm value. based on the above background and supported by the existence of phenomena, the author intends to examine: "The Effect of Profitability and Leverage on Firm Value in Sharia Insurance Companies listed on the Indonesia Stock Exchange (IDX) 2016 - 2018"

2. Materials and Methods

2.1. Paper Title

This study analyzes the effect of profitability and leverage on firm value. The object of this research is a sharia insurance company listed on the Indonesia Stock Exchange (IDX) for the period 2016 - 2018.

2.2. Research Data

This type of research used in this research is quantitative research. This research was conducted to measure the effect of profitability and leverage as independent. The dependent variable in this study is the value of the company in Islamic insurance companies listed on the Indonesia Stock Exchange (BEI).

This research uses quantitative data types, quantitative methods can be interpreted as a research method based on numerical data, statistics, with the aim of testing the hypothesis that has been applied[23]. This study also uses secondary data which is defined as data that is already available and collected by other parties[24]. The data source in this study is the annual report from insurance companies, which includes financial reports on companies listed on the Indonesia Stock Exchange (IDX) for the period 2016-2018 which are the object of research and this research has variables that can be tested, the ratio as well as research hypotheses.

In this study, the authors used secondary data with the data collection method used was documentation. The documentation method is a method of data collection or collection by taking data that has been provided (secondary data) by relevant parties[25] which are used to document or record data in financial reports and data recorded in companies registered as sharia insurance companies. which is included in the calculation of the Indonesia Stock Exchange (IDX) for the 2016-2018 period as well as the annual report. This data is obtained from the Indonesian stock exchange website and www.idx.co.id

2.4. Population and Sample Research

2.4.1. Population

Population is a generalization area consisting of objects or subjects that have certain qualities and characteristics that are applied by researchers to study and then draw conclusions[26]. The population in this study are 84 sharia insurance companies listed on the Indonesia Stock Exchange (BEI) 2016-2018.

2.4.2. Sampel

1. Irham Fahmi, 2015. *Analisis Laporan Keuangan, cetakan Ke-5.* Bandung:Alfabeta,. hlm 80
2. Dendi Purnama, 2017. " *Pengaruh Profitabilitas, Leverage, Ukuran Perusahaan, Kepemilikan Institusional Dan Kepemilikan Manajerial terhadap Manajemen Laba",* Universitas Kuningan JRKA Volume 3. Hlm 2
3. Sugiyono. 2017. *Metode Penelitian Kuantitatif, Kualiltatif dan R & D.* Bandung : Alfabeta. hlm 9
4. *Ibid,.* hlm 13
5. Santoso. *SPSS20 Pengolahan Data Statistika di Era Informasi.* Jakarta : PT Alex Media Komputindo Kelompok Gramedia. hlm 45
6. *Op Cit,.* hlm 13

The sample is part of the number and characteristics of the population[27]. In this study, the number of samples was carried out by using purposive sampling technique, which is a non-random technique where the researcher will determine the sampling by determining specific characteristics that are in accordance with the researcher's objectives so that it is expected to be able to answer the researcher's problems[28]. The sample selection criteria applied by researchers are as follows:

1. Insurance company listed on the Indonesia Stock Exchange (IDX) for the period 2015 - 2018
2. Insurance companies classified as sharia and publish annual reports for the 2015-2018 period on the Indonesia Stock Exchange (IDX) www.idx.co.id
3. Insurance companies have complete and comprehensive data related to the maqashid sharia index, independent board of commissioners, company value and profitability used.

Based on the above criteria, the samples that meet the criteria are as follows:

Table 3.1 Sample Acquisition based on Purposive Sampling Method

No	Sample Criteria	Companies that pass the criteria
1	Insurance company listed on the IDX (Indonesia Stock Exchange) for the period 2016 - 2018	84 companies
2	Insurance companies that are not classified as sharia and publish annual reports for the 2016 - 2018 period on the Indonesia Stock Exchange (IDX) www.idx.com	68 companies
3	Islamic insurance companies that do not provide complete data during the study period	5 companies
Total		**11** companies

Source: Data obtained from documentation and processed, 2021

Based on the table above, it can be concluded that the sample that fits the criteria and needs of the researcher is 11 samples. The companies that were sampled in this study were included in the following table 3.2:

Table 3.2
List of Companies Entering Sample criteria

No	Company Code	Company name
1	ABDA	PT. Asuransi Bina Darma Arta Tbk
2	AHAP	PT. Asuransi Harta Aman Pratama Tbk
3	AMAG	PT. Asuransi Multi Artha Guna Tbk
4	ASBI	PT. Asuransi Bintang Tbk
5	ASDM	PT. Asuransi Dayin Mitra Tbk
6	ASJT	PT. Asuransi Jaya Tania Tbk
7	ASMI	PT. Asuransi Mitra Maparya Tbk
8	ASRM	PT. Asuransi Ramayana Tbk
9	LPGI	PT. Lippo General Insurance Tbk
10	MREI	PT. Maskapai Reasuransi Indonesia Tbk
11	PNIN	PT. Painvest Asuransi Tbk

Source: https: //www.idx.co.id/ data processed

2.5 Operational definition

Operational definition is an activity in defining a identified variable. There are four variables used by the author in

7. *Ibid,.* hlm 14
8. *Ibid,.* hlm 14

this study, namely the independent variable (X1) (X2) and the dependent variable. The independent variable is profitability (X1), leverage (X2), while the dependent variable is firm value (Y). The research variables used in this study are as follows:

2.5.1 Independent Variable (X)

Independent variables are often called independent variables. This variable is an independent variable or an influencing variable. This variable causes changes or influences on the dependent variable. The independent variables in this study are profitability and leverage.

a. Profitabilitas

Profitability is the ratio used to measure a company's ability to generate profits from its normal business activities to improve company performance. There are many types of profitability, but what is used in this study is the return on asset ratio (ROA).

b. Leverage

Leverage in this study uses the debt to equity ratio (DER), which is the ratio used to assess debt to equity.

2.5.2 Dependent Variable (Y)

The dependent variable which is often called the dependent variable is a variable that is influenced by the independent variable. In this study the dependent variable used is firm value. Company value, which is a condition that describes a company, company value can be measured using PBV (price book value) which is the market ratio to measure the performance of the stock market price against its book value. The higher the ratio, the more successful the company is in creating value for shareholders.

For a complete description of the measurement of the above variables, it can be seen in table 3.3 below:

Table 3.3.
Operational Definition of Variables

No	Variable	Measurement Formulas	Scale
1	*Profitabilitas*	Profit After Tax ROA =_____ Total Asset	Ratio
2	*Leverage*	Total Amoun of debt ROA =_____ Total Equity	Ratio
3	Coorporate Value	Market price ROA =_____ Book Value	Ratio

Source: Collected from various sources, 2020

2.6 Data analysis method

The data analysis method used in this study is to use quantitative methods. The quantitative approach according to Cooper and Schindler, quantitative research makes a more accurate measurement of an object, the process of this research uses a quantitative method that includes testing and verifying the correctness of the theory[29].

In this study, the data used are financial reports (annual reports) in the 2016-2018 period obtained through www.idx.go.id or the website of each company and listed in the summary of company performance, statistical reports for the variable company value and profitability. The analysis technique used is path analysis with the help of the SPSS program. Path analysis can be interpreted as the development of a correlation coefficient analysis which is translated into direct and indirect effects and is developed based on a path diagram that has the potential to describe causal calculations between variables[30].

2.6.1 Classic Assumption test

The classical assumption test aims to determine and test the feasibility of the regression model used in this study. The classical assumption test consists of normality test, multicollinearity test, autocorrelation test, and heterosticity test. Ghozali stated that in the linear regression model there are several assumptions that must be met so that the efficient estimation results do not occur and provide information that is in accordance with the real situation. To fulfill the conditions that have been determined so that the research model requires testing of several classical assumptions that are

9. Muhajirin dan Maya Panorama. 2017. *Pendekatan Praktis Metode Penilaian Kualitatif dan Kuantitatif. Idea Press: Yogyakarta*,. hlm 50
10. Yamin Sofyan dan Heri Kurnawan. 2011. *Generasi Baru Mengelolah Data Penelitian dengan Paertial Least Path Modeling.* Jakarta : Salemba Empat.. hlm 152

used as[31]:

1. Normality Test

The normality test aims to test whether the regression model, confounding variables or residuals have a normal distribution. There is a way to detect whether the residuals have a normal distribution or not, namely by graph analysis and statistical test[32]. Normality testing is also carried out by testing the Jaque Bera Test or JB test, this test is a normality test based on the curl coefficient (kurtosis) and the slope coefficient (swekness). This test is performed to compare the JB statistics with the C2 table value. If the value of JB ≤ C2 table, the standardized residual value is declared to be normally distributed. The hypotheses found are as follows:

Ho = Residual data are normally distributed (asymp. Sig> 0.05)
Ha = residual data not normally distributed (asymp. Sig <0.05)

2. Uji Linearitas

Linearity test is the information that will be obtained whether the empirical model should be linear, quadratic or cubic. One way to test whether the model specification is linear or not is the lagrange multiplier test[33], This test is an alternative to the Ramsey test and was developed by Engle in 1982. Estimation with this test aims to obtain a C2 count or (n x R2). The linearity test steps are as follows:

1. Perform regression with the main equation Y = f [X1, X2, X3, .Xn]
2. If the main equation is considered correct, the residual value must be related to the square value of the independent variable with the regression equation:
   Ut = b0 + b1 X12 + b2X 22 + bn Xn2 .....+ bn Xn2
3. Get the value of R2 to calculate the count C2
4. If the calculated C2 value> C2 table, then the hypothesis which states the linear model is rejected.

3. Multicollinearity Test

The multicoliearity test aims to determine whether the regression model found a correlation. A good regression model should not have a correlation between the independent variables[34].

The presence or absence of multicollinearity in the regression model can be detected by looking at the tolerance and variance inflation facyor (VIF), these two measures indicate which independent variables are explained by other independent variables. One way to determine whether there is multicollinearity in a regression model is to look at the tolerance and variance inflation facyor (VIF) values as follows[35] :

1. If the tolerance value is> 0.10 and VIF <10, it means that there is no multicollinearity in the study.
2. If the tolerance value is <0.10 and VIF> 10, it means that there is a multicollinearity disorder in the study.

4. Autocorrelation Test

Autocorrelation[36] is a condition where there is a correlation between the residuals on another observation in the regression model. The autocorrelation test is used to determine whether or not there is a correlation between residuals when using the Durbin-Watson test (DW test) with the following conditions[37] :

1. If D is less than DL or greater than (4 - DL), then the null hypothesis is rejected, which means there is autocorrelation.
2. If D lies between DU or between (4 - DU), then the null hypothesis is accepted which means there is no autocorrelation.
3. If D lies between DL and DU or between (4 - DU) and (4 - DL), it does not produce a definite conclusion.

5. Heteroscedasticity Test

11. *Ibid.,* hlm 143
12. Imam Ghozali. 2013. *Analisis Multitivariate dan Ekonometrika : Teori Konsep dan Aplikasinya denga Eviewn 8.* Semarang Badan Penerbit Universitas Diponegoro. hlm 165
13. *Ibid.,* hlm 105
14. *Ibid.,* hlm 147
15. Agus Tri Basuki dan Nano Prawoto. *Analisis Regresi dalam Penelitian Ekonomi dan Bisnis dilengkapi Aplikasi SPSS dan Eviews.* Jakarta : Pt. Raja Grafindo Persada,. hlm 62
16. Dwi Priyanto.2010. *Paham Analisis Statistika Data dengan SPSS.* Yogyakarta : Mediakom,.hlm 87
17. Agus Tri Basuki,. *Op Cit,.* hlm 61

Heteroscedasticity[38] is a condition where there is an inequality of variants from residuals or from one observation to another constant observation, it is called homoscedasticity. A good regression model is one that does not occur heteroscedasticity or homoscedasticity is the White Test. in principle the White Test is similar to both the Park Test and the Glejser Test. According to White, this test can be done by regressing the squared residuals (ei^2) with independent variables, independent variables squared and free multiplication.

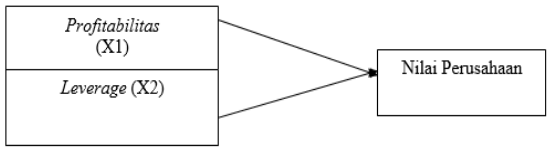
2.6.2 Path Analysis

According to Noor[39] Path analysis or known as path analysis is the relationship or influence between the independent variable, the mediating variable and the dependent variable. Where research clearly defines that a variable will be the cause for other variables which can be presented in diagrammatic form. The steps in path analysis can be done in the following way[40] :

Determine the path diagram based on the variable relationship paradigm as follows:

Gambar 3.1

Path Diagram of Profitability and Leverage on Firm Value



Source: Developed by researchers, 2020

Determine the structural equation as follows:
Y (Firm Value) = β (Profit) + β (L) + e1
Information :
Profit: Profitability
L: Leverage
PS: Structural Equations

3. RESULTS AND DISCUSSION

3.1 Description Analysis

Descriptive statistics provide an overview or descriptive of data seen from the amount of data (n), the average value (mean), standard deviation, maximum, minimum, is a measure to see whether the variable is normally distributed or not[41]. This study uses variables consisting of the independent variable profitability and leverage, the dependent variable firm value.

The following is a description of the data obtained from data that has been processed with the SPSS (Statistical Package for Social Science) version 22 program:

Tabel 4.1

Descriptive Analysis of Profitability, Leverage and Firm Value Variables

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
ROA	33	-9,87	942,00	144,5352	271,88389
DER	33	-5,02	2,65	,64444	,87137
PBV	33	,57	386,00	32,2598	80,12525
Valid N (listwise)	33				

Source: Data processed, 2020

From the descriptive table above shows the amount of data used in this study amounted to 44 data. So that the results can be explained as follows:

18. Juliansyah Noor. 2011. *Metodelogi Penelitian, Skripsi, Tesis, Disertasi dan Karya Ilmih.* Jakarta : kencana Prenata Media Group. hlm 268
19. *Ibid,.* hlm 268
20. *Ibid,.* hlm 271
21. Imam Ghazali. 2016. *Aplikasi Analisis Multivarite dengan Program IBM SPSS 23. Cetakan ke-VIII,* Badan Penerbitan Unversitas Diponegoro,. hlm 154

1. Profitability (ROA) shows a minimum value of -9.87 and a maximum value of 942.00 with a standard deviation of 271.88389 while the mean or average is 144.5352.
2. Leverage (DER) shows the minimum value is -5.02 and the maximum result is 2.65 with a standard deviation of 0.87137 while the mean or average is 0.6444
3. Firm Value (PBV) shows a minimum value of 0.57 and a maximum of 386.00 with a standard deviation of 80.12525 while the mean or average is 32.2598.

3.2 Results of Data Analysis

The results of data analysis on the study of the effect of Profitability and Leverange on Firm Value in Islamic Insurance Companies

3.2.1 Classic Assumption Testing

1. Normality test

The normality test is carried out to test whether the data is normally distributed. This study used the Jarque Bera Test. The normality of the residuals can be seen using the method developed by Jarque Bera (JB) with a C2 table value, if the Jarque Bera (JB) value ≤ C2 table then the standardized residual value is declared to be normally distributed[42]. Berikut tabel hasil uji normalitas :

Tabel 4.2
Normality Test with Jarque Bera

Descriptive Statistics

	N	Skewness		Kurtosis	
	Statistic	Statistic	Std. Error	Statistic	Std. Error
Standardized Residual	33	,610	,365	-1,084	,717
Valid N (listwise)	33				

Source: Data processed, 2020

Calculation of the Jarque Bera Value of Eq

$$\bar{JB} = n\left(\frac{n^2}{6} + \frac{\bar{(k-3)}^2}{24}\right)$$

$$JB = 42\left(\frac{(0{,}610)^2}{6} + \frac{(-1{,}084-3)^2}{24}\right)$$

$$JB = 31{,}79$$

Based on the calculations of Jarque Bera above, it can be concluded that as follows:
The equation states that the Jarque value falls to 31.79, this value when compared with c^2 table with count df = (n-k). Df = (42-2) = 40 and the significance level is 0.05 then the value c^2 table 55,758. The value of JB = 31.79 (c2count) <55.758 (c^2 table), it can be concluded that the standardized residual value is stated as normally distributed.

22. Agus Widarjono. *Analisis Statistika Multivariat Terapan.* Yogyakarta : Unit Penerbitan dan Percetakan Sekolah Tinggi Ilmu Manajemen YKPN,. 2010. hlm 113

2. Linearity Test

Linearity test is used to see whether the model specifications used are correct or not and the data analysis is processed using the Lagrange Multiplier test model which compares the values c^2 count <c^2 table. Here are the values for R Square:

Table 4.4
Linearity Test with Lagrange Multiplier

Model Summary	
	R Square
1	**0,025**

Source: Data processed, 2020

Based on the results of the linearity test with the lagrange multiplier model above, it can be concluded that as follows:

The results of the linearity test output with the lagrange multiplier model show that the Square in the equation is 0.025. With the number of observations as much as 44. Then the amount of X2 calculated in equation I is 33 x 0.025 = 1.1. This value is compared with the X2 table with df count = 33-2 = 42 and a significance level of 0.05, the X2 table value is 58.124. Therefore the value of X2 count <X2 table or 1.1 <58,124. So it can be concluded that the correct model is a linear model.

3. Multicollinearity Test

The multicollinearity test identifies a good regression model is that there is no correlation between the independent variables and if there is a correlation between the independent variables then the independent variables whose correlation value between the independent variables is equal to zero. The multicollinearity test results use the Tolerance (TOL) test and Variance Inflation Factor (VIF) in equations I and II, which are contained in the following table:

Table 4.5
Multicollinearity Test with Tolerance (TOL) and Variance Inflation Factor (VIF)

Coefficients[a]		
Model	**Collinearty Statistics**	
	Persamaan	
	Tolerance	**VIF**
ROA	0,946	1,058
DER	0,754	1,327
PBV	0,881	1,136

Source: Data processed, 2020

Based on table 4.5 above, the tolerance value of the equation for all independent variables is> 0.10 and the VIF value of all independent variables is <10.00, so it can be concluded that there is no multicollinearity.

1. Autocorrelation Test

Autocorrelation test using the Durbin Watson Test method can identify a correlation between the variables themselves, good data is data that does not have autocorrelation, namely the D-W number between - 2 to +2[43]. The table of autocorrelation test results is as follows:

Tabel 4.6
Perhitungan Autokorelasi dengan Durbin Watshon

Durbin Watson	
Model	**Persamaan I**
1	0,574

Source: Data processed, 2020

Based on the data in table 4.6, it is known that DW in equation I is 0.574. Based on the decision making criteria,

23. Singgih Santoso. 2015. *Menguasai SPSS 22 From Basic Expert Skills.* Jakarta : PT Elek Medis Komutindo,. hlm 65

if the DW is between -2 to + 2 means that there is no autocorrelation.

5. Uji Heteroskedastisitas

A good regression model is a regression model that does not occur heteroscedasticity. The method of heteroscedasticity test uses the White Test model which states that if the value of R square> α = 0.05, it can be ascertained that the model does not contain heteroscedasticity symptoms. The following is a table of the resultsof the heteroscedasticity test using the white test:

Tabel 4.7
Uji Heteroskedastisitas dengan *Uji White*

Model Summary	
	R Square
Persamaan I	0,119

Source: Data processed, 2020

Based on the results of the heteroscedasticity test with the white test, the following conclusions can be drawn:

Based on equation I, the value of R Square is 0.119 with the number of observation data (n) 33, then the amount of c 'count 33 x 0.119 = 3.927 while c' table with Df = (nk) = 33-2 = 31 with a significant level of 0.05 then the value of c^2 table is 3,927. So the white c2 test value count 3,927 <c2 table 44,985, it can be concluded that there is no heteroscedasticity.

3.2.2 Hypothesis Testing

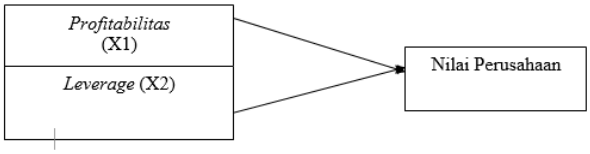
Hypothesis testing is a test to determine the relationship / influence between the independent variable, the dependent variable, and the mediating variable where this study clearly defines that a variable will be the cause for other variables presented in diagrammatic form.

1. Substructural Analisys

Y (Nilai Perusahaan) = β *Profit* + β *Leverage* + e1

Here's a picture of the structural equation:

Figure 4.8
Effect of profitability and leverage on firm value



Source: Developed by researchers, 2020

To test the hypothesis of the structural equation, the following tables will be explained:

Table 4.8
Effect of Profitability, Leverage on Firm Value

Coefisients[a]				
Model		**Standardized Coefficients**		**ig.**
		Beta		
	(Constanta)		1,100	,278
	Profitabilitas	0,758	8,983	0,000
	Leverage	0,020	,155	,878

Source: Data processed, 2020

If t-count> t-table or (-) t-count <(-) t-table, then Ho is rejected and Ha is accepted and if t-count <t-table or (-) t-count> (-) t -table then Ho is accepted and Ha is rejected. The amount of the t-table number with a significance level of 0.05 and degrees of freedom (dk) = (n-2) = (33 - 2) = 31. From these provisions, the t-table number is 2.03951.
The effect of profitability and leverage partially on company value is as follows:

1. Based on the research results, the t-count is 8.983> t-table of 2.03951 so that Ha is accepted and Ho is rejected. This means that there is an effect of profitability on firm value. The magnitude of the influence of profitability on firm value is 0.758 or 75.8% is considered significant with a significance level of 0.000 <0.05.
2. Based on the calculation results, the t-count is 0.155 <t-table 2.03951 so that Ha is rejected and Ho is accepted. This means that there is no influence of leverage on firm value, the magnitude of the effect of leverage on firm value is 0.256 or 25.6% is considered insignificant with a significance level of 0.089> 0.05.

To determine the feasibility of the regression model, the figures are drawn from the ANOVA table. The following is the ANOVA table:

Table 4.9
ANOVA with F and Sig.

Model	F	Sig.
Regression	18,781	0,034
Residual Total		

Source: Data processed, 2020

If F-count> F-table, then Ho is rejected and Ha is accepted and vice versa F-count <F-table, then Ho is accepted and Ha is rejected. From the calculation results, the F-count is 18.781> F-table is 3.30 so that Ho is rejected and Ha is accepted. This means that there is an effect of profitability and leverage on firm value with a significance level of 0.034 <0.05.

Meanwhile, to see how much influence the variables studied on profitability can be seen based on the table below:

Tabel 4.10
Model Summary

Model	R Square
1	0,310

Source: Data processed, 2020

Based on the table 4.10, the R Square value is 0.310. This figure means that the effect of profitability and leverage on firm value is 31.00%. This means that 31% of the firm value variable can be explained by the two independent variables in the study, namely profitability and leverage, while the magnitude of the influence of other variables outside the regression is calculated by the formula (1 - r2) = (1 - 0.310) = 0.690 or 69% which is explained by the variable others who were not examined in this study.

3.2.2 Summary of Research Results

No	Hipotesis	Hasil Penelitian
1	H1: profitability has an effect on firm value	*Profitability has an effect on firm value and is significant on firm value. The magnitude of the influence of profitability on firm value is 0.758 or 75.8% is considered significant with a significance level of 0.000 <0.05.*

2	H2: leverage affects firm value	*Leverage has no effect and is not significant towards firm value. The magnitude of the influence of leverage on firm value is 0.256 or 25.6% is considered insignificant with a significance level of 0.089> 0.05.*

i. Research Discussion

A discussion of the results of research on the effect of profitability and leverage on firm value is as follows:

1.3.1. Effect of profitability on firm value

Based on the results of statistical research using IBM SPSS Statistics 22 partially the effect of profitability on firm value obtained a t-count of 8.983> t-table of 2.01954 so that Ha is accepted and Ho is rejected. This means that there is an effect of profitability on firm value. The magnitude of the influence of profitability on firm value is 0.758 or 75.8% is considered significant with a significance level of 0.000 <0.05. So that the fifth hypothesis (H5) is accepted. This shows that the higher the profitability the company gets, the more the firm value will increase.

In accordance with the perspective of signal theory which explains that the increase in profitability stated in the financial statements is an effort to provide signals to investors regarding company performance and growth in future business prospects. These efforts can build a positive segment of investors so that they affect the increase in share prices in the capital market. An increase in share price can increase the company's value in the eyes of investors. The results of this study are in line with the research Dea Putri ayu, A.A Gede Suarjaya[44] which states that profitability affects firm value means that profitability can be calculated to measure the company's ability to generate profits and provide an overview for investors about the rate of return on capital invested in the company. the greater the level of profitability, the greater the net profit generated from own capital.

1.3.2 The effect of leverage on firm value

Based on the results of statistical research using IBM SPSS Statistics 22 partially the effect of leverage on firm value, the t-count value is 0.155 <t-table 2.03951 so that Ha is rejected and Ho is accepted. This means that there is no influence of leverage on firm value, the magnitude of the effect of leverage on firm value is 0.256 or 25.6% is considered insignificant with a significance level of 0.089> 0.05.

The higher or lower leverage will not affect firm value. this is because the sample sharia insurance companies do not depend on the debt financing of the company's assets, so that it does not affect the decisions of corporate investors in increasing the value of Islamic insurance companies. The average company has safe leverage in the sense that the company is able to pay debts that are used to finance the company's assets, so managers are not interested or motivated to practice firm value. because the company is in good or safe condition and is able to pay debts that are used to finance company assets.

The results of this study are not in line with agency theory that there is an agency relationship between agents and pricipal where the company has a high leverage ratio, so the company managers tend to use accounting methods that will increase firm value so that the company looks good in the hope that investors can trust the company's performance. So that it can convince the principal who thinks that the debtor can pay the debt.

4. CONCLUSION AND SUGGESTION

4.1 Conclusion

This study aims to examine the effect of profitability and leverage on firm value in sharia insurance companies listed on the Indonesia Stock Exchange (IDX) for the period 2016-2018. The number of samples in this study were 84 companies selected using purposive sampling technique so that observations were obtained 11 companies were analyzed using IBM SPSS Statistics 22. The conclusions generated from this study are as follows:

1. Profitability affects firm value, meaning that increased profitability will directly impact firm value.
2. Leverage has no effect on firm value, meaning that leverage has no effect on firm value.

24. Dea Putri Ayu, A. A. Gede Suarjaya. 2017. *Pengaruh Profitabilitas terhadap Nilai Perusahaan dengan corporate Sosial Responsibilty sebagai variabel mediasi pada Perusahaan Pertambangan.* Universitas Udayana Bali,.

4.2 Suggestion

Based on the conclusions obtained, the authors would like to provide suggestions for interested parties, namely as follows:

1. For the Company
   From the results of this study, so that it can be used as an evaluation for the company and it is hoped that the company can maintain the stability of profitability, leverage and company value.

2. For profitability
   it is recommended that the company be able to maintain profitability, and for leverage, it is recommended to be able to convince the principal who thinks that the debtor can pay the debt and for company value it is expected that the company can maintain stability and increase the market price of a share over the book price of shares.

3. For Investors
   Investors must be careful in investing and it is hoped that before investing investors must see and read up to date financial reports carefully.

4. For Researchers
   Furthermore, it is suggested to add other internal variables or to be able to use the same variables in this study but using different measuring instruments, and it is advisable to extend the research period. The next researchers should take samples not only limited to insurance companies but also other companies listed on the IDX.

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