

Factors affecting profitability: Evidence from Indonesia and Malaysia

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ABSTRACT

This study was conducted to examine factors affecting the profitability of companies listed on Indonesia Stock Exchange and Bursa Malaysia. The factors tested were activity, liquidity and corporate governance. Methodology: The population of this study includes all property and real estate companies listed on Indonesia Stock Exchange and Bursa Malaysia within the period of 2013-2017. The research used purposive sampling method and obtained 37 sample companies. Multiple regression analysis method was used in this research. The results show that in Indonesian companies, activity and liquidity have significant effect on ROE, while Corporate Governance have no effect on Return on Equity. The results in Bursa Malaysia show that activity and Corporate Governance (Board Independence) have a positive and significant effect on Return on Equity. Meanwhile, Liquidity and Board Size have no effect on ROE. Value: This study developed previous research by adding corporate governance variables.

Keywords

Liquidity, Board Independence, Profitability, Property and Real Estate, ROE

1. INTRODUCTION

The main objective of companies to run their business is to generate profit for shareholders. The profit can be obtained from short-term and long-term activities. To see whether companies' profit is large enough, generally the companies use profitability ratios. According to [1], the profitability ratio is used to measure the ability of a company in its business to obtain profits by using the assets owned. The property and real estate industry is an industry engaged in building construction. The property market is generally divided into three, namely, residential property, which includes apartments, housing, flats, and multi-unit buildings; commercial property, which includes property designed for business purposes, such as warehouses and parking area; and industrial property, property designed for industrial purposes, for example factory buildings.

The property market in Indonesia can basically be divided into several market segments, which are office buildings, retail market which includes supermarkets and malls, apartments and condos; industrial estate market; and the hotel market. The property and real estate industry sector is difficult to predict and has high risks. The property sector has a significant influence on the trend of investment and purchasing power. It is hard to predict the property market because when there is

good economic growth, the market will tend to be interested in the property sector as a long-term investment. So, the property market will soon increase. However, if the economic situation is bad, the property sector will be quickly affected and become sluggish. The ups and downs of the profitability of property and real estate companies listed on the Indonesia Stock Exchange and Malaysia Stock Exchange become problems for the management and investors.

Activity ratio is a ratio that shows the effectiveness of a company in using its assets. This ratio is used to assess how efficiently a company can utilize and manage the company's resources. This ratio is a measure that shows the company's ability to carry out daily activities, such as sales, collection of receivables, inventory management, working capital management, and management of all assets. Reference [2] conducted research on the effect of activity on profitability using financial data from manufacturing companies listed on the Indonesia Stock Exchange within the period of 2009-2013. The result is that, partially, the activity ratio has a significant positive effect on profitability. The results of [3]'s study found that Total Assets Turnover partially had a significant effect on ROE.

The level of liquidity of a company is often used as one of the benchmarks for decision making in the company. Some parties are usually related to the level of liquidity of a company, namely

shareholders, raw material suppliers, company management, consumers, creditors, government, financial institutions and insurance institutions. The liquidity ratio shows the company's ability to pay off short-term debt by looking at the ratio of debt to liquid assets of the company. Reference [2] found that partially liquidity does not have a significant effect on profitability.

In today's context, the implementation of Good Corporate Governance (GCG) has become an urgent matter for all organizations, both large and medium organizations. The implementation of GCG is related to the distribution of strengths and responsibilities, as well as the consequences and accountability of the performance or achievement of the organization.

Good Corporate Governance is the ability of a company to run a business by using mutually agreed upon properties. Corporate governance should be based on accountability, responsibility, fairness, transparency and independence. By considering these five traits, the company is expected to be able to implement guidelines and mechanisms to ensure good behavior and protect the interests of shareholders. Another major focus is economic efficiency which states that the corporate governance system must be aimed at optimizing economic outcomes with a strong emphasis on the welfare of shareholders. Reference [4] found that GCG had a significant positive effect on profitability. The profitability ratios used in the study were ROA and ROE.

This study examines whether activity ratio, liquidity ratio and good corporate governance affect the profitability of property and real estate companies listed on the Indonesia Stock Exchange and Malaysia Stock Exchange.

2. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Signalling Theory suggests that a company should give a signal to the users of its financial statements. This signal is the information about what has been done by the management to realize the objectives of the owner. The signals can be in the form of promotions or other information stating that the company is better than other companies. Based on signalling theory, managers provide signals in the form of financial statements to reduce information asymmetry. According to [5], information published as an announcement will influence investors in making investment decisions. When investors receive information, they will analyze the information, whether it is a good signal (good news) or bad signal (bad news). If the information is considered a good signal, then investors will be interested in buying and trading the stock; thus, the market will react, which is

reflected by the changes in stock trading volume [6]. In addition to financial statements that give a signal about the company's financial condition, the company also provides other signals in the form of information on corporate governance, decision making, and other corporate activities that can provide signals regarding the direction of the company's development, the company's position compared to competitors, and the company's ability to run its business. Signal theory explains that companies have the urge to send signals to external parties in the form of financial statements. By disclosing financial statements, it is expected that the information held by internal parties and external parties is similar. Management always tries to disclose private information. The more private the information provided, investors will tend to assume that the company has a good financial potential due to its openness in terms of the company's financial condition. Management is also interested in conveying information that can increase the credibility and success of the company even though the information is not required. Voluntary disclosure is a positive signal for the company.

Financial ratio analysis is a quantitative analysis used to evaluate various aspects of a company's operation and financial performance based on information presented in the company's financial statements. This financial ratio can be used by the company management, creditors or lenders as well as investors and shareholders. This financial ratio is also used by securities analysts and credit rating agencies to assess the strengths and weaknesses of various companies. According to [7], financial ratio analysis is a way that makes the comparison of corporate financial data more meaningful. Financial ratios are the basis for answering several important questions regarding the financial health of a company.

Property and real estate companies are one of the industrial sectors listed on the Indonesia Stock Exchange. The development of the property and real estate industry is so fast at this time due to the increasing population while the land availability is fixed. The property and real estate industries were firstly listed on the IDX in 1980. In 2003, the number of property and real estate companies listed on the IDX reached 30 companies, and in 2018, the property and real estate companies listed on the IDX increased to 54 companies. The property and real estate sectors are very sensitive to the ups and downs of the economy. Companies in the sectors are often considered to be able to withstand macroeconomic conditions in Indonesia.

In 2018, there were 96 property and real estate companies listed on the Bursa Malaysia. As a country with one of the highest per capita income

levels in Southeast Asia, Malaysia has expanded its real estate sector to provide housing, offices and commercial properties for the growing middle class. Larger urban areas have attracted most investments, but economic and political changes have recently affected the property sector. Nonetheless, Malaysia's property and real estate sector has faced difficult times. The 2014 and 2015 were not profitable for the country's real estate industry. In Malaysia, the difference between the rich and the poor has decreased. The growing middle class population then can have the power to buy their own property. This is the main driver of the real estate sector in Malaysia. The younger population still leads the formation of new households. Currently, houses in Malaysia are the cheapest prices in the Southeast Asia region, which attracts more foreign investment in the region. A consistent decline in ringgit value is the biggest control for this sector in Malaysia. Not only has it cut the purchasing power of all local residents, but also the weaker Malaysian ringgit increases property costs in the country. This turned out to be good for neighbouring countries such as Singapore, whose currency has a better value than the Malaysian ringgit, which allows Singaporeans to buy property in Malaysia at a lower cost.

Activity Ratio is a ratio that shows the effectiveness of a company in using its assets. This ratio is used to assess how efficiently a company can utilize and manage its resources. If the company has high assets, the interest expense will be high. So, the profit will decrease. The decline of profit will also reduce the company's profitability. On the other hand, if the assets are very low, sales that bring profits may decrease. The higher the activity ratio, the more effective the company is in utilizing its resources. In general, the more effective the company uses its resources, the higher the level of profitability. According to [8], activities have an influence on profitability. Based on the explanation above, the following hypothesis is formulated:

H1: Activity Ratio affects the profitability of property and real estate companies listed on the Indonesia Stock Exchange

H5: Activity Ratio affects the profitability of property and real estate companies listed on the Bursa Malaysia

Every company has a goal to increase profits effectively using existing assets and capital, so that the companies will have high profitability. In funding business activities, companies need funds that can be obtained from debt, and the ability of companies to pay short-term obligations can be seen from the liquidity ratio. Companies which have high liquidity have the ability to pay short-

term liabilities using assets. The companies will gain high trust by creditors so that it will be easier for them to get a loan that can be used to fund the companies' operations so that the companies' profits and profitability can increase. According to [2], liquidity has no significant effect on the profitability of manufacturing companies listed on the Indonesia Stock Exchange within the period of 2009-2013. Based on the explanation above, the following hypothesis is formulated:

H2: Liquidity Ratio affects the profitability of property and real estate companies listed on the Indonesia Stock Exchange

H6: Liquidity ratio influences the profitability of property and real estate companies listed on the Bursa Malaysia

Good corporate governance (GCG) is a concept to increase transparency and accountability with the aim of ensuring that the company's objectives are achieved by using resources as efficiently as possible. GCG is a system that regulates and controls companies to create added value for all stakeholders. According to (Wilopo, 2011), Good Corporate Governance (GCG) has a significant positive influence on a company's profitability. According to [9], Good Corporate Governance (GCG) has a significant positive influence on profitability. Reference [10] research with 4 types of corporate governance variables shows that Institutional Ownership and Independent Board of Commissioners have a significant negative effect on profitability while Audit Committee has a significant positive effect on profitability. The size of the Board of Directors (board size) has a negative effect but not significant on profitability.

Based on the explanation above, the following hypotheses are formulated:

H3: Board Size (BS) affects the profitability of property and real estate companies listed on the Indonesia Stock Exchange

H4: Board Independence (BI) influences the profitability of property and real estate companies listed on the Indonesia Stock Exchange

H7: Board Size Malaysia (BSM) affects the profitability of property and real estate companies listed on Bursa Malaysia

H8: Independence Malaysia Board (BIM) influences the profitability of property and real estate companies listed on Bursa Malaysia.

3. RESEARCH METHODS

The data used in this study were audited annual financial statements of property and real estate companies listed on the Indonesia Stock Exchange

and Malaysia Stock Exchange within the period of 2013 - 2017 obtained from the IDX's official website, www.idx.co.id and the Bursa Malaysia official website, www.bursamalaysia.com. The sampling technique used was purposive sampling based on the criteria previously set, including:

1. Property and real estate companies listed on the Indonesia Stock Exchange (IDX) and Bursa Malaysia within the period of 2013-2017
2. Property and real estate companies having published financial statements in a row starting from 2013-2017
3. The property and real estate companies use Rupiah (Rp) and Malaysian Ringgit (Rm) units
4. The property and real estate companies have financial statement limits on December 31.
5. Property and real estate sector companies must have a positive net profit in a row within the period of 2013-2017.

Table 1. Sample Selection of Indonesian Companies

No.	Criteria	Amount
1.	Property and real estate companies listed on the Indonesia Stock Exchange (IDX) for the 2013-2017 period	46
2.	Property and real estate companies that do not have financial statements in a row from 2013-2017	(22)
3.	Property and real estate companies that do not use Indonesian Rupiah (Rp)	0
4.	Property and real estate companies that do not have financial statement limits on December 31	0
5.	Property and real estate companies that do not have positive net profits in a row during 2013-2017	(4)
Number of sample companies		20
Research period		5 years
Number of research samples		100

Source: Data Processed

Table 2. Sample Selection of Malaysian Companies

No.	Criteria	Amount
1.	Property and real estate companies listed on the Bursa	73

No.	Criteria	Amount
	Malaysia for the 2013-2017 period	
2.	Property and real estate companies that do not have financial statements in a row from 2013-2017	(6)
3.	Property and real estate companies that do not use the Malaysian Ringgit (RM) currency unit	0
4.	Property and real estate companies that do not have financial statement limits on December 31	(39)
5.	Property and real estate companies that do not have positive net profits in a row during 2013-2017	(11)
Number of sample companies		17
Research period		5 years
Number of research samples		85

Source: Data Processed

The data analysis method used in this study was multiple regression equation model to examine the effect of independent variables on the dependent variable. Multiple linear regression models on the analysis of the effect of activity ratios, liquidity ratios, corporate GCG on the company's profitability can be described as follows:

Indonesia

$$ROA = \beta_1 TATO + \beta_2 CR + \beta_3 BS + \beta_4 BI + \epsilon$$

Malaysia

$$ROAM = \beta_5 TATOM + \beta_6 CRM + \beta_7 BSM + \beta_8 BIM + \epsilon$$

Information:

ROA = Return On Assets

TATO = Total Asset Turn Over Ratio

CR = Current Ratio

BS = Board size

BI = Board independence

ROAM = Return on Assets Bursa Malaysia

TATOM = Total Asset Turn Over Ratio
Bursa Malaysia

CRM = Current Ratio Bursa Malaysia

BSM = Board size Bursa Malaysia

BIM = Board independence Bursa Malaysia

ε = Error

The variable used in this study is profitability as the dependent variable. Then Activities, Liquidity, Board size, and Board independence, as independent variables.

Table 3. Operationalization of Variables

Variable	Ratio	Formula
Profitabilitas	<i>Return on Equity</i>	$Return\ on\ Equity = \frac{Net\ Income}{Total\ Equity}$
Aktivitas	<i>Total Asset Turnover</i>	$Total\ Asset\ Turnover = \frac{Penjualan}{Total\ Asset}$
Likuiditas	<i>Current Ratio</i>	$Current\ Ratio = \frac{Aset\ Lancar}{Hutang\ Lancar}$
<i>Corporate Governance</i>	<i>Board Size</i>	$\frac{Total\ Dewan}{Jumlah\ Dewan}$
<i>Corporate Governance</i>	<i>Board Independence</i>	$\frac{Total\ Dewan\ Independen}{Total\ jumlah\ dewan}$

Source: Data Processed

Table 4. Descriptive statistical analysis of Indonesian and Malaysian research variables

Indonesia					
	ROE	TATO	CR	BS	BI
Mean	0.116788	0.217859	2.501004	4.650000	0.408571
Median	0.094435	0.230258	1.856999	5.000000	0.400000
Maximum	0.524346	0.478649	8.800967	8.000000	0.666667
Minimum	0.006567	0.011667	0.240503	2.000000	0.200000
Malaysia					
	ROEM	TATOM	CRM	BSM	BIM
Mean	0.090712	0.261851	2.630668	8.000000	0.465100
Median	0.077279	0.245988	2.249944	7.000000	0.444444
Maximum	0.455312	0.590535	9.166896	13.000000	0.777778
Minimum	0.009098	0.019227	0.615750	5.000000	0.250000

Source: Data Processed

4. ANALYSIS AND DISCUSSION

This study uses descriptive statistical tests. Descriptive statistical tests are used to determine the condition of the data seen from the average, maximum, minimum, and standard deviation of the variables used.

Based on Table 4, for Indonesia the activity variables that are proxied by total asset turnover (TATO) have a calculated average (mean) of 0.2178 meaning that the average property and real estate companies on the Indonesia Stock Exchange can get sales of 0.21 times their total assets. The liquidity variable that is proxied by the current ratio (CR) has a calculated average (mean) of 2.59, it can be concluded that the average property and real estate company on the Indonesia Stock Exchange has a liquid nature because it has 2.59 times current assets. The GCG variable that is proxied by board size (BS) has a calculated average (mean) of 4.65, which means that the average number of commissioners of property and real estate companies on the Indonesia Stock Exchange is 4.65. The GCG variable proxied by board independence (BI) has a calculated average (mean) of 0.408 meaning that the average number of independent commissioners compared to the total number of commissioners of property and real estate companies on the Indonesia Stock Exchange is 0.408. The profitability variable (Y) that is proxied by ROE for the period 2013-2017 has an average of 0.116, meaning that the average property and real estate sector company on the Indonesia Stock Exchange can generate profits of 0.116 times the total capital.

Based on Table 4 for Malaysia the activity variables that are proxied by Malaysia's total asset turnover (TATOM) have an average of 0.2618, meaning that the average property and real estate company in Bursa Malaysia can get sales of 0.2618 times the total assets. The liquidity variable that is proxied by the Malaysian current ratio (CRM) has a calculated average (mean) of 2.63, it can be concluded that the average property and real estate company in Bursa

Malaysia has a liquid and safe nature in short-term risk because it has current assets of 2.63 times short-term obligations. The GCG variable that is proxied by the Malaysian board size (BSM) has a calculated average (mean) of 4.65. The GCG variable proxied with Malaysian board independence (BIM) has an average count of 0.46, meaning the average number of independent directors compared to the total number of directors of property and real estate companies on Bursa Malaysia is 0.46. The profitability variable (Y) which is proxied by ROE for the period 2013-2017 has an average of 0.09 which means that the average property and real estate sector company on Bursa Malaysia can generate profits of 0.09 times the total capital.

The calculation of multiple linear regression is used if the software uses Eviews with the type of effect that is the common effect. The results of multiple linear regression calculations are

presented in Table 5 for Indonesian and Malaysian companies.

Source: Data Processed

From the results of multiple linear regression tests in Table 5, it can be seen that the regression equation of the company's research on the Indonesia Stock Exchange is as follows:

$$ROE = 0.0842C + 0.36736TATO - 0.0155CR - 0.0021BS + 0.02351BI - 0.0101CONTROL.$$

From the results of multiple linear regression tests in Table 5, it can be seen that the regression equation of the company's research on Bursa Malaysia is as follows:

$$ROEM = 0.140151C + 0.128166TATOM - 0.00126CRM - 0.000088BSM - 0.12295BIM - 0.02077CONTROL.$$

The calculation of multiple linear regression of this study was processed using Eviews software with the type of effect that is the common effect. The calculation of the Determination Coefficient (R²) model of this study can be seen in Table 6 (for Indonesia and Malaysia).

Table 6. R² test – Indonesia

Indonesia			
Dependent Variables	R Square	Adjusted Square	R
Profitability	0.272512	0.241881	
Malaysia			
Dependent Variables	R Square	Adjusted Square	R
Profitability	0.127668	0.084051	

Source: Data Processed

As Table 6 indicates, the correlation coefficient (R) is 0.272512, meaning that there is a positive and unidirectional relationship between the independent variable and the dependent variable. The value of R² = 0.241881 means that the effect of independent variables, namely activity, liquidity, and good corporate governance on the dependent variable, namely profitability in the Indonesian company research model is 24.181% and the influence of other variables not included in this research model is 75.8119 %.

As Table 6 shows, the correlation coefficient (R) is 0.127668, meaning that there is a positive and unidirectional relationship between the independent variable and the dependent variable. The value of R² = 0.084051 means that the influence of independent variables, namely activity, liquidity, and good corporate governance on the dependent variable, namely profitability in the Malaysian company research model is 8.4051% and the influence of other variables not included in this research model is 91 , 5949%.

Table 7. F test – Indonesia and Malaysia

Indonesia			
F-statistic	8.896584	Durbin-Watson stat	1.059926
Prob(F-statistic)	0.000004		
Malaysia			
F-statistic	2.92704	Durbin-Watson stat	1.377547
Prob(F-statistic)	0.025887		

Source: Data Processed

Based on data presented in Table 7, for sample from Indonesia, it can be seen that this equation model has a significance value of 0.000004. It has a Prob (F-statistic) value <0.05 which is 0.000004 where 0.000004 <0.05 indicates that together (simultaneously), the variables TATO, CR, BS, and BI have a significant effect on the ROE dependent variable. Based on data presented in Table 7, for sample from Malaysia, this equation model has a significance value of 0.025887, because it has a Probability value (F-statistic) <0.05 which is 0.025887 where 0.025887 <0.05 indicates that together (simultaneously), the variables TATOM, CRM, BSM, and BIM have a significant effect on the dependent variable ROEM.

Activity variables proxied by Total Asset Turnover (TATO) have a Prob 0 value of <0.05. It can be concluded that the activity variable affects the profitability of property and real estate companies listed on the Indonesia Stock Exchange. These results contradict the results of research conducted by [11] which indicated that activity had no significant effect on profitability. However, these results are in line with research conducted by [2] showing that activity has a significant positive effect on profitability. This can be seen from the probability value of the TATO variable of 0.0000. The significance value of 0.0000 <0.05 indicates that the Total Asset Turnover (TATO) variable has a significant effect on ROE with positive direction. Based on the results of this study, companies which

Table 5. Results of Multiple Linear Regression in Indonesia and Malaysia

Indonesia				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
TATO	0.36736	0.08174	4.49414	0
CR	-0.0155	0.00456	-3.3905	0.001
BS	-0.0021	0.00576	-0.3674	0.7141
BI	0.02351	0.06281	0.37421	0.7091
C	0.0842	0.05244	1.60565	0.1117
Malaysia				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
TATOM	0.128166	0.057399	2.232886	0.0284
CRM	-0.00126	0.004491	-0.27989	0.7803
BSM	-0.00088	0.00347	-0.25394	0.8002
BIM	-0.12295	0.060688	-2.026	0.0461
C	0.140151	0.05755	2.435266	0.0171

can manage their assets and turn them into business activities can increase their profitability, On the other hand, assets which are not used to increase sales productivity will affect the companies' profitability. Assets that are underutilized at a certain level will result in greater excess funds embedded in these assets. It will be better if the excess funds are invested in other assets that are more productive.

Source: Data Processed

From the results of variable calculations presented in Table 8, X2 is the liquidity proxied by the Current ratio (CR) having a Prob value of 0.001 which is <0.05 . It can be concluded that the variable liquidity affects the profitability of property and real estate companies listed on the Indonesia Stock Exchange. From the results of this study, it can be seen that the higher liquidity of the companies will lead to lower profitability. This happens because companies with high liquidity tend to have high current assets compared to current liabilities. By saving high current assets, the companies will reduce their ability to manage assets into profit because the companies must prepare these assets to reduce the short-term risk of the company. On the contrary, the lower the companies' liquidity will lead to higher profitability. This can happen because companies with low liquidity tend to direct their smooth assets to gain profits so that profitability will increase.

From the results of the variable calculation which can be seen in Table 8, X3, namely board size (BS) has a Prob value of 0.7141 which is >0.05 . It can be concluded that board size has no effect on the profitability of property and real estate companies listed on the Indonesia Stock Exchange. This result is contrary to research by [12] which indicates that board size has a significant negative influence on profitability. This result also contradicts [4] which shows that Good Corporate Governance (GCG) has a significant positive influence on the company's profitability. This explains that the higher number of Commissioners in companies listed on the Indonesia Stock Exchange does not have a significant effect on the profitability of the companies. On the other hand, the smaller number of commissioners in companies listed on the Indonesia Stock Exchange does not significantly influence the profitability of the company.

From the results of variable calculations which can be seen in Table 8, X4, board independence (BI) has a Prob value of 0.709 which is >0.05 . It can be concluded that board independence has no effect on the profitability of property and real estate companies listed on the Indonesia Stock Exchange. This explains that the greater proportion of

independent commissioners compared to the total number of commissioners in companies listed on the Indonesia Stock Exchange does not have a significant effect on the profitability of the company. Meanwhile, the smaller the proportion of independent commissioners compared to the total number of commissioners in companies listed on the Indonesia Stock Exchange also has no significant effect on the companies' profitability.

Table 8. T test - Indonesia

Variable	Coefficient	Std. Error	t-Statistic	Prob.
TATO (X1)	0.36736	0.08174	4.49414	0
CR (X2)	-0.0155	0.00456	-3.3905	0.001
BS (X3)	-0.0021	0.00576	-0.3674	0.7141
BI (X4)	0.02351	0.06281	0.37421	0.7091
C	0.0842	0.05244	1.60565	0.1117

These results indicate that in companies listed on the Indonesia Stock Exchange, the independence of the commissioners does not have a significant effect compared to non-independent commissioners.

From the results of the variable calculation, which can be seen in Table 9, X5, the activities proxied by the Total Asset Turnover Malaysia (TATOM) have a Prob value of 0.0284 which is <0.05 . It can be concluded that the activity variable influences the profitability of property and real estate companies listed on Bursa Malaysia. These results indicate that the greater the assets used by the companies for obtaining sales, the higher the level of profitability of the company.

Variable	Coefficient	Std. Error	t-Statistic	Prob.
TATOM	0.128166	0.057399	2.232886	0.0284
CRM	-0.00126	0.004491	-0.27989	0.7803
BSM	-0.00088	0.00347	-0.25394	0.8002
BIM	-0.12295	0.060688	-2.026	0.0461
C	0.140151	0.05755	2.435266	0.0171

Table 9. T test - Malaysia

Source: Data Processed

From the results of the variable calculation which can be seen in table 9, X6 is the Liquidity proxied by the Malaysian Current Ratio (CRM) having a Prob value of 0.7803 that is >0.05 . It can be concluded that the variable liquidity has no effect on the profitability of property and real estate companies listed on the Bursa Malaysia. These results indicate that the higher liquidity of the companies does not have a significant influence on the profitability of the companies, and vice versa, the lower liquidity of the company does not have a

significant influence on the profitability of the companies.

From the results of the variable calculation, which can be seen in table 9, the Malaysian board size (BSM) has a Prob value of 0.74 which is > 0.05 . It can be concluded that the board size has no effect on the profitability of property and real estate companies in Bursa Malaysia. This explains that the higher number of directors in companies listed on Bursa Malaysia does not have a significant effect on the profitability of the companies. On the contrary, the less number of directors in companies listed on Bursa Malaysia does not significantly influence the profitability of the companies.

From the results of variable calculations, which can be seen in Table 9, X8, Malaysian board independence (BIM) has a Prob 0.04 value of < 0.05 . It can be concluded that board independence affects the profitability of property and real estate companies listed on Bursa Malaysia. The negative numbers on regression indicate that the greater proportion of independent directors compared to the total number of directors in companies listed on Bursa Malaysia will have a significant effect on the decrease of the profitability of the companies, whereas the smaller the proportion of independent directors compared to the total number of directors companies listed on the Indonesia Stock Exchange will significantly increase the profitability of the companies. These results indicate that the greater the proportion of independent directors will make it difficult to produce a decision because independent directors will tend to have different views. The length of decision making will result in the slow performance of the companies in making a profit. So, it will cause low profitability. The management of the companies has an obligation to provide signals to shareholders and investors. Management will try to provide a positive signal in the form of financial statements that contain the companies' financial condition which is good and growing, but directors and independent commissioners as parties that are not bound by the companies have the function of maintaining the accuracy of the management in providing signals in accordance with the companies' conditions without making overstatement or understatement. Thus, shareholders can have correct information in accordance with the actual financial situations. Independent parties in the companies will indirectly make the signal released by the companies more accurate or have a high level of accountability. The increased accountability of the companies' signal tends to cause a decrease in the value of the signal, because the signal will be closer to true and in accordance with the actual situation.

4.1. Comparison of Liquidity Variable Hypothesis Test Results on the Indonesia Stock Exchange and Malaysia Stock Exchange.

In this study the results show that liquidity has a negative and significant effect on profitability on the Indonesia Stock Exchange, but liquidity does not affect profitability in the research of Bursa Malaysia companies. In the results of hypothesis testing in the Indonesia Stock Exchange company, the higher the liquidity will lead to lower profitability, while the results of the company's hypothesis test on Bursa Malaysia liquidity does not affect profitability. If seen from the average liquidity figures of the two countries, the average liquidity of the companies in Bursa Malaysia is higher than the average liquidity of the company on the Indonesia Stock Exchange, but the high liquidity of the companies in Bursa Malaysia does not negatively affect the profitability of the company. It can be concluded that companies in Bursa Malaysia can manage their liquid assets well, even though liquid assets owned by high companies do not make the company ineffective in gaining profits. The purpose of liquidity management is to achieve safe liquidity so that the company is liquid, and minimize funds that are unemployed because if a lot of unemployed funds will reduce the profitability of the company. Companies in Bursa Malaysia are better at liquidity management than companies on the Indonesia Stock Exchange, so that the high liquidity of Malaysian companies does not affect the decline in profitability.

4.2. Comparison of Board Independence Variable Hypothesis Test Results on the Indonesia Stock Exchange and Malaysia Stock Exchange.

In this study the results showed that Board Independence did not affect profitability on the Indonesia Stock Exchange, but board independence had a negative and significant effect on profitability on Bursa Malaysia. This difference in results can be caused by the function of an independent party in the Indonesian Stock Exchange company that is less extensive, and less effective than the functions of an independent party in the Bursa Malaysia company. In addition to the functions of the independent party, the data managed in this study obtained an average of independent board members in the Indonesia Stock Exchange company compared to the average board member in the Bursa Malaysia company. This is due to the rule that the minimum number of independent party members on the Malaysian Exchange is greater than the rules on the Indonesia Stock Exchange. At Bursa Malaysia companies that wish to register on Bursa Malaysia must have at least two people or one-third of an independent board, while at the

Indonesia Stock Exchange the rules stipulated for companies can be listed on the Indonesia Stock Exchange must have at least one third of the independent council. More independent parties in the Bursa Malaysia company cause decisions taken by independent parties to be more effective and affect the company's profitability.

5. CONCLUSION

Based on the results of the analysis and discussions, the following conclusions can be drawn: H1 is accepted. Activity has a positive and significant effect on the profitability of the property and real estate companies listed on the Indonesia Stock Exchange in 2013-2017. It can be concluded that the more effective the companies can manage their assets into sales, the higher the profitability of the companies.

H2 is accepted. Liquidity has a negative and significant effect on the profitability of property and real estate companies listed on the Indonesia Stock Exchange in 2013-2017. It can be concluded that the higher the liquidity of the companies or the higher the ability of the companies to meet their short-term obligations, the lower the profitability of the companies. H3 is rejected, Board Size does not affect the profitability of property and real estate companies listed on the Indonesia Stock Exchange in 2013-2017. H4 is rejected, Independence Board has no effect on the profitability of property and real estate companies listed on the Indonesia Stock Exchange in 2013-2017.

Activities have a positive and significant effect on the profitability of property and real estate companies listed on the Bursa Malaysia in 2013-2017 (H5 received). It can be concluded that the more effective companies can manage their assets into sales, the higher the profitability of the companies. Liquidity does not affect the profitability of property and real estate companies listed on the Malaysian Exchange in 2013-2017 (H6 rejected). Board Size does not affect the profitability of property and real estate companies listed on the Malaysia Exchange in 2013-2017 (H7 rejected). Board Independence has a negative and significant effect on the profitability of property and real estate companies listed on the Bursa Malaysia in 2013-2017 (H8 received). It can be concluded that the more independent parties on a board compared to the total board, the lower the companies' productivity.

This shows that the profitability of property and real estate companies listed on the Indonesia Stock Exchange in the 2013-2017 period is influenced by activity and liquidity, while the profitability of property and real estate companies listed on the Malaysia Exchange per 2013-2017 is influenced by activity and board independence.

6. LIMITATIONS AND SUGGESTIONS.

Based on the results of the research that has been proposed, the following suggestions are proposed for further research. Research with similar topics should cover a longer period of financial statements and annual reports to obtain a better picture. Other independent variables can also be included in future research, such as company value and earnings growth. Future studies are expected to expand the sample, not only limited to property companies.

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