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THE EFFECT OF CURRENT RATIO, INVENTORY TURNOVER, DEBT TO EQUITY RATIO, AND NET PROFIT MARGIN ON THE VALUE OF COMPANIES IN THE HEALTHCARE SECTOR LISTED ON IDX 2017-2020

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Abstract

This study analyzes the current ratio, inventory turnover, debt to equity ratio, and net profit margin to the Value of Companies in the Healthcare Sector listed on the Indonesia Stock Exchange in 2017-2020. The research method used is the quantitative method. The sampling technique used is purposive sampling with a total population of 23 companies—retrieval of secondary company data through BEI, the company's official website, Yahoo Finance, and IDN Financial. The data analysis used in this study is the classical assumption test, multiple linear regression analysis, and hypothesis testing using the SPSS 25 application. The study results show that the current ratio has a positive and significant effect, the debt to equity ratio has a positive and significant effect, and the net profit margin has a positive and significant effect on firm value. Meanwhile, inventory turnover has a positive and insignificant effect on firm value. The current ratio, inventory turnover, debt to equity ratio, and net profit margin significantly affect firm value.

Keywords: Current Ratio, Inventory Turnover, Debt to Equity Ratio, Price to Book Value

JEL Classification: M20, M21

1. INTRODUCTION

Technological developments make companies more efficient in producing goods and services. In terms of technological competition, companies must make capital management better in terms of managing company finances and can achieve the planned goals. The company's goals in following technological developments is to reduce very high operational costs in order to increase company profits and to be able to pay short-term and long-term debt. Short-term debt is an obligation that the company pays immediately in less than 1 year, while long-term debt is debt that the company pays for more than 1 year.

The company's goal in managing investors' funds is to be able to provide maximum profits to the company's shareholders. The high share price indicates the company's value is increasing. Companies engaged in healthcare that have gone public on the stock exchange must increase the value of their companies in the capital structure so that investors believe that the company's stock price will continue to rise and be stable and the increase in stock prices will encourage investors to invest their capital in the company.

The healthcare sector is a sector that operates in the hospital or pharmaceutical sector. This sector has a very large role in

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dealing with the problem of disease outbreaks that have not yet been found the cure. Investors see this opportunity in various ways in terms of company value, especially in the current ratio, inventory turnover, debt to equity ratio, and net profit margin.

Putri and Welas (2019) examines the effect of Current Ratio, Return On Asset, Total Asset Turnover, and Debt to Equity Ratio on Firm Value (Empirical study on property and real estate sub-sector manufacturing companies listed on the Indonesia Stock Exchange for the period 2015-2017). From the results of the research, the researchers finally found the conclusion that the current ratio had a significant negative effect on firm value. Return on Assets has no effect on firm value. Total Asset Turnover has no effect on the firm value of the firm. Debt to Equity Ratio has a positive and significant effect on firm value (Ojo & Albertus, 2021).

Wenny et.al (2019) examined the effect of current ratio, dividend policy, leverage, and return on assets on firm value in consumer goods industry companies listed on the Indonesia Stock Exchange 2013-2016. From the results of the research, the researchers finally found the conclusion that the current ratio partially had no positive and insignificant effect on firm value in consumer goods industry companies listed on the Indonesia Stock Exchange for the period 2013-2016. Dividend policy partially has no positive and insignificant effect on firm value in consumer goods industry companies listed on the Indonesia Stock Exchange for the period 2013-2016. Leverage partially has a positive and significant effect on firm value in consumer goods industry companies listed on the Indonesia Stock Exchange for the period 2013-2016. Return on assets partially has a positive and significant effect on firm value in consumer goods industry companies listed on the Indonesia Stock Exchange for the period 2013-2016. The current ratio, dividend policy, leverage, and return on assets simultaneously have a positive and significant effect on firm value in companies in the consumer goods industry listed on the Indonesia Stock Exchange for the period 2013-2016.

Larizki et.al (2019) examines the effect of profitability (ROE), firm size, leverage (DER), and liquidity (CR) on the firm value (PBV) of the trade, services and investment sectors listed on the IDX in the 2014 -2018 period. From the results of the research, the researchers finally found the conclusion that profitability (ROE) had a partial and significant effect on firm value in trade, services, and investment sector companies listed on the IDX for the 2014-2018 period. Firm size partially has no effect and is significant on firm value in trade, services, and investment sector companies listed on the IDX for the 2014-2018 period. Leverage (DER) partially and significantly has no effect on company value in trade, services, and investment sector companies listed on the IDX for the 2014-2018 period. Liquidity (CR) partially and significantly affects the value of the company in trade, services, and investment sector companies listed on the IDX for the 2014-2018 period.

2. LITERATURE REVIEW AND HYPOTHESES

Hardiyanto (2020) examines the effect of Current ratio, Net Profit Margin, Debt to Equity ratio and Earning Per Share on Company Value (Case Study of automotive and component companies listed on the Indonesia Stock Exchange for the 2015-2018 period). From the results of the research, the researchers finally found the conclusion that the current ratio had a positive and significant effect on company value in automotive and component companies listed on the Indonesia Stock Exchange in the 2015-2018 period.

Net profit margin has a positive and significant effect on company value in automotive and component companies listed on the Indonesia Stock Exchange in the 2015-2018 period. The debt to equity ratio has a positive and insignificant effect on firm value in automotive and component companies listed on the Indonesia Stock Exchange in the 2015-2018 period. Earning per share has a positive and

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significant effect on company value in automotive and component companies listed on the Indonesia Stock Exchange in the 2015-2018 period.

Savitri (2020) examines the effect of Current ratio, Net Profit Margin, Debt to Equity ratio and Total Assets Turnover on Company Value (Case Study of Pharmaceutical companies listed on the Indonesia Stock Exchange for the period 2015-2018). From the results of the research, the researchers finally found the conclusion that "Current ratio (X1) has a significant effect on Firm Value" which is proven to be true. "Debt to Equity Ratio (X2) has a significant effect on Firm Value" is proven to be true. "Net Profit Margin (X3) has a significant effect on Company Value" is proven true. "Total Assets TurnOver (X4) has a significant effect on Company Value" is not proven true.

According to Tandelilin (2017) financial statements are very useful for investors to determine the best and profitable investment decisions. Based on the analysis of financial statements, investors can find out the comparison between the intrinsic value of the company's shares compared to the market price of the company's shares. On the basis of this comparison, investors will be able to make a decision whether to buy or sell the shares in question. According to Brigham and Houston (2012) financial statements are several pieces of paper with numbers on it, but it is also important to think about the real assets behind the numbers.

According to Hanafi and Halim (2016) the company's financial statements are an important source of information in addition to other information such as industry information, economic conditions, company market share, management quality and others. There are three elements in the company's financial statements, namely:

a. Balance sheet.
b. Profit and loss.
c. Cash flow statement.

According to Sutrisno (2001) the balance sheet is a report that shows the financial position of a company at a certain time. The balance sheet has two sides, a debit side and a credit side. The balance sheet is a summary of assets, liabilities and owner's equity at a certain point, usually the end of the year or quarter of the year (Van Hor; Wachowicz 1997). According to Hanafi (2004) the income statement summarizes the company's activities during a certain period. Profit and loss is a report that describes the amount of income and costs of a company in a certain period (Harjito; Martono: 2011). The profit and loss function is to determine the level of sales and net profit of the company every quarter, quarter and year.

According to Tandelilin (2017) in the analysis of the income statement it is necessary to distinguish the elements listed in the income statement, as follows:

1. Production costs. These costs are related to costs that are directly related to the activities of producing goods and services to be sold by the company.
2. General and administrative costs. These costs relate to overhead costs, payroll costs, advertising, and other costs that are not directly related to the cost of producing goods and services.
3. Interest costs. This cost is related to the costs that must be incurred by the company as a consequence of using debt.
4. Income tax expense. This cost relates to the company's obligation to pay a certain amount of tax to the government.

According to Darminto (2011) the ratio is the most widely used financial statement analysis technique. Some of the ratio analysis that is often used in the calculation of financial statements, namely:

1. Liquidity Ratio
2. Solvency Ratio
3. Activity Ratio
4. Profitability Ratio

The four ratio analysis above wants to see the company's performance and risks in the future. The prospect factor in this ratio will affect investors' expectations of the company in the future. According to Hanafi and Halim (2016) the liquidity ratio measures the company's ability to meet its short-term

  eISSN: 2775-6572

obligations. Two liquidity ratios that are often used are the current ratio and the quick ratio.

According to Wiagustini (2010) the solvency ratio is the company's ability to meet its financial obligations both in the short and long term, or measure the extent to which the company is financed with debt. Solvency ratios that are often used in calculations are debt to equity ratio and Return On Total Assets (ROA). Debt to equity is to compare long-term debt with own capital, to find out the amount of use of long-term debt compared to own capital. The greater the company's long-term debt to capital. Then creditors will not dare to lend funds to the company. Conversely, the greater the company's capital for long-term debt, the creditors dare to lend money to the company. Return on Total Assets (ROA) is a measure of the company's ability to generate net income against the total assets run by the company.

According to Sarjito and Hartono (2011) the activity ratio measures the effectiveness of the company's management in managing its assets. some activity ratios that are often used are total asset turnover and inventory turnover.

Total asset turnover is to measure how efficient and effective total assets are used in company operations. Inventory turnover measures the number of times the company's inventory is sold during a period. For example, for 1 year.

According to Hanafi (2004) the benefits of investing in inventory are:
a) Take advantage of profitability discounts.
b) Avoid material shortages.
c) Marketing benefits.
d) Speculation.

According to Hanafi (2004) inventory has related costs, namely:
a) Investment costs.
b) Storage costs.
c) Order fee.

According to Brigham and Houston (2001) the profitability ratio is the net result of a series of policies and decisions. The profitability ratio shows the combined effect of liquidity, asset management, and debt on operating results. Some profitability ratios that are often used are gross profit margin and net profit margin. Gross profit margin to measure how efficient the company's production is to the selling price. Net profit margin is a measure of how much net profit on sales from quarterly and yearly. This ratio can also be interpreted as the company's ability to reduce costs in the company in a certain period.

According to Praswoto (2011) ratio analysis techniques must be used carefully in analyzing financial statements. Ratio analysis provides information only in the context of comparison, meaning that the ratio analysis figures can be interpreted only when compared with the ratios of the previous period for the same company; with the ratios of other companies in the same industry or with a predetermined reference.

From several kinds of ratios, the author uses 4 different ratios, namely the current ratio, inventory turnover, debt to equity and net profit margin to determine the effect on company value in the Healthcare sector listed on the Indonesia Stock Exchange (IDX) for the 2017-2020 period.

Based on previous studies, the hypotheses that can be drawn are:

H1: It is suspected that the current ratio has a positive effect on firm value in the healthcare sector.

H2: It is suspected that inventory turnover has a positive effect on firm value in the healthcare sector.

H3: It is suspected that the debt to equity ratio has a negative effect on firm value in the healthcare sector.

H4: It is suspected that net profit margin has a positive effect on company value in the healthcare sector.

H5: It is suspected that the current ratio, inventory turnover, debt to equity, and net profit margin together (simultaneously) have a significant effect on company value in the healthcare sector.

3. RESEARCH METHODS

The research method that will be used is quantitative research. Quantitative data is numeric or numeric data. Quantitative data is

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used if we are interested in seeing the proportions or parts included in the category. This method examines the variable X (current ratio, inventory turnover, debt to equity ratio and net profit margin) against the variable Y (company value).

The population to be studied are companies in the healthcare sector listed on the Indonesia Stock Exchange (IDX) for the 2017-2020 period. The population to be studied is 23 companies in the healthcare sector which are listed on the Indonesia Stock Exchange (IDX) in the 2017-2020 period.

The sampling technique for this research is purposive sampling. By using this method, the author can determine which company criteria should be sampled and investigated. The criteria to be used are:

1. Companies in the healthcare sector listed on the Indonesia Stock Exchange (IDX) for the 2017-2020 period.
2. Companies in the healthcare sector that do not use Rupiah in their financial statements for 2017-2020.
3. Companies that have very complete data to examine.
4. Companies in the healthcare sector that experienced successive levels of profit (profit) in the 2017-2020 period.

In this study, the data analysis design used was descriptive analysis and hypothesis testing using classical assumption tests and multiple linear regression. According to Suharyadi and Purwanto (2015) multiple regression is used to determine the direction and magnitude of the influence of more than one independent variable on the dependent variable.

The multiple regression equation is as follows:

$Y = a + b_1x_1 + b_2x_2 + b_3x_3 + b4x4$

Information:

Y = Firm Value

a = Constant

x1= Current Ratio

x2= Inventory Turnover

x3= Debt to Equity Ratio

x4= Net Profit Margin

b1, b2, b3, b4= Regression coefficient.

According to Suharyadi & Purwanto (2015) the coefficient of determination (R2) is a measure to determine the suitability or accuracy of the relationship between the independent variable and the dependent variable in the regression equation. The greater the value of the coefficient of determination, the better the ability of variable X to explain or explain variable Y. The value of R2 will range from 0 to 1. The value of R2 = 1 indicates 100% of the total variation explaining variable Y by 100%.

4. RESULTS AND DISCUSSION

From the results of the descriptive statistical test in SPSS 25 scores, which are obtained.

Table 1. Data Processed

	N	Min	Max	Mean	Std. Deviation
CR (X1)	96	0,32	12,21	2,3581	2,19007
ITO (X2)	96	0,30	31,09	6,9404	7,26093
DER (X3)	96	0,14	3,30	0,6523	0,53724
NPM (X4)	96	-572,50	30,43	-0,1312	61,80938
PBV (Y)	96	0,37	10,04	3,0249	2,27236
Valid N (listwise)	96				

Multiple regression analysis was used to measure the dependence between the dependent variable (bound or fixed) and the independent variable (free) or to prove whether the relationship between factor X (free) and factor Y (bound) could influence each other. The

  eISSN: 2775-6572

following are the results of multiple linear regression:

Table 2. Multiple Regression

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0,744	0,457		1,627	0,107
	CR (X1)	0,563	0,107	0,543	5,279	0,000
	ITO (X2)	0,041	0,031	0,130	1,327	0,188
	DER (X3)	1,028	0,394	0,243	2,607	0,011
	NPM (X4)	0,007	0,003	0,186	2,101	0,038

Multiple regression analysis was used to measure the dependence between the dependent variable (bound) and the independent variable (free) or to prove whether the relationship between factor X (free) and factor Y (bound) could influence each other. The following is the equation of the model under study:

PBV = 0,744+0,563X1+0,041X2+1,028X3+0,007X4

The current ratio has a t count of 5.279 while the t table value is 1.985, meaning that t count is 5.279 > 1.985. Then the hypothesis is accepted. This means that the current ratio (H1) has an effect on Price to book value (PBV).

Inventory turnover has a t count value of 1.327 while the t table value is 1.985, meaning that t-count is 1.327 < t table 1.985. Then the hypothesis is rejected. This means that inventory turnover (H2) has no effect on Price to book value (PBV).

Debt to equity ratio has a t count of 2,607 while the t table value is 1,985, meaning that t count is 2,607 > t table 1,985. Then the hypothesis is accepted. This means that the debt to equity ratio (H3) has an effect on Price to book value (PBV).

The net profit margin has a t count value of 2.101 while the t table value is 1.985, meaning that t count is 2.101 > 1.985 t table. Then the hypothesis is accepted. This means that the net profit margin (H4) has an effect on Price to book value (PBV).

The F test aims to test the overall between the independent variables and the dependent variable whether the independent variables are feasible and good together. Here are the results of the F test in SPSS 25:

Table 3. F Test

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	178,940	4	44,735	13,064	,000[b]
	Residual	311,602	91	3,424		
	Total	490,542	95			

Based on table the results of the F test obtained a value of 13.064 with a significance value of 0.000. Because the table's significance value is less than 0.05, then H0 is rejected and H1 is accepted, which means that the current ratio, inventory turnover, debt to equity ratio, and net profit margin have a significant effect on Price to book value (firm value).

The coefficient of determination tests the percentage of the influence of the independent variable on the dependent variable. The smaller the influence of the independent variable on the dependent variable means that the information provided by the independent variable is very limited. If the information value is close to 1, it means that the independent variable provides almost all the information needed by the dependent variable and vice versa. However, the coefficient test has shortcomings in making decisions, for example when the coefficient is high but is not in accordance with the economic theory carried out by the researcher. The following are the results of the Coefficient of Determination test in SPSS 25:

Table 4. Coefficient of Determination Test

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,604[a]	0,365	0,337	1,85046

Based on table for the R2 test, the test value for the coefficient of determination or R square is 0.365 (36.5%) which means that the information that provides current ratio, inventory turnover, debt to equity ratio and net profit margin to price to book value is very limited. While the remaining 63.5% is influenced by other variable factors.

5. CONCLUSION

Based on the results of research based on literature review, theoretical studies and research methods used to conduct test analysis, the following conclusions can be drawn:

1. The current ratio has a positive and significant effect on the value of companies in the healthcare sector listed on the IDX in 2017-2020.
2. Inventory turnover has a positive and insignificant effect on the value of companies in the healthcare sector listed on the IDX in 2017-2020.
3. The debt to equity ratio has a positive and significant impact on the value of companies in the healthcare sector listed on the Indonesia Stock Exchange in 2017-2020.
4. Net profit margin has a positive and significant impact on the value of companies in the healthcare sector listed on the IDX in 2017-2020.
5. Current ratio, inventory turnover, debt to equity ratio and net profit margin simultaneously have a significant effect on the value of companies in the healthcare sector listed on the Indonesia Stock Exchange in 2017-2020.

Based on the calculation of data analysis, the coefficient of determination was obtained at 0.365 or 36.5%. This shows that the influence of the current ratio, inventory turnover, debt to equity ratio, and net profit margin is very small or limited to firm value. While the remaining 63.5% is influenced by other variable factors.

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