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THE INFLUENCE OF LIQUIDITY RATIO, PROFITABILITY RATIO, AND SOLVENCY RATIO ON COMPANY VALUE IN THE PROPERTY AND REAL SECTOR COMPANIES ESTATE IN INDONESIA STOCK EXCHANGE 2016-2017 PERIOD

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Abstract

This study aims to analyze the partial effect of the Current Ratio (CR), Operating Profit Margin (OPM), and Debt to Equity Ratio (DER) on firm value (PBV). Analyzing the simultaneous effect of the Current Ratio (CR), Operating Profit Margin (OPM), and Debt to Equity Ratio (DER) on firm value (PBV) in property, real estate, and building construction companies in the Indonesia Stock Exchange. The population in this study were all property, real estate, and building construction sector companies listed on the IDX from 2016 to 2017. In comparison, the sample of this study was determined by purposive sampling to obtain 19 sample companies. The type of data used is secondary data obtained from www.idx.co.id. This study uses multiple linear regression analysis to see the effect of each independent variable on the dependent variable. Based on the results of multiple regression analysis with a significance level of 5%, the results of this study conclude, simultaneously, Current Ratio (CR), Operating Profit Margin (OPM), and Debt to Equity Ratio (DER) have a significant effect on firm value (PBV). Partially Current Ratio (CR) and the Debt to Equity Ratio (DER) have a significant effect on firm value (PBV). While the variable Operating Profit Margin (OPM) partially has no significant effect on firm value (PBV).

Keywords: Current Ratio, Operating Profit Margin, Debt to Equity Ratio, Firm Value

JEL Classification: M20, M41, O16

1. INTRODUCTION

A company is a business entity with a legal entity or non-legal entity that produces or operates the company's profits within a certain period by considering the provisions of the applicable laws and regulations. The company is an entity that is oriented by applying economic principles and trying to increase the value of the company and the prosperity of its owners (Kusuma et al., 2013)

Today's business competition between companies is inseparable from the influence of developments in economic, social, and political dynamics and technological advances. Every company must be able to maintain or even further improve its performance to compete consistently. The company needs more funds to expand its business. This is one of the factors for companies to enter the stock exchange (go public) and sell shares or issue bonds to obtain funds from investors who will later be used for business development (Jogiyanto, 2010).

One of the business sectors listed on the IDX that has quite tight competition is the property and real estate sectors. Increased sales

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of property products such as apartments and houses characterize this indicator. The population growth rate in Indonesia, which causes an increase in the need for residences, offices, shopping centers, and recreational areas, guarantees that the demand for property products will increase. In contrast, the amount of land will not increase, causing land prices and interest on credit in the property sector to increase yearly. Therefore, many investors then invest in land or property.

Companies with go-public status will be an alternative to obtain additional funds through investors or the public interested in the shares being offered. Corporate value is a condition where a company has earned the community's trust that has been formed for several years since the company was founded. The company's value will increase if the stock price increases, which is indicated by a high rate of return on investment to shareholders (Suharli, 2006). By increasing the company's value, the company owners' welfare also increases. Firm value is significant because the high corporate value will be followed by high shareholder prosperity (Lasher, 2016).

Firm value can be measured in various ways, one of which is by analyzing financial ratios. Financial ratio analysis can be done, including liquidity ratios, solvency ratios, profitability ratios, and activity ratios (Widyatuti, 2017). These ratios can be used to measure a company's performance and problems.

2. LITERATURE REVIEW AND HYPOTHESES

2.1. LITERATURE REVIEW

Light (2009) states that 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 liquidity ratio, solvency ratio, activity ratio, and 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 Ahmed et al. (2020), the liquidity ratio measures the company's ability to meet its short-term obligations. Two liquidity ratios that are often used are the current ratio and the quick ratio.

According to Kurniawan et al. (2020), the solvency ratio is the company's ability to meet its financial obligations 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 a debt to equity ratio and Return On Total Assets (ROA). Equity debt is to compare long-term debt with own capital to determine the use of long-term debt compared to own capital. The more outstanding the company's long-term debt to capital. Then creditors will refrain from lending funds to the company. Conversely, the greater the company's capital for long-term debt, the more 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 Sodiq and Fitria (2015), 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 measures how efficiently and effectively total assets are used in company operations. Inventory turnover measures the number of times the company's inventory is sold.

According to Kadir (2016), the benefits of investing in inventory are taking advantage of profitability discounts, avoiding material shortages, marketing benefits, and speculation. According to Kadir (2016), inventory has related costs: investment, storage, and order fees. According to Indriyani (2017), 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 often used profitability ratios are gross profit margin and net profit margin. Gross profit margin measures how efficient the company's

production is to the selling price. Net profit margin measures how much net profit on sales is from quarterly and yearly. This ratio can also be interpreted as the company's ability to reduce costs in a certain period.

According to Wati and Afrizal (2017), 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.

Aida and Rahmawati (2015) research show that company size, profitability, capital structure, and investment decisions partially affect yield. Profitability and investment decisions have a significant effect in a positive direction, capital structure has a significant effect in a negative direction, and the size of the company has no significant effect on the positive direction of the value of the company. While the results of research conducted by Gayatri and Mustanda (2014) show that capital structure and investment decisions have a significant positive effect on firm value, while dividend policy has no significant effect on firm value. Research by Ernawati and Widyawati (2015) shows that profitability has a positive effect on firm value, leverage has a negative effect on firm value, and firm size has a positive effect on firm value.

Research conducted by Susilaningrum (2016) shows that ROA has a positive and significant effect on firm value, cash ratio has a positive and significant effect on firm value, and debt ratio has an effect on firm value.

Research conducted by (Dj et al., 2011) indicates that liquidity has no significant positive effect on firm value, and Profitability has a significant positive effect on firm value. Research by Dewi and Sudiartha (2017) shows that profitability positively affects firm value, while partial solvency and liquidity negatively affect share value.

2.2. HYPOTHESES

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

H1: It is suspected that the current ratio positively affects firm value.

H2: It is suspected that the Operating Profit Margin positively affects firm value.

H3: It is suspected that the Debt to Equity Ratio has a negative effect on firm value.

H4: It is suspected that Current Ratio, Operating Profit Margin, and Debt to Equity Ratio affect firm value.

3. RESEARCH METHODS

This type of research is quantitative research. Quantitative research is a systematic scientific study of the parts and phenomena and their relationships. Quantitative research is widely used in natural sciences (physics and biology) and social sciences (sociology and journalism). The type of data in this study is quantitative data, namely data in the form of a collection of figures from cash flows, residual income, operating leverage, liquidity ratios, profitability ratios, solvency ratios, and 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 healthcare sector companies listed on the Indonesia Stock Exchange (IDX) in the 2017-2020 period.

The sample in this study was determined using a nonprobability sampling technique with a purposive sampling method, namely data taken with the following criteria Companies are property and real estate sector companies listed on the Indonesia Stock Exchange for the 2016-2017 period totaling 71 companies; There are 48 companies with outstanding shares of less than 10,000,000,000 shares; There are four companies with incomplete financial statements with more than 10,000,000,000 outstanding shares; Based on these criteria, a total sample of 19 companies was obtained.

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 & 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:

$Y = a+b_1x_1+b_2x_2+b_3x_3$

4. RESULTS AND DISCUSSION

The descriptive statistics in this study present the amount of data, the minimum value, the maximum value, the average value (mean), and the standard deviation of the independent and dependent variables. The variables in this study include the firm value (PBV) as the dependent variable. While the Current Ratio (CR), Operating Profit Margin (OPM), and Debt to Equity Ratio (DER) as independent variables. The results of descriptive statistics are shown in the following table:

Table 1. Descriptive Statistics

Var	N	Min	Max	Mean	Std. Dev
CR	152	0,0000	5299588,02	46375,750	451716,793
OPM	152	-1,4022	11,3288	0,267697	0,9301547
DER	152	0,0000	1044160,7190	13256,062	115198,431
PBV	152	0,2426	3161389,75	110029,845	447051,711

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 following are the results of multiple linear regression:

Table 2. Multiple Linear Regression

Var	B	t count	Sig t	Remarks
Constant	91125,505	2,738	0,007	
CR	-0,587	-3,482	0,001	Sig
OPM	-14134,346	-0,412	0,681	Not Sig
DER	3,750	5,673	0,000	Sig
F count	16,098			
Sig F	0,000			
Adjusted R Square	0,231			

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:

Firm Value = 91125,505 – 0,587CR – 14134,346OPM + 3,750DER

The t-statistical test shows how far the influence of one independent variable individually in explaining the variation of the dependent variable (Ghozali, 2005). In data processing using the SPSS computer program, the individual effect is shown from the significant value of the t-test. If the significant value of the t-test <0.05, it can be concluded that there is a significant influence individually for each variable.

The table shows that for the CR variable, the t-count value is -3.482, and the Sig/Significance value is 0.001. The magnitude of the significance value determines decisions for decision-making, whether the hypothesis is accepted or rejected. The hypothesis is accepted if the significance value is less than or equal to 0.05 (≤0.05). The results of the study obtained a CR significance value of 0.001 <0.05, so it can be concluded that the hypothesis, which reads Current Ratio (CR), has a negative and significant impact on firm value (PBV) in property, real estate, and building construction companies. Thus H0 is accepted. The results of this study indicate that the Current Ratio (CR) has a significant effect on firm value (PBV).

From the table, it can be seen that the OPM variable's t-count value is -0.412. The Sig/Significance value is 0.681, which means it is more significant than 0.05; it can be concluded that the hypothesis which reads Operating Profit Margin (OPM) has a negative and significant effect on firm value (PBV) in property, real estate, and building construction sector companies was rejected. Thus H0 is rejected. This means that the Operating Profit Margin (OPM) partially has no significant effect on firm value (PBV).

From the table, it can be seen that for the DER variable, the t-count value is 5.673. The

Sig/Significance value is 0.000, which means it is smaller than 0.05; it can be concluded that the hypothesis which reads Debt To Equity Ratio (DER) has a positive and significant effect on firm value (PBV) in property, real estate, and building construction companies is accepted. Thus H0 is accepted. This means that the Debt To Equity Ratio (DER) partially has a significant effect on firm value (PBV).

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

Table 3. F-test Result

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			

The table shows that for the CR, OPM, and DER variables, the calculated F value is 16.090, and the Sig/Significance value is 0.000 less than 0.05. It can be concluded that the hypothesis that says CR, OPM, and DER simultaneously have an effect on positive and significant company value (PBV) in the property, real estate, and building construction sector companies is accepted. Thus CR, OPM, and DER simultaneously significantly affect the company's Firm Value.

The coefficient of determination is used to measure how far the model's ability to explain variations in the dependent variable. The coefficient of determination ranges from zero to one ($0 \leq R2 \leq 1$). This is if $R2 = 0$ indicates that there is no effect between the independent variables on the dependent variable; if the adjusted R2 is getting bigger, close to 1, it shows the more significant the influence of the independent variable on the dependent variable, and if the adjusted R2 is getting smaller, even close to zero, then it can be said that the influence of the more independent variables on the dependent variable is ignored (Sugiyono, 2013). The results of the analysis of the coefficient of determination can be seen in the following table:

Table 4. Coefficient Of Determination

Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**
1	0,496	0,246	0,231	3,392120

Based on the results of the table, the result is the ability of the independent variables to explain the dependent variable seen from the Adjusted R Square value of 0.231 or 23.1%. It can be concluded that the CR, OPM, and DER variables affect the Firm Value (PBV) variable by 23.1%. The remaining 76.9% is influenced by other variables not included in this study.

5. CONCLUSION

Based on the results of research that have been carried out after going through the stages of data collection, data processing, and data analysis on the Effect of Liquidity Ratios, Profitability Ratios, and Solvency Ratios on Firm Value in Property, Real Estate, and Building Construction Companies Listed on the Indonesia Stock Exchange for the 2016 Period - 2017. Several conclusions were generated. The regression equation that can be compiled is:
Y = 91125.505 – 0.587CR – 14134.346OPM + 3.750DER

The constant has a positive value of 0.048, stating that if the value of the Current Ratio (CR), Operating Profit Margin (OPM), and Debt to Equity Ratio (DER), is equal to zero and there is no change, it will increase the company value (PBV) by 0.91125.505.

The variable CR has a calculated t value of -3.482 and a significance value of 0.001 < 0.05, which means that CR partially has a negative and significant effect on firm value (PBV) in property, real estate, and building construction companies. The OPM variable has a t-value of -0.412 and a significance value of 0.681 > 0.05, which means that OPM partially has a negative

and insignificant effect on firm value (PBV) in property, real estate, and building construction companies. The DER variable has a t-count value of 5.673 and a significance value of 0.000 <0.05, which means that DER partially has a positive and significant effect on firm value (PBV) in property, real estate, and building construction companies.

The CR, OPM, and DER calculated the F value of 16.090, and the Sig/Significance value was 0.000 <0.05. This means that CR, OPM, and DER simultaneously positively and significantly affect firm value (PBV) in the property, real estate, and building construction sector companies.

The coefficient of determination (R2) is 0.231 or 23.1% which means that the influence of the independent variables CR, OPM, and DER affects the firm value variable (PBV) by 23.1%. The remaining 76.9% is influenced by other variables not included in this study.

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