

Analysis of Profitability, Leverage, Company Size, Price Earning Ratio and Liquidity on Firm Value (Case Study on Company Food and Beverage Listed on the Indonesia Stock Exchange for the Period 2017-2021)

Erawati Kartika*, Anton, Ika Listyawati, Crisna Westi

Faculty of Economics and Business, AKI Semarang University, Semarang, Indonesia

*Corresponding author. Email: erawati.kartika@gmail.com

ABSTRACT

The purpose of this study is to analyze Profitability, Leverage, Firm Size, Price Earning Ratio, and Liquidity to Firm Value. This study uses a population of all Food and Beverages companies listed on the Indonesia Stock Exchange in 2017-2021. The sampling method used purposive sampling method and obtained a sample of 65 companies for five years of observation, with the data technique used was multiple regression analysis. The results of this study indicate that Profitability, Firm Size, Price Earning Ratio, and Liquidity have a positive effect on Firm Value. Meanwhile, Leverage has no effect on Company Value.

Keywords: Profitability, Leverage, Firm Size, Price Earning Ratio, Liquidity and Company Value.

1. INTRODUCTION

Company value is a special situation that has been achieved by the company as a sign of public trust in the company after going through a process of activities for several years, namely since the company was founded until now. According to Rahayu & Sari (2018) company value is an assessment of shareholders on the success of the company which is closely related to the share price. The higher the value of a stock makes the company's value and the prosperity of investors also higher (Fenandar & Raharja, 2012). Financial statements are not only a test tool, but also a basis for investors to determine or evaluate the company's financial condition.

There are several factors that can affect the value of a company including profitability, leverage, company size, price earning ratio and liquidity. The value of the company can be influenced by the size of the profitability generated by the company in a certain period. According to Kasmir (2012) profitability is the ability of a company to generate profit / profit through total assets, own capital and sales. The results of research from Arifianto and Chabachib (2016) reveal that profitability has a positive effect on firm value. Meanwhile, research conducted by Bagaskara, et al (2021) states that profitability has no effect on firm value.

Firm value can also be influenced by how much the company uses leverage for its capital costs. Leverage is a ratio used to measure the extent to which the company's assets are financed with debt. According to Cashmere (2017) leverage is a ratio used to measure the extent to which the company's assets are financed with debt. The results of research from Utama and Lisa (2018) reveal that leverage has a positive effect on firm value, but this is refuted by Gilang & Vaya (2018) in their research stating that leverage has a negative influence on the company while in Prasetyorini's research (2018) reveals leverage has no effect on firm value.

Firm value can also be influenced by the size of the company's scale. According to Dewi and Wirajaya (2013), the larger the size or scale of a company, the easier it will be for the company to obtain funding sources, both from within the company and from outside the company. The results of research from Suryandani (2018) state that company size has no effect on firm value, while in Prasetyorini's research (2018) states that company size has a positive effect on firm value.

Firm value can also be influenced by investment decisions in the company. Investment decisions are decisions related to how companies can allocate funds that come from internal and external companies in the form of investment. According to Gitman (2015) the price earning ratio is more often used to assess the value of the owner's shares. The research results from Gilang and Vaya (2018) in their research reveal that the Price Earning Ratio has a positive effect on firm value, while in research conducted by Devianasari and Suryantini (2015) the Price Earning Ratio has no effect on firm value.

Firm value can also be influenced by liquidity. Liquidity is the ability of a company to fulfill its financial obligations in the short term, or obligations that are paid immediately. The results of research from Nur (2019) reveal that liquidity has a positive influence on firm value, while in research conducted by Abbas, et al (2020) liquidity has no effect on firm value.

The value of the company can be referred to as the value of the share price, which means that the high share price indicates the high value of the company. The high value of the company can be indicated as the prosperity of the shareholders. Based on stock price index data from 2017 to 2021, the food and beverages sub-sector listed on the Indonesia Stock Exchange continues to experience changes and shows fluctuations every year differently (www.idx.co.id) and the inconsistencies found in the results of previous studies, so this motivates researchers to re-examine at different times the dimensions of company value, involving variables of profitability, leverage, company size, price earning ratio, and liquidity.

2. LITERATURE REVIEW

2.1. Agency Theory

Agency theory is the granting of authority by the principal (company owner / shareholder) to the agent to carry out the company's operations in accordance with the agreed contract. Jensen and Meckling, (1976) there are two types of agency relationships, namely between managers and shareholders and between managers and bondholder). The purpose of both forms of relationship is to increase company value.

2.2. Signally Theory

Signal theory was first coined by Michael Spence (1973), in his research entitled “*Job Market Signalling*”. This theory involves two parties, namely internal parties such as management, which acts as a party that provides signals, and external parties such as investors, who act as parties who receive these signals. If the management or company gives positive signals to investors, for example in the form of good financial reports, investors will be interested in investing in the management.

2.3. Asymmetry Information Theory

The definition of information asymmetry according to Jensen and Meckling (1976), adds that if the two groups (agents and principals) are people who seek to maximize their utility so that there is good reason to believe that agents will not always act in the best interests of the principal. According to Jogiyanto (2013), states that information asymmetry is private information that is only owned by informed investors. Information asymmetry can occur in the capital market when one of the capital market players has more information than other market players. The amount of information asymmetry that occurs in a traded stock can be measured using *bid ask spread*.

2.3.1. The Influence of Profitability on Company Value

According to Hery (2017), the profitability ratio is a ratio that describes the company's capabilities in generating profits through all its capabilities and resources, namely from sales activities, use of assets, and use of capital. The results of research by Arifianto and Chabachib (2016), Himawa (2020), Prasetyorini (2018) profitability has a positive effect on firm value. Meanwhile, research conducted by Bagaskara, et al (2021), and Terima, et al (2016), states that profitability has no effect on firm value. Based on the results of this study, the following hypothesis is formulated:

H₁: Profitability has a positive effect on firm value

2.3.2. The effect of leverage on firm value

Leverage can be referred to as the risk contained in the company. This means that the greater the leverage owned by the company, it will also provide a large investment risk for the company. The lower the leverage owned by the company, the smaller the investment risk (Sutama & Lisa, 2018). The results of research by Sutama and Lisa (2018), Himawan (2020), and Khosyi Tiara Anggita (2022), reveal that leverage has a positive effect on firm value, but this is refuted by Gilang & Vaya (2018), Arifianto and Chabachib (2016), in their research stating that leverage has a negative influence on the company, while Prasetyorini (2018) and Bagaskara, et al (2021), in their research revealed that leverage has no effect on firm value. Based on the results of this study, the following hypothesis is formulated:

H₂: Leverage has a negative effect on firm value

2.3.3. The effect of company size on firm value

According to Noviliyana (2016), states that company size is an assessment of the size of the company which is determined by the total assets owned by the company, this is a consideration for potential investors to invest their funds in the company. The results of Dewi and Sudiarta's research (2017) state that company size has a positive effect on firm value, while in Himawa's research (2020) states that company size has no effect on firm value. Based on the results of this study, the following hypothesis is formulated:

H₃: Company size has a positive effect on firm value

2.3.4. The effect of investment decisions on firm value

Investment decision is a decision related to how the company can allocate funds from internal and external sources in the form of investment. Investment decisions will directly affect the profitability of investment and the company's cash flow in the future. Research results. Gilang & Vaya (2018) in their research reveal *price earning ratio* has a positive effect on firm value, while in research conducted by Devianasari and Suryantini (2015), *price earning ratio* has no effect on firm value. Based on the results of this study, the following hypothesis is formulated:

H₄: Investment decisions have a positive effect on firm value

2.3.5. The effect of liquidity on firm value

According to Kasmir (2016), states that the liquidity ratio is a ratio that describes the company's ability to meet short-term obligations (debt). Nur (2019), Anggita (2022), and Meivinis (2018), in their research revealed that liquidity has a positive influence on firm value, while in research conducted by Abbas, et al (2020), liquidity has no effect on firm value. Based on the results of these studies, the following hypothesis is formulated:

H₅: Liquidity has a positive effect on firm value

3. RESEARCH METHODS

The population in this study were sector companies *food and beverages* which have been listed on the Indonesia Stock Exchange from 2017-2021. The sampling method used in this study is to use the method of *purposive sampling*. This is a sampling technique with certain considerations. From the criteria that have been determined in determining the sample, it can be determined that the sample used in this study is 13 companies and the number of observations for 5 years is 65. The type of data collection used is secondary data, where secondary data is a source where research does not directly provide data to the collector. The data in this study were obtained through www.idx.co.id.

The data analysis method used is multiple linear regression analysis techniques, namely to determine the effect of independent variables on the dependent variable. The multiple linear regression equation is as follows (see Equation 1):

$$Y = \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + + \beta_4X_4 + \beta_5X_5 + e \quad (1)$$

Equation 1 are the formula used in this study. Y is Company Value, α is constant, β_1 - β_5 is Regression Coefficient, X₁ is profitability, X₂ is Leverage, X₃ is company scale, X₄ is Price Earning Ratio (PER), X₅ is liquidity, and e is Standard error.

4. RESEARCH RESULTS AND DISCUSSION

4.1. Model Fit Test (F test)

The results of the ANOVA test or F test obtained the calculated F value of 21,142 and a significance value of 0.000. This shows that the independent variable, namely profitability, *leverage*, company size, *price earning ratio*, and liquidity together affect the value of the company.

4.2. Coefficient of Determination Test (R²)

The result of the coefficient of determination (R square) test is 0.611 or 61.1%, meaning that the Company Value is influenced by the five independent variables, namely profitability, *leverage*, company size, *price earning ratio*, likuiditas and the remaining 38.9% is influenced by other factors outside this study.

4.3. Multiple Linear Regression Analysis

Table 7. Multiple Linear Regression Analysis Results

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(constant)	-708.969	124.115		-5.712	.000
Profitability	322.088	116.467	.285	2.765	.008
Leverage	35.522	22.049	.172	1.611	.113
Company Size	20.871	4.362	.420	4.785	.000
Price Earnings Ratio	.648	.256	.225	2.535	.014
Liquidity	30.771	4.953	.686	6.212	.000

a. Dependent Variable: Company Value
Source: SPSS Output processed (2022)

Based on the Table 1 above, the results of the multiple linear regression analysis show that the multiple linear regression equation is known as follows:

1. A constant of -708.969 means that if Profitability (X1), Leverage (X2), company size (X3), Price Earning Ratio (X4), and Liquidity (X5) is 0 then the company value that occurs is -708.969.
2. Variable regression coefficient profitabilitas (X1) by 322,088. This means that if the profitability variable increases by 1%, it will result in an increase in the company's value, namely by 322,088 with the assumption that other variables are constant or fixed..
3. The regression coefficient of the leverage variable (X2) of 35.522 means that if the leverage variable increases by 1%, it will result in an increase in firm value, namely by 35.522 with the assumption that other variables are constant or fixed.
4. The regression coefficient of the company size variable (X3) of 20.871 means that if the company size variable increases by 1%, it will result in an increase in the company's value, namely by 20.871, assuming that other variables are constant or fixed.
5. The regression coefficient of the price earning ratio variable (X4) of 0.648 means that if the price earning ratio variable increases by 1%, it will result in an increase in firm value, namely by 0.648 with the assumption that other variables are constant or fixed.
6. The regression coefficient of the liquidity variable (X5) of 30.771 means that if the liquidity variable increases by 1%, it will result in an increase in firm value, namely by 30.771 with the assumption that other variables are constant or fixed.

4.3.1. The effect of profitability on firm value

The first hypothesis states that profitability has a positive effect on firm value. Based on the results of the regression test analysis, it is found that profitability has a positive effect on firm value because if the company has high profitability, it can easily attract investors to invest in the company. With the increasing number of investors who want to invest their capital, the company's share price will increase, resulting in an increase in company value. The results of the study are in line with the results of research conducted by Arifianto and Chabacchib (2016), Himawa (2020), Prasetyorini (2018), and Nopiyanti and Darmayanti (2016) which state that profitability has a positive and significant effect on firm value.

4.3.2. The effect of leverage on firm value

The second hypothesis states that leverage has a negative effect on firm value. Based on the results of the regression test analysis, it is found that leverage has no effect on firm value, this is because in funding its assets, companies tend to use their own capital which usually comes from retained earnings and share capital rather than using debt. The results of this study are in line with the results of research conducted by Prasetyorini (2018), and Bagaskara, et al (2021) which state that leverage has no effect on firm value.

4.3.3. The effect of company size on firm value

The third hypothesis shows that company size has a positive effect on firm value. Based on the results of the regression test analysis, it is found that company size has a positive effect on firm value because company size is a factor that is also considered by investors in choosing and determining their choice to invest in a company. If the company has a large scale, it will be easier to have access to the capital market for both shares and capital because large-scale companies have a higher bargaining value than companies that still have a small scale, so that the larger the size of the company, the more investors will be interested in investing their capital and will result in the company's value increasing as well. The results of this study are in line with research conducted by Prasetyorini (2018), Gilang & Vaya (2018), and Arifianto & Chabachib (2016) which state that company size has a positive effect on firm value.

4.3.4. *The effect of price earning ratio on firm value*

The fourth hypothesis shows that *price earning ratio* has a positive effect on firm value. Based on the results of the regression test analysis, it was found that *price earning ratio* The price earning ratio has a positive effect on firm value because if the company has the ability to process assets, debt, capital, and other components, it will be able to increase the company's value points in the eyes of investors, which indicates that the strategies and techniques the company applies are able to maintain the company in the current market period. The results of this study are in line with research conducted by Puspita Anggraeni, et al (2021), Gilang & Vaya (2018), and Nopiyanti and Darmayanti (2016) which state that the price earning ratio has a positive effect on firm value.

4.3.5. *The effect of liquidity on firm value*

The fourth hypothesis shows that liquidity has a positive effect on firm value. Based on the results of the regression test analysis, it is found that liquidity has a positive effect on firm value because if the company has a high level of liquidity, it will make the company in a safe condition, because it is less likely that bankruptcy will occur due to not being able to pay debts. The results of this study are in line with the results of research conducted by Nur (2019), Khosyi Tiara Anggita (2022), and Meivinia (2018) which state that liquidity has a positive effect on firm value.

5. CONCLUSION

Based on the results of the analysis and discussion in the previous chapter, it can be concluded as follows:

1. Profitability has a positive effect on firm value in Food and Beverages companies for the period 2017-2021.
2. *Leverage has no effect on firm value in Food and Beverages companies for the period 2017-2021.*
3. Company size has a positive effect on firm value in Food and Beverages companies for the period 2017-2021.
4. Price Earning Ratio has a positive effect on firm value in Food and Beverages companies for the period 2017-2021.
5. Liquidity has a positive effect on firm value in Food and Beverages companies for the period 2017-2021.

REFERENCES

- Abbas, D. S., Dillah, U., & Sutardji, S. (2020). Faktor-Faktor Yang Mempengaruhi Nilai Perusahaan. *Jurnal Akuntansi dan Manajemen*, 17(01), 42-49.
- Anggita, K. T., & Andayani, A. (2022). Pengaruh ukuran perusahaan, profitabilitas, likuiditas, dan leverage terhadap nilai perusahaan. *Jurnal Ilmu dan Riset Akuntansi (JIRA)*, 11(3).
- Anggraeni, L. P., Sodik, M., & Tahir, M. A. (2021, November). Pengaruh Price Earning Ratio, Sales Growth, Dividend Payout Ratio, dan ROE Terhadap Nilai Perusahaan. In *Widyagama National Conference on Economics and Business (WNCEB)*, Vol. 2, No. 1, pp. 503-515.
- Arifianto, M., & Chabachib, M. (2016). Analisis faktor-faktor yang mempengaruhi nilai perusahaan (Studi kasus pada perusahaan yang terdaftar pada indeks LQ-45 periode 2011-2014). *Diponegoro Journal of Management*, 415-426.
- Bagaskara, R. S., Titisari, K. H., & Dewi, R. R. (2021, February). Pengaruh profitabilitas, leverage, ukuran perusahaan dan kepemilikan manajerial terhadap nilai perusahaan. In *Forum Ekonomi*, Vol. 23, No. 1, pp. 29-38.
- Cashmere. (2017). *Financial Statement Analysis (10th Print)*. PT. King Grafindo Persada. Jakarta.
- Devianasari, N. L., & Suryantini, N. P. S. (2015). Pengaruh PER, DER, dan DPR terhadap nilai perusahaan pada perusahaan manufaktur yang terdaftar di BEI. Doctoral dissertation, Udayana University.

- Dewi, A. S. M., & Wirajaya, A. (2013). Pengaruh Struktur Modal, Profitabilitas, dan Ukuran Perusahaan Pada Nilai Perusahaan. *E-Jurnal Akuntansi Universitas Udayana*. 4(2). 358:372.
- Dewi, D. A. I. Y. M., & Sudiarta, G. M. (2017). Pengaruh profitabilitas, ukuran perusahaan, dan pertumbuhan aset terhadap struktur modal dan nilai perusahaan (Doctoral dissertation, Udayana University).
- Fenandar, Gany Ibrahim dan Raharja, Surya. (2012). "Pengaruh Keputusan Investasi, Keputusan Pendanaan, dan Kebijakan Deviden terhadap Nilai Perusahaan". Vol. 1, No. 2.
- Gitman, Lawrence J. (2015). *Principles of Management Finance 12th Edition*. Pearson Education, Inc. Boston.
- Hery. (2015). *Analisis Laporan Keuangan*. Cetakan Pertama. CAPS. Jakarta.
- Himawan, H. M. (2020). Pengaruh profitabilitas, ukuran perusahaan, dan leverage terhadap nilai perusahaan pada perusahaan properti dan real estate yang go public di Bursa Efek Indonesia periode 2016-2018. *Jurnal Ilmiah Mahasiswa FEB*, 9(1).
- Jensen, M., & Meckling, W. (1976). Theory of The Firm: Managerial Behaviour, Agency Cost and Ownership Structure. *Journal of Financial Economics*. 3. 305:360.
- Jogiyanto.(2013). *Teori Portofoli dan Analisis Investasi*. Yogyakarta:BPFE.
- Kasmir. (2012). *Analisis Laporan Keuangan*. PT Raja Grafindo Persada. Jakarta. (2014). *Analisis laporan keuangan*. Rajawali Pers. Jakarta.
- Meivinia, L. (2018). Pengaruh Likuiditas, Profitabilitas, Struktur Modal, Dan Suku Bunga Terhadap Nilai Perusahaan. *Jurnal Muara Ilmu Ekonomi dan Bisnis*, 2(2), 377-390.
- Nur, T. (2018). Pengaruh Profitabilitas dan Likuiditas Terhadap Kebijakan Dividen dengan Firm Size sebagai Pemoderasi. *ESENSI: Jurnal Manajemen Bisnis*, 21(2), 1-15.
- Nopiyanti, I. D. A., & Darmayanti, N. P. A. (2016). Pengaruh PER, ukuran perusahaan, dan profitabilitas pada nilai perusahaan dengan struktur modal sebagai variabel moderasi. Doctoral dissertation, Udayana University.
- Novilayan. (2016). Pengaruh Profitabilitas, Ukuran Perusahaan, Kebijakan Deviden, Leverage, Price Earning Ratio, dan Kebijakan Hutang terhadap Nilai Perusahaan (Studi Empiris pada Perusahaan Manufaktur yang terdaftar di BEI tahun 2012-2014). Skripsi (Tidak Diterbitkan). Fakultas Ekonomi dan Bisnis Universitas Muhammadiyah Surakarta.
- Prasetyorini, B. F. (2013). Pengaruh ukuran perusahaan, leverage, price earning ratio dan profitabilitas terhadap nilai perusahaan. *Jurnal ilmu manajemen*,1(1), 183-196.
- Rahayu, M., & Sari, B. (2018). Faktor-faktor yang mempengaruhi nilai perusahaan. *Ikraith-Humaniora*. 2(1). 69-76.
- Ramadhitya, G. K., & Dillak, V. J. (2018). Pengaruh Profitabilitas, Leverage, Ukuran Perusahaan dan Keputusan Investasi terhadap Nilai Perusahaan (Studi Kasus pada Perusahaan Manufaktur Sub Sektor Makanan dan Minuman yang terdapat di Bursa Efek Indonesia Periode 2012-2016). *eProceedings of Management*, 5(3).
- Suryandani, A. (2018). Pengaruh pertumbuhan perusahaan, ukuran perusahaan, dan keputusan investasi terhadap nilai perusahaan pada perusahaan sektor property dan real estate. *Business Management Analysis Journal (BMAJ)*, 1(1), 49-59.
- Sutama, D., & Lisa, E. (2018). Pengaruh leverage dan profitabilitas terhadap nilai perusahaan. *JSMA (Jurnal Sains Manajemen Dan Akuntansi)*, 10(1), 21-39.
- Spence, Michael. (1973). Job Market Signaling. *The Quarterly Journal of Economics*. Vol. 87. No. 3. (Aug., 1973), pp. 355-374.
- Tarima, G. (2016). Pengaruh Profitabilitas, Keputusan Investasi Dan Keputusan Pendanaan Terhadap Nilai Perusahaan Farmasi Yang Terdaftar Di BEI Periode 2011-2014. *Jurnal Berkala Ilmiah Efisiensi*, 16(4).