ANALYSIS OF FINANCIAL RATIO TO FIRM VALUE IN MANUFACTURING SECTOR INDUSTRIAL CONSUMPTION LISTED IN INDONESIA STOCK EXCHANGE PERIOD 2018 – 2020

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ABSTRACT

The goal of this research is to test and analyze financial ratios to firm value in manufacturing companies listed on the Indonesia Stock Exchange in the consumption industry sector between 2018 and 2020. The variables tested are the liquidity ratio, as proxied by the current ratio, the leverage ratio, as proxied by the debt to equity ratio, the profitability ratio, as proxied by return on assets, the activity ratio, as proxied by total asset turnover, and firm value, as proxied by price book value. This study's population included all manufacturing companies in the consumption industry sector listed on the Indonesia Stock Exchange between 2018 and 2020, a total of 53 companies. The sample was chosen using the purposive sampling method, and 28 companies were chosen as research samples over a three-year period. External data is used, which is obtained from the website www.idx.co.id. The data analysis will be carried out with the help of smartPLS. The findings revealed that the liquidity ratio, as represented by the current ratio, had no effect on firm value. The leverage ratio, as measured by the debt to equity ratio, has an impact on firm value. Return on assets, as a proxy for profitability, has no effect on firm value. The activity ratio, as measured by total asset turnover, has no impact on firm value.

Keywords: CR, DER, ROA, TATO, PBV

INTRODUCTION

The capital market is a barometer of the health of a country's economy and investors use the capital market as a reference for investing. Companies that have good performance make investors interested in investing in the company. The existence of the capital market in Indonesia can also be an alternative for investors who have more funds to invest their funds in the form of shares.

Many sectors are traded on IDX, one of which is the consumer goods industry which has a major influence on the Indonesian economy. The consumer goods industry is one of the most attractive industrial sectors. This sector is classified as a stable sector and always grows in line with population growth. This is because consumer products are products that are always needed in human life. Consumer goods companies in carrying out their operational activities cannot be separated from the Indonesian capital market. In the Indonesian capital market, it encourages consumer goods companies to trade their company shares. Stocks have the highest risk. Investors can lose all their capital if the issuer goes bankrupt.

According to investors' understanding, the value of the company is used to see the stages of the effectiveness of an industry. Firm value is often linked to stock prices. The value of the company can be high, usually influenced by high stock prices, so that it can increase the level of investor confidence in the company's performance. Owner welfare can also be seen from the escalation of the value of an industry. A high company value will be good to make investors believe about the prospects of the industry in the future. The high value of the company can also be seen from the prosperity of shareholders. The value of the company can be increased by considering 2 important factors. the first is the industry's internal factors, such as ratios in the company's financial statements such as profitability, leverage, liquidity, activity. While the second is the company's external factors, namely factors from outside the company itself, such as exchange rates, inflation, and market growth. In this study, the object of research was carried out in the consumer goods industry sector which was listed on IDX in 2018 to 2020 as a relatively stable sector.

THEORETICAL BASIS

Firm Value

According to Husnan and Pudjiastuti (2015:6), argue that "the firm value is the value of the price that must be paid to the seller if the company is sold". According to Rodoni and Ali (2014: 130), "firm value is defined as the calculation of the total value of the company's debt and equity". Meanwhile, according to Harmono (2014: 50) states that "In fact, the creation of a price in the market is the stability of the price supply power that actually occurs in the sale and purchase of securities in the capital market between sellers and investors or often called market balance, therefore in financing theory capital market, the price in the stock market is referred to as the concept of firm value.

Current Ratio

According to Jumingan (2011: 123), "The current ratio is a ratio that provides a rough scale of the company's liquidity level." According to Fahmi (2012: 66), "Current ratio is the ability of a company to meet debt needs when it matures. It should be understood that the use of current ratios in analyzing financial statements is only able to provide a rough analysis, therefore, it needs to be supported by a more comprehensive qualitative analysis." According to Munawir (2014: 72), "the most common ratio used to analyze the working capital position of a company is the company's current ratio shows that the value of current assets (which can be quickly converted into money) is several times short-term debt.

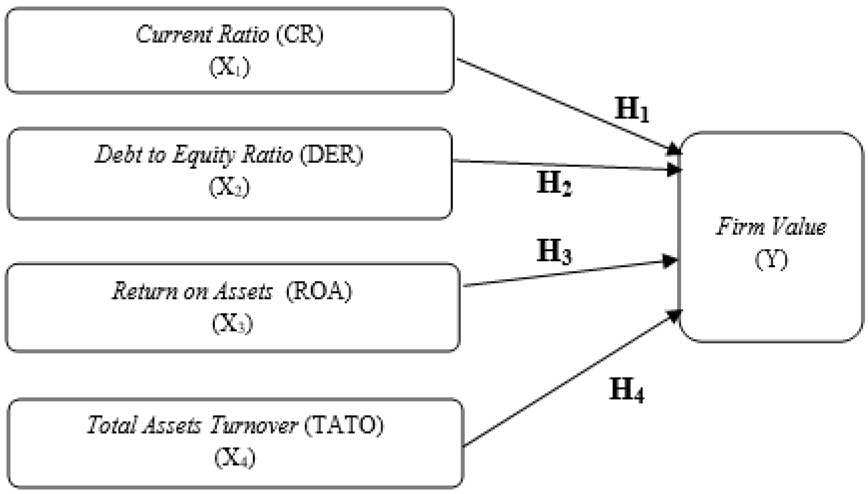
Debt to Equity Ratio
According to Kasmir (2012:157), “DER is a useful ratio for assessing debt. This ratio compares all debt to all equity. According to Fahmi (2012: 73), "DER aims to analyze the financial statements of an industry to be able to show the amount of collateral available." According to Sitanggang (2012:25), "DER is a ratio that provides an overview of the company's total debt and equity. According to Munawir (2014: 239), "The debt to equity ratio shows how much capital is used as collateral for the company's debt. For the company, the larger this ratio, the more profitable it is.

Return on Assets
According to Fahmi (2014: 83), "ROA is used to see the extent to which an investment's ability to provide benefits". According to Samryn (2014:424), "The profitability ratio is an analysis in the form of a comparison of financial data so that financial information becomes more useful". According to Sitanggang (2012:30), "Return on Assets is a ratio that calculates the ability of an industry to earn a net profit from its total assets".

Total Asset Turnover
According to Syamsuddin (2007:62), "Total assets turnover shows the level of use of the company's assets as a whole in generating a certain sales volume. The higher the total asset turnover ratio means the better use of assets to generate sales. According to Sumarsan (2010: 51), "total asset turnover describes the ability of an industry to manage its assets to create good sales. A high TATO means the better an industry is generating sales. According to Kashmir (2012: 185), Total Assets Turn Over is used to calculate asset turnover owned by an industry and calculate how much sales are obtained from each asset.

CONCEPTUAL FRAMEWORK

The conceptual framework is a basic guideline for a comprehensive thought in order to find scientific solutions to research problems that explain the variables. According to Sudana (2011: 159), when a company's debt exceeds a certain amount, the company's ability to generate profits is less than the interest rate paid.



RESEARCH METHODS

According to Ghozali (2008:17), Partial Least Square is a method that is not based on many estimates. The free PLS approach does not need to be based on certain data. According to Husein (2015), Partial Least Square (PLS) uses the bootstrap method or random multiplication. Therefore the normality test will not be a problem for PLS. In addition to the normality of the data with bootstrap, PLS does not set a minimum sample. Research with a small sample can use PLS.

The author chooses to research in the consumption industry sector of manufacturing companies on the IDX by selecting a sample using purposive sampling technique. The data analysis method used by the author in this study is a statistical analysis method using PLS (Partial Least Square). The criteria used in this study are as follows:
1. The consumption industry sector on the IDX for the 2018-2020 period
2. The consumption industry sector on the IDX which publishes financial reports for the 2018-2020 period
3. The consumption industry sector in manufacturing companies that experienced profits for the 2018-2020 period

The number of data samples used in this study were 84 samples taken by 28 companies and multiplied by 3 years of research.

RESEARCH RESULT

This study uses secondary data, obtained from www.idx.co.id. The data is in the form of financial reports for the consumption industry sector of manufacturing companies on the IDX for the period 2018 - 2020 and then processed using smartpls.

Statistical Descriptive Analysis

Data analysis begins with data processing using Microsoft Excel and continues with hypothesis testing by starting the Smartpls program. Descriptive statistics can provide an overview of the amount of data used in research. The following is a display of the statistical data:

Picture 1. Research Descriptive Statistics Analysis

Delimiter:	Semicolon	Encoding:	U1
Value Quote Character:	None	Sample size:	84
Number Format:	Europe (example: 1.000,23)	Indicators:	5
Missing Value Marker:	None	Missing Values:	0

Re-Analyze | Open External

Indicators: | Indicator Correlations | Raw File | Copy to Clipboard

	No.	Missing	Mean	Median	Min	Max	Standard Devia...	Excess Kurtosis
X1	1	0	3.068	2.536	0.653	13.267	2.401	6.332
X2	2	0	0.717	0.514	0.130	3.159	0.592	4.243
X3	3	0	0.121	0.097	0.001	0.921	0.129	17.151
X4	4	0	1.132	1.005	0.387	3.105	0.520	1.692
Y	5	0	5.145	2.570	0.004	60.672	10.325	18.784

The explanation of the descriptive statistics from the image above is as follows:

Liquidity variable (X1) which is proxied by Current Ratio has a total sample of 84 samples, with a min value of 0.653 at Multi Bintang Indonesia in 2020, and a max score of 13,267 at Campina Ice Cream Industry in 2020. Meanwhile, the average current ratio is 3,068 (30.68%). And the standard deviation value is 2.401.

Leverage variable, DER has a total sample of 84 samples, with a min value of 0.130 at Indofood CBP Sukses Makmur in 2019, and a max score of 3,159 at Unilever Indonesia in 2020. Meanwhile, the average debt to equity ratio is 0.717 (7.17%). And the standard deviation is 0.592.

Profitability variable (X3) which is proxied by ROA has a total sample of 84 samples, with a min value of 0.001 at Kimia Farma in 2019, and a max value of 0.921 at Merck in 2018. While the average return on assets is 0.121 (1.21%). And the standard deviation is 0.129.

Activity Variable (X4) which is proxied by Total Asset Turnover has a total sample of 84 samples, with a min value of 0.387 at H.M Sampoerna in 2020, and a max value of 3.105 at Wilmar Cahaya Indonesia in 2018. While the average value of total asset turnover is 1,132 (11.32%). And the standard deviation is 0.520.

Firm Value Variable (Y) Price Book Value has a total sample of 84 samples, with a min value of 0.004 at Kimia Farma in 2018, and a max score of 60,672 at Unilever in 2019. Meanwhile, the average price book value is 5,145 (51.45%). And the standard deviation of 10.325.

Analysis of Model Structure (inner model)

1. R-Square Analysis

The R Square Adjusted value of the PBV variable is 0.567, this shows that the CR, DER , ROA , and TATO can explain PBV of 56.7% and the rest or 43.3% explained by variables other than this study such as the return on equity variable.

2. F-Square Analysis

F2 effect size (f-Square) is used to assess the basic impact of an influencing variable (exogenous) on the affected variable (endogenous). The effect of CR on PBV has an f square of 0.014 and is relatively small. The effect of DER on PBV has an f square of 0.457 and is categorized as large. The effect of ROA on PBV has an f square of 0.233 and is categorized as large. The effect of TATO on PBV has an f square of 0.119 and is categorized as moderate.

3. Path Coefcients

Picture 2. Path Coefficients

Path Coefficients

Mean, STDEV, T-Values, P-Val... | Confidence Intervals | Confidence Intervals Bias Cor... | Samples | Copy to Clipboard: Excel Format

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDE...	T Statistics (|O/STDEV|)	P Values
Current Ratio -> Price Book Value	0.091	0.054	0.102	0.891	0.373
Debt to Equity Ratio -> Price Book Value	0.544	0.471	0.189	2.876	0.004
Return on Assets -> Price Book Value	0.337	0.418	0.187	1.799	0.073
Total Asset Turnover -> Price Book Value	0.232	0.164	0.131	1.774	0.077

Based on the results of the Path Coefficients analysis, it can be made a structural equation model as follows:

PBV = 0,544 DER

The results showed that DER had a positive and significant effect on PBV. This explains that as the company's debt increases, investors think the company will have more opportunities to use their capital to develop the company. As the company grows, profits for investors will also increase.

The results of Path Coefficients analysis show that DER to PBV has a parameter coefficient value of 0.544 with a t-statistical significance value of 2.876 > 1.96 and a P Value of 0.004 < 0.05. This shows that DER has a positive and significant effect on PBV, so hypothesis H2 is accepted. while hypotheses 1, 3 and 4 were rejected because the t-statistics and P-values did not meet the criteria.

DISCUSSION

Based on the tests that have been carried out, the following research results were obtained:

1. Effect of Current Ratio on Firm Value

The current ratio is a ratio that calculates the ability of an industry to pay its short-term obligations by comparing current assets with current liabilities. The results show that CR has no effect on PBV in the consumption industry sector of manufacturing companies on the IDX in 2018 - 2020. A high Current Ratio value indicates receivables are greater than the current debt value. In the consumption industry sector in 2018-2020 there were many non-current accounts and slow inventory turnover, which made profitability decline. The decline in PBV gives a bad signal to shareholders so that it can reduce the value of the company.

The results of this study are also similar to those of Evelin (2018) and Dwi (2020) which state that the current ratio has a positive and insignificant effect on book value prices. However, this research contradicts the research of Jeni (2019) and Fifi (2021). Their research says that the current ratio has a significant effect on PBV.

2. Effect of Debt-to-Equity Ratio (DER) on Firm Value

The debt-to-equity ratio shows how much capital the company has to guarantee or pay its debts. The results show that DER has an effect on the book value of the consumption industry sector on the IDX in 2018 - 2020. This explains that with the increase in corporate debt, investors perceive that the company has made many changes in the use of capital for expansion in the hope that it will be in line with the company's growth. then profits for investors will also increase so that they are tempted to buy shares of the industry. The higher the stock price means the value of the company will also increase.

The results of this study are also similar to those of Febby (2019), Welas (2019), Janthe (2018) which states that DER has a positive and significant effect on PBV. However, this study contradicts the research of Wastam (2019), Annisa (2017) and Rimawan (2021) which state that the DER has no significant effect on PBV.

3. Effect of Debt to Return on Assets (ROA) on Firm Value

Return on Assets (ROA) is a ratio that assesses the effectiveness and efficiency of an industry's management in administer its assets. The results show that ROA has no effect on the PBV of the consumption industry sector on the IDX in 2018 - 2020. These results indicate that the higher the ROA value cannot determine the firm value is good. Possibly because the company does not run its operations effectively and places its investment in unproductive assets so that asset turnover is not smooth. There are several factors that an investor must also pay attention to, such as stock exchange conditions, economic, social, political and national stability of a country. In addition, at the end of the year many investment managers do window dressing.

The results of this study are also similar to those of Nazariah (2019), Dwi (2020), Wildan (2021) which states that ROA has no significant effect on PBV. However, the research of Cheltis (2021), Victor (2020), and Vintia (2017) showed different results, they stated that ROA had a significant effect on PBV.

4. Effect of Debt to Return on Assets (ROA) on Firm Value

Total Asset Turn Over is a ratio used to measure the ability of an industry's assets to show how the industry uses all of its assets to generate sales from each asset. The results show that total asset turnover has no effect on the PBV of manufacturing companies in the consumption industry sector on the IDX in 2018 - 2020. This is because the company is inefficient in processing its assets to raise sales, thus making TATO low. If total asset turnover is slow, this indicates that the assets owned by the industry are too great compared to the industry's ability to increase sales. This will result in investors paying less attention to and considering the total assets turnover ratio in investing so that it will not affect on firm value.

The results of this study are also similar to the results of research by Nadila (2021) and Septya (2020) which state that total asset turnover has no significant effect on book value prices. However, the research of Mirza (2019) showed different results, they states that total asset turnover has a effect on book value prices.

CONCLUSION

Based on the research results, it can be concluded that DER has an effect on PBV. CR, DER, ROA and TATO has no effect on the PBV of manufacturing companies in the consumption industry sector listed on IDX in 2018 – 2020

SUGGESTION

Some suggestions related to research results are For Inverstor,to invest in companies that go public. Investors are expected to be able to see in advance how the ratio of liquidity, solvency, activity and profitability when running their business so that large losses can be avoided. Potential investors can also ask for opinions from other experienced investors who have invested in the company, how they value, view and trust the company. For manufacturing companies in the consumption industry sector, it is expected that they must be more optimal in allocating their funds into forms of investment, because if the allocation of funds is not appropriate, it will be at risk for the company in the future. Suggestions For next researchers, can expand this research. not only researching in one sector and adding a period of years to be studied in order to provide maximum results. results in research and it is also hoped that it can add intervening variables or moderating variables.

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