Determination of Financial Factors on Firm Value

Original Article

Yogi Ade Tia Kurniawan[1*], Ulil Hartono[2], Nadia Asandimitra Haryono[3]

[1-3]Master of Management Study Program, Faculty of Economics and Business, Universitas Negeri Surabaya, Indonesia
Email: [1] yogiadetyakurniawann@gmail.com

Abstract

This study aims to analyze the impact of Liquidity, Solvency, Profitability, and Activity on Company Value in food and beverage manufacturing companies listed on the IDX for the 2019–2022 period. The research employs a quantitative, causal associative approach using secondary data from company financial statements. A purposive sampling method was used, resulting in a sample of 24 companies, and the data were analyzed using multiple linear regression. The results show that simultaneously, the independent variables influence Company Value. Partially, the Liquidity variable (proxies: current ratio, quick ratio, and cash ratio) significantly affects Company Value (PBV). For Solvency, the debt-equity ratio (DER) and long-term debt-equity ratio (LTDtER) significantly affect Company Value, while the debt-asset ratio (DAR) does not. In terms of Profitability, return on equity (ROE) and return on assets (ROA) have significant effects, but net profit margin (NPM) does not. Lastly, under the Activity variable, inventory turnover (PPe) significantly affects Company Value, while accounts receivable turnover (PPi) does not. These findings underscore the importance of financial performance metrics in describing a company's ability to meet obligations, achieve profitability, and manage asset turnover. Such insights are valuable for companies in understanding how their financial performance impacts Company Value.

Keywords: Company Value, Liquidity, Profitability and Activity, Solvency.

1. Introduction

The development of the capital market is a key factor in measuring a country's economic advancement. The rise in the expansion of Indonesia's capital market is undeniably linked to the involvement of businesses listed on the Indonesian stock exchange, particularly those in the manufacturing sector. Indonesia's manufacturing sector continues to show significant growth, according to the Ministry of Investment. In 2023, manufacturing companies saw a substantial increase in investment, with the sector contributing 40.9% of the total investment in the country. Overall, Indonesia's investment has grown by 35.3% year-on-year, reaching 74.4% of the targeted IDR 1,200 trillion in 2022.

Competition within the financial market encourages companies to engage in strategic planning in order to enhance performance and achieve company goals. This is crucial as the primary objective of any company is to increase shareholder wealth through maximising company value.

Menurut Albertus & Lestari, (2022), Ningsih & Sari, (2019), Iman *et al.*, (2021), Ndruru *et al.*, (2020), El Sintarini & Djawoto, (2018) Jihadi *et al.*, (2021), Kurniati & Sulhan, (2022) Mauludi & Budiarti, (2019) Rompas, (2013) Septriana & Mahaeswari, (2019), Setyadi & Iskak, (2020), Syamsuddin *et al.*, (2021) states that high liquidity levels positively affect the value of

a company, demonstrating that the company's strong cash position will influence its ability to meet short-term liabilities, ultimately boosting the company's value.

Meanwhile, according to Firdaus & Tanjung, (2022) and Permana & Rahyuda, (2018) maintains that the level of cash flow exerts a strong detrimental influence on the worth of a company. While Ambarwati & Vitaningrum (2021), Erlina (2018), Hertina (2021), Khasana & Triyonowati (2019), Lumentut & Mangantar (2019), Lumoly *et al* (2018), Markonah *et al* (2020), Racabadi & Priyawan (2023), Wimidhati *et al* (2021) states that liquidity has no effect on firm value.

Further, according to Lumentut & Mangantar, (2019) The next financial performance factor that affects firm value is solvency. According to Firnanda & Oetomo, (2016), solvency is a measure of a company's capacity to meet its long-term financial commitments. In the study by El Sintarini & Djawoto (2018), Lumentut & Mangantar (2019), Rompas (2013), Swastika & Agustin (2021) and Syamsuddin *et al.*, (2021) states that the financial stability of a company greatly enhances its worth. Meanwhile Itsnaini & Subardjo, (2017), Permana & Rahyuda (2018) states that Solvency has a significant negative effect on firm value. Meanwhile, according to the research by Agatha & Irsad (2021), Erlina (2018), Firdaus & Tanjung (2022), Hertina (2021), and Racabadi & Priyawan (2023) states that Solvency has no effect on firm value.

The following aspect of financial performance that impacts the value of a company, as stated by Sutama & Lisa, (2018) namely profitability. As a result of research by Dewi et al (2019), Sintarini & Djawoto (2018), Hertina (2021), Jihadi et al (2021) dan Yulazri and Joefatha (2023) suggested that profitability plays a crucial role in increasing the worth of a company. While Erlina (2018), Mauludi and Budiarti (2019), and Racabadi and Priyawan (2023) states that profitability has no effect on firm value. Then according to Lumentut & Mangantar (2019) the next financial performance factor that affects firm value is activity. As a result of research by Astutik (2017), Kurniasari and Wahyuati (2017), Kurniawati and Idayati (2021), Lumentut and Mangantar (2019) mentioned that the ratio of activity greatly contributes to the overall value of the company. While research by Dewita *et al* (2023), Firdaus & Tanjung, (2022), Swastika & Agustin (2021) states that the Activity ratio has no effect on firm value.

The explanation provided suggests that different financial ratios, such as liquidity, solvency, profitability, and activity, have been studied in previous research with mixed results. For example, previous studies on liquidity ratios have shown conflicting findings, with some indicating a positive or negative impact on firm value, while others suggesting no effect. Similarly, research on solvency ratios has also yielded conflicting results, with some studies finding positive or negative effects on firm value, while others finding no impact. Previous research on profitability and activity ratios, however, have generally found a positive influence and no effect on firm value.

In light of the issues surrounding food and beverage companies and the discrepancies in research findings on the connection between financial performance and company value, researchers are inspired to delve deeper. By utilising up-to-date data and applying three different formulas to each independent variable, this study aims to explore how Liquidity, Solvency, Profitability, and Activity impact Company Value within the manufacturing sector of the food and beverage industry for the years 2019-2022.

2. Methods

The research in question employs a quantitative methodology. The information gathered for this study is derived from secondary sources, specifically the annual financial reports of manufacturing firms in the food and beverage sector that are publicly traded on the Indonesia Stock Exchange BEI between 2019 and 2022. For the purposes of this investigation, the term "population" refers to all manufacturing companies operating in the food and beverage industry that are listed on the Indonesia Stock Exchange during the specified time frame. The selection of participants in this study utilises a non-probability sampling technique known as Purposive sampling, where individuals are chosen as research subjects based on specific criteria. The criteria used for selecting samples in this study include:

1. Manufacturing companies in the food and beverage industry that are listed on the Indonesia Stock Exchange between 2019 and 2022.
2. Manufacturers in the food and beverage industry have consistently provided both yearly reports and audited financial statements from 2019 to 2022.

The study included 34 manufacturing companies operating in the food and beverage sector, with 7 companies not being consistently listed on the IDX between 2019-2022 as food and beverage sector companies on the IDX. Among them, 3 companies failed to provide annual reports and audited financial statements, resulting in a total of 24 companies meeting the sample criteria.

In this research, two categories of variables are examined: independent variables such as Liquidity, Solvency, Profitability and Activity, and the company value is considered as the dependent variable in this study.

a. Company Value

According to Weston and Copeland (1996) the value of a company can be determined by utilising the PBV ratio, which is derived from a specific formula.

$$\text{Price to Book Value (PBV)} = \frac{\text{Stock Price}}{\text{Book Value of Shares}}$$

b. Liquidity

In this research, the liquidity ratio is determined by evaluating the Current Ratio, Quick Ratio, and Cash Ratio. Here is the mathematical formula.

1) $\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Debt}}$

2) $\text{Quick Ratio (Acid Test Ratio)} = \frac{\text{Current Assets} - \text{Inventory}}{\text{Current Liabilities}}$

3) $\text{Cash Ratio} = \frac{\text{Cash} + \text{Bank}}{\text{Current Liabilities}}$

c. Solvency

In this research, the solvency ratio is determined by analysing the Debt to Equity Ratio (DER), Debt to Asset Ratio (DAR) and Long Term Debt to Equity Ratio (LTDtER). The calculation is outlined below.

1) $\text{Debt to Equity Ratio} = \frac{\text{Total Debt}}{\text{Total Equity}}$

2) $\text{Debt to Asset Ratio} = \frac{\text{Total Debt}}{\text{Total Asset}}$

3) $\text{LTDtER} = \frac{\text{Long Term Debt}}{\text{Equity}}$

d. Profitability

The study examines profitability using the financial metrics Return On Equity (ROE), Net Profit Margin (NPM), and Return On Asset (ROA). This is calculated using the following formula:

1) $\text{ROE} = \frac{\text{Net Profit After Tax}}{\text{Total Equity}} \times 100\%$

2) $\text{NPM} = \frac{\text{Net Profit After Tax}}{\text{Sales}} \times 100\%$

3) $\text{ROA} = \frac{\text{Net Profit After Tax}}{\text{Total Aset}} \times 100\%$

e. Activities

The investigation in this research utilises metrics such as the Total Assets Turnover Ratio, Receivables turnover, and Inventory turnover to gauge activity. The equation is structured as shown below.

1) Total *Assets Turnover Ratio* $= \frac{\text{Net Sales}}{\text{Total Assets}}$

2) Receivables turnover $= \frac{\text{Credit Sales}}{\text{Average Sales}}$

3) Inventory turnover $= \frac{\text{Sales}}{\text{Supplies}}$

2.1. Data Collection Technique

The information utilised in this study comes from secondary sources. The research makes use of secondary data extracted from financial reports acquired from the official website of the Indonesia Stock Exchange, namely www.idx.co.id. This site provides details on food and beverage manufacturing companies within the sub-sector listed on the Indonesia Stock Exchange during the years 2019-2022.

2.2. Data Analysis

The method of data analysis employed in this research involves utilising multiple linear regression analysis. To test the data, the researchers used SPSS software. Initially, the collected data will be analysed descriptively to examine how it is spread and distributed. Following this, various traditional assumption tests were carried out to confirm the accuracy of the regression model. These tests included checking for normality, multicollinearity, autocorrelation, and symptoms of heteroscedasticity. Furthermore, the research also included hypothesis testing to determine the impact of independent variables on the dependent variable.

3. Results and Discussion

3.1. Research Result

3.1.1. Normality Test Results

The objective of this test is to determine whether the data is normally distributed or not. The normality test is conducted using the Kolmogorov-Smirnov method with a significance level > 0.05. If the asymptotic significance (2-tailed) is greater than 0.05, it indicates a normal distribution. The normality of the model data is confirmed by the Unstandardised Residual data test, with an asymptotic significance value of 0.200, which is above 0.05. Hence, it can be concluded that the data in this model follows a normal distribution and can proceed to the next stage of testing.

3.1.2. Multicollinearity Test Results

The multicollinearity test is carried out to test the presence of multicollinearity in the data used to see the coefficient between the independent variables. To check for signs of multicollinearity, one must examine the VIF (Variance Inflation Factor) and Tolerance values. A dataset is considered devoid of multicollinearity if the VIF is less than 10 and the Tolerance value is greater than 0.1. (Ghozali, 2018: 107). The results of the multicollinearity test indicate that there are no issues with multicollinearity among these variables.

3.1.3. Autocorrelation Test Results

The autocorrelation test is utilized to identify any deviation from the autocorrelation assumption within a study. An important requirement is that the research regression model shows no signs of autocorrelation. The Durbin Watson value obtained from the test is 2.694, with N = 80 and k = 12, revealing dL value = 1.34024 and dU value = 1.95727. The location of the dw value falls between dU = 1.95727 and 4-du = 2.04273 according to the test results. Consequently, following the decision-making criteria, it is concluded that there is no presence of autocorrelation.

3.1.4. Heteroscedasticity Test Results

In this particular study, the Glejser test is utilised to determine whether heteroscedasticity is present. Accurate results can be obtained through this test. By examining the significance value of the regression results, it can be determined if there is heteroscedasticity. If the significance value is greater than 0.05, then heteroscedasticity is not present. The test results indicate that there are no indications of heteroscedasticity.

3.1.5. Multiple Linear Regression Analysis Test Results

The test findings reveal that there are varying coefficient values for different independent variables in the multiple linear regression analysis. Consequently, the subsequent equation can be derived from these outcomes.

$$Y = 2{,}706 + 1{,}002 \, CR + 1{,}015 \, QR + 0{,}102 \, \text{RK} + 1{,}665 \, DER - 2{,}804 \, DAR + 2{,}228 \, LTDtER + 1.001 \, ROE - 0{,}389 \, NPM + 0{,}081 \, ROA - 1{,}126 \, \text{TART} + \text{LG10 PPi} + 0{,}561 \, \text{PPe} + ei$$

Out of the 12 proxies analysed, it has been highlighted that LTDtER holds the highest value at 2,228. This suggests that investors may use this particular proxy as a reliable reference when making investment decisions related to the company in question. Additionally, there are 9 proxies (CR, QR, RK, DER, LTDtER, ROE, ROA, PPi & PPe) with positive values, indicating that these proxies can potentially enhance the company's overall worth when the independent variable remains unchanged. On the other hand, there are 3 proxies (DAR, NPM & TATR) with negative values, signifying that these proxies could diminish the company's value under constant independent variable conditions.

3.1.6. Hypothesis Test Results

Based on the t test results, it can be analysed as follows:

1. Liquidity
a) CR (Current Ratio): Significant (0.017 <0.05), H1a is accepted, has an effect on PBV.
b) QR (Quick Ratio): Significant (0.007 <0.05), H1b is accepted, has an effect on PBV.
c) RK (Cash Ratio): Significant (0.029 <0.05), H1c accepted, has an effect on PBV.
2. Solvency
a) DER (Debt Equity Ratio): Significant (0.020 < 0.05), H2a is accepted, has an effect on PBV.
b) DAR (Debt Asset Ratio): Not significant (0.085 > 0.05), H2b rejected, no effect on PBV.
c) LTDtER (Long Term Debt to Equity Ratio): Significant (0.004 < 0.05), H2c accepted, has an effect on PBV.
3. Profitability
a) ROE (Return on Equity): Significant (0.038 <0.05), H3a is accepted, has an effect on PBV.
b) NPM (Net Profit Margin): Not significant (0.727 > 0.05), H3b rejected, no effect on PBV.
c) ROA (Return on Asset): Significant (0.042 <0.05), H3c accepted, has an effect on PBV.

4. Activities

a) TATR (Total Assets Turnover Ratio): Not significant (0.351 > 0.05), H4a is rejected, has no effect on PBV.

b) PPi (Receivables Turnover): Not significant (0.369 > 0.05), H4b is rejected, has no effect on PBV.

c) PPe (Inventory Turnover): Significant (0.040 < 0.05), H4c accepted, has an effect on PBV.

3.2. Discussion

3.2.1. The Effect of Liquidity on Firm Value

a)   Liquidity with current ratio proxy on company value (PBV)

According to the findings of hypothesis testing, it is evident that the measure of liquidity using the Current Ratio has a notable impact on the value of a company. The use of the Current Ratio to assess liquidity has a favourable influence on the value of a company as it indicates the company's ability to fulfil its short-term financial obligations. As a result, investors are likely to perceive a reduced risk of financial loss caused by the company's inability to repay short-term debts (Dupa et al., 2023; Salim, 2023). Consequently, the company's value is expected to rise due to increased investment from more investors.

This shows that food and drink companies listed on the IDX between 2019 and 2022 are skilled at meeting their immediate financial responsibilities because according to Fahmi (2015:) the liquidity ratio indicates a company's capacity to settle its immediate debts promptly. Greater current assets in comparison to current liabilities instill more confidence in the timely payment of debts. According to Fahmi (2015:121) A company is considered to have good liquidity if its ratio is above 1.0. The average data value for the Current Ratio proxy is 2.6259, indicating that all three ratios have a favourable value above 0.1.

Therefore, when a company is able to easily meet its short-term obligations, investors view it more favourably, leading to increased investment and a rise in share price. This rise in share price ultimately enhances the company's overall value, as the stock market price serves as a key indicator of its financial standing and worth in the eyes of stakeholders.

This is supported by research conducted by Albertus & Lestari, (2022), Ningsih & Sari, (2019), Iman *et al.*, (2021), Ndruru *et al.*, (2020), El Sintarini & Djawoto, (2018) Jihadi *et al.*, (2021), Kurniati & Sulhan, (2022) Mauludi & Budiarti, (2019) Rompas, (2013) Septriana & Mahaeswari, (2019), Setyadi & Iskak, (2020), Syamsuddin *et al.*, (2021) which states that The value of a company is greatly influenced by its liquidity. A higher firm value usually corresponds to lower liquidity levels, which in turn can decrease the overall value of the company. In essence, having a strong cash position can greatly enhance a company's ability to fulfill its short-term financial commitments, ultimately leading to a boost in firm value.

b)   Liquidity with QR proxy (quick ratio) on company value (PBV)

According to the findings of hypothesis testing, it has been demonstrated that the quick ratio proxy for liquidity has a noteworthy impact on the value of a company. Liquidity positively influences firm value by indicating the ability of the company to meet its short-term financial obligations. Consequently, a higher level of liquidity results in a higher firm value as investors perceive companies with strong liquidity as having impressive performance.

The evidence demonstrates that food and beverage companies listed on the IDX from 2019 to 2022 can effectively handle their immediate financial obligations. This is evident through the Quick ratio, which assesses a company's capacity to pay off current debts using current assets, disregarding the firm's overall value. According to Fahmi (2015:121) the company's liquidity ratio is said to be good if the company has a ratio above 1.0. It is proven

that the QR proxy (quick ratio) has an average data value of 1.9046 so it can be concluded that the three ratios have a good ratio value because the value is above 0.1.

Therefore, when a company has a high level of liquidity in meeting its immediate financial obligations, it tends to be viewed more favourably by investors. This is because the company is seen as having the ability to effectively handle short-term financial commitments, leading to increased investor interest and potentially higher stock prices. Ultimately, the company's value is directly influenced by its performance in the stock market, which serves as a key determinant of its overall financial health and worth.

This is supported by research conducted by Albertus and Lestari (2022), Ningsih and Sari (2019), Iman et al. (2021), Ndruru et al. (2020), Sintarini and Djawoto (2018), Jihadi et al. (2021), Kurniati and Sulhan (2022), Mauludi and Budiarti (2019), Rompas (2013) Septriana and Mahaeswari (2019), Setyadi and Iskak (2020), Syamsuddin et al. (2021) states that the value of a company is greatly influenced by its liquidity. If a company has high value but low liquidity, its overall value will decrease. This suggests that a company's strong cash position can help it to successfully meet its short-term obligations, ultimately benefiting its overall value.

c) Liquidity with RK proxy (cash ratio) to company value (PBV)

According to the findings of hypothesis testing, it is evident that the liquidity factor, as represented by the cash ratio, positively impacts the value of a company. The relationship between liquidity, as measured by the cash ratio, and firm value suggests that the company's capacity to meet short-term obligations can shape investor attitudes, ultimately leading to a favourable impact on firm value.

This demonstrates that food and beverage firms listed on the IDX between 2019 and 2022 are capable of meeting their immediate financial responsibilities effectively as the cash ratio reflects a company's ability to settle short-term debts. The study is backed by signalling theory, which suggests that companies with a high cash ratio signify their capacity to repay short-term debts efficiently, thus enhancing the company's reputation and value. According to Fahmi (2015) if a company has a liquidity ratio above 1.0, it is considered to be in good financial standing. The average data value for the RK proxy (cash ratio) is 1.2314, confirming that the three ratios have a strong value above 0.1.

The better a company is able to meet its current financial obligations, the more favourable its reputation becomes among investors. This is because investors see the company as capable of managing short-term debts effectively, leading to increased investment and subsequently boosting the company's stock price. The stock market value is a crucial indicator of a company's financial health, directly affecting its overall worth.

This is supported by research conducted by Albertus & Lestari, (2022), Ningsih & Sari, (2019), Iman *et al.*, (2021), Ndruru *et al.*, (2020), El Sintarini & Djawoto, (2018) Jihadi *et al.*, (2021), Kurniati & Sulhan, (2022) Mauludi & Budiarti, (2019) Rompas, (2013) Septriana & Mahaeswari, (2019), Setyadi & Iskak, (2020), Syamsuddin *et al.*, (2021) the report mentioned that liquidity plays a crucial role in determining the value of a company. When firm value is high and liquidity is low, the overall value of the company decreases. This suggests that having a substantial amount of cash on hand can positively influence a company's ability to fulfill its short-term financial obligations, ultimately boosting the firm's value.

3.2.2. The Effect of Solvency on Firm Value

a) Solvency with DER (debt equity ratio) proxy on company value (PBV)

The Solvency variable represented by the Debt Equity Ratio (DER) proxy has a significant positive impact on the firm's value, as indicated by the Price to Book Value (PBV).

This suggests that increasing the optimization level of the Debt Equity Ratio (DER) will lead to an enhancement in the company's worth. The Debt to Equity Ratio (DER) is a metric utilised to evaluate the balance between debt and equity within a company. This ratio is determined by comparing all debts, including current liabilities, to the total equity. It helps in understanding the extent of financial support provided by creditors compared to that of the company owners. Essentially, this ratio indicates the amount of own capital utilized as collateral for debts. A higher ratio would be disadvantageous for creditors, as it increases the risk of potential losses in the company. However, for the company itself, a higher ratio is deemed beneficial. On the contrary, a lower ratio signifies a greater contribution from owners and provides a larger safety net for borrowers in case of asset devaluation. Additionally, this ratio offers insights into the financial health and risk profile of the company. Consequently, the DER ratio has an impact on the company's value, with investors preferring a higher DER value due to its indication of lower financial risk for the company.

Based on the trade-off theory, this study suggests that using debt optimally can enhance a company's value. It implies that a company's ability to maximise debt usage for value creation is reflected when the capital value outweighs the debt. In the Indonesian stock market, stock prices and company value are influenced not only by market conditions but also by financial performance. Therefore, investors pay attention to the company's debt level as they are interested in how effectively and efficiently the company's management uses these funds to generate added value.

This is supported by research conducted by El Sintarini and Djawoto (2018), Lumentut and Mangantar (2019), Rompas (2013), Swastika and Agustin (2021) and Syamsuddin et al., (2021) states that Solvency has a significant effect on firm value.

b) Solvency with DAR proxy (debt asset ratio) Firm value (PBV)

The relationship between solvency variable and DAR proxy does not impact the company's value (PBV). This suggests that reducing the DAR ratio does not lead to an increase in company value.

Furthermore, it indicates that while the company's equity is sufficient to meet its obligations, the total assets are not enough to cover all liabilities. Consequently, investors viewing the company's assets in relation to its liabilities may view it as a risky investment, leading to a decrease in the company's value. This is supported by research by Agatha and Irsad (2021), Erlina (2018), Firdaus and Tanjung (2022), Hertina (2021), dan Racabadi and Priyawan (2023) states that Solvency has no effect on firm value.

c) Solvency with the proxy LTDtER (Long Term Debt to Equity Ratio) on Firm Value (PBV)

Solvency variable with LTDtER proxy has a significant positive effect on firm value (PBV). This proves that the higher the level of LTDtER optimisation will increase the company's value. This proves that the solvency variable with the DER & LTDtER proxy for food and beverage companies listed on the IDX for the 2019-2022 period has the ability to bear its debts with the equity it has, as the theory conveyed by Ernita & Wanti, (2015) Solvency is one of the factors that affect firm value. Firm value is the ratio between the amount of debt and equity used by the company in maximising firm value (Santoso, 2016). The solvency ratio assesses the extent to which the company's debts are covered by borrowing. The study revealed that the LTDtER ratio is statistically significant at a level of 0.04, with a t score of 2.650 and an average value of 0.5304. This suggests that the solvency ratio is favourable, as indicated by the study's findings. Fahmi (2015) solvency ratio above 0.5 is always considered a good number to have by the company, this is because it is considered that the company is able to

finance its obligations. So that from an investor's point of view, it can state that the company has good credibility with the impact of investors being interested in investing and will cause an increase in the company's value.

This is supported by research conducted by El Sintarini and Djawoto (2018), Lumentut and Mangantar (2019), Rompas (2013), Swastika and Agustin (2021) dan Syamsuddin et al. (2021) states that Solvency has a significant effect on firm value.

3.2.3. The Effect of Profitability on Firm Value

a) Profitability with ROE (Return On Equity) proxy on company value (PBV)

The ROE proxy is a key factor in determining firm value, as it has a strong impact on profitability. When the ROE ratio is higher, the company's value tends to increase significantly. This demonstrates that effective management of assets, along with investments from shareholders, can lead to substantial profits, as suggested by the theory mentioned by Luh (2010) a strong profitability indicates promising prospects for the company, which will lead to a positive response from investors and an increase in the company's worth. This is supported by a high ROE proxy value of 0.038 with a t value of 2.019, demonstrating strong potential. This aligns with findings from previous studies. Dewi et al (2019), Sintarini and Djawoto (2018), Hertina (2021), Jihadi et al (2021) and Yulazri and Joefatha (2023) suggested that the financial success of a company has a notable impact on its overall worth. This is due to the fact that investors tend to be more interested in purchasing shares when a company is performing well financially. A high level of profitability is particularly appealing to investors as it indicates a favourable return on the investment made by shareholders. Consequently, as profitability rises, so too does the value of the company's shares, ultimately boosting the company's overall value.

b) Profitability with NPM (Net Profit Margin) proxy on company value (PBV)

The variable of profitability measured by Net Profit Margin (NPM) does not impact the company's value, as indicated by Price to Book Value (PBV). Whether the NPM is high or low, it does not lead to a rise in company value. This is due to the fact that the profit achieved after tax deductions from sales revenue, or NPM, does not have a significant influence on the company's value, with a value above 0.05, specifically 0.727 with a t count of -0.351. This suggests that the profit made after tax is minimal and therefore does not influence the company's value.

This aligns with studies conducted by Erlina (2018), Mauludi and Budiarti (2019), and Racabadi and Priyawan (2023) stated that Profitability does not impact the worth of a company as long as the profitability level is acceptable, as it will not have an influence on the company's overall value.

c) Profitability with ROA (Return on Asset) proxy on company value (PBV)

The variable of profitability, represented by ROA (Return On Asset), has a marked positive impact on firm value (PBV). This indicates that a higher ROE ratio will boost the company's worth. It demonstrates that efficient asset management and shareholder investments can lead to profitable returns, supporting the theory by Putu Ni Luh (2010), a strong profit margin suggests promising opportunities for a company, leading investors to be optimistic and causing the company's value to rise. This can be seen in the low ROA proxy value of 0.042, with a significant t value of 2.073. This aligns with previous research findings.

Dewi et al (2019), Sintarini and Djawoto (2018), Hertina (2021), Jihadi et al (2021) and Yulazri and Joefatha (2023) states that the company's value is greatly influenced by its profitability, as investors tend to gravitate towards shares of profitable companies. Increasing profits lead to higher demand for shares, ultimately driving up stock prices and overall company value. High profitability is alluring to investors as it demonstrates strong returns on investments. Rising profits directly correlate to an increase in share price, ultimately boosting the company's overall worth.

3.2.4. The Effect of Activity on Firm Value

a) **Activity with the proxy TATR (Total Assets Turnover Ratio) on the company value (PBV)**

Activity variables measured by the Total Assets Turnover Ratio (TATR) do not impact the company's value (PBV). Therefore, whether the TART is high or low, it does not influence the increase in company value (PBV). Total asset turnover is a metric used to gauge how quickly all assets are turning over and how much revenue is generated per unit of sales. A higher total asset turnover indicates better performance, as it suggests that the company's assets are being utilized efficiently, resulting in faster profits. It also reflects the effectiveness of PerseROAn in using its assets to generate revenue. This study suggests that the company may not be effectively managing its assets, leading investors to not base their investment decisions on the company's TART ratio. This finding aligns with previous research. Dewita *et al* (2023), Firdaus & Tanjung (2022), Swastika & Agustin (2021) states that the Activity ratio with the TART proxy has no effect on firm value.

b) **Activity with PPi proxy (Accounts receivable turnover) on company value (PBV)**

Activity variables represented by PPi proxies such as Accounts receivable turnover do not impact the overall value of a company, indicated by PBV. The fluctuations in PPi, whether high or low, have little to no influence on the increase in company value. This suggests that the company's performance in meeting its obligations is lacking, as evidenced by the inability of Receivables Turnover to affect the stock price alongside earnings per share. The sluggish turnover of receivables into cash, where they must first be converted from receivables, coupled with the uncertainty surrounding their value, contribute to this phenomenon. This is in line with research Dewita *et al* (2023), Firdaus & Tanjung, (2022), Swastika & Agustin (2021) states that the activity ratio with the PPi proxy has no effect on firm value.

c) **Activity with PPe proxy (Inventory turnover) on company value (PBV)**

Activity variables measured with proxy PPe (inventory turnover) show a notable impact on firm worth (PBV). The greater the PPe ratio, the greater the company's value. The activity ratio conveys the connection between a company's operational capacity and the assets necessary to sustain its operations. In contrast, as per Ernita and Wanti (2015) the company's activity ratio also shows the level of effectiveness that exists in the company, the higher the level of activity ratio in the company, the greater the cash flow received by the company, meaning that it is more effective in managing transaction activities in the company. In this study proves that the activity ratio with inventory turnover is able to create good company value because it will create a level of effectiveness for the cash flow received, this is evidenced by the significance value of PPe 0.040 below 0.05 and the t value is 2.091. This is supported by research

Astutik (2017), Kurniasari and Wahyuati (2017), Kurniawati and Idayati (2021), Lumentut and Mangantar (2019) states that the activity ratio plays a crucial role in enhancing

the value of a company. A higher turnover of assets can lead to increased business volume and sales, thus increasing the overall value of the company.

4. Conclusion

The study revealed that the liquidity measures such as current ratio (CR), quick ratio (QR), and cash ratio (RK) have a positive impact on firm value (Price to Book Value or PBV). This suggests that a company's capacity to meet short-term obligations is linked to its overall value. Furthermore, the debt to equity ratio (DER) and long-term debt to equity ratio (LTDtER) were also found to positively influence PBV, indicating that effective management of debt can enhance investor trust and firm worth. On the other hand, the debt to asset ratio (DAR) was found to have a negative and inconsequential impact, implying that the ratio of debt to total assets does not directly impact firm value.

When it comes to making money, return on equity (ROE) and return on assets (ROA) play a crucial role in determining the company's value. A high ROE and ROA indicate that the company is able to generate profits from its equity and assets, which in turn boosts its overall value. On the other hand, the net profit margin (NPM) has a small negative impact on the company's value, suggesting that the efficiency of net profit in comparison to sales revenue is not significantly affecting the firm's overall worth. The impact of activity variables on firm value is varied, with some showing positive results while others do not. Total asset turnover ratio (TATR) and accounts receivable turnover (PPi) have an insignificant effect on PBV, although they have a negative and positive effect respectively. This indicates that asset utilisation efficiency and receivables management are not the main determinants of firm value. In contrast, inventory turnover (PPe) has a significant positive effect, indicating that effective inventory management can increase firm value.

According to the findings of the study, there are a number of recommendations and suggestions that can be offered to different stakeholders. It is suggested that future research should broaden its scope beyond just the food and beverage industry to include sectors like automotive, banking, and real estate. Moreover, incorporating additional variables like earnings quality, capital structure, and company size can offer a more holistic understanding of financial performance analysis. For investors, the outcomes of this research could serve as a valuable resource when considering investment choices, particularly within the food and beverage industry. Given that ratios such as Liquidity, Solvency, Profitability, and Activity have varying influences on financial performance, investors are expected to carefully consider the results of this study to optimise their investment decisions. Third, for companies, these findings can be used as a basis for maintaining and improving ratios that make a positive contribution to firm value. Companies are also advised to evaluate ratios that have low values so that they can become supporting factors in increasing company value in the future.

5. References

Agatha, N. A., & Irsad, M. (2021). Pengaruh Likuiditas, Struktur Modal, Profitabilitas, Kebijakan Dividen dan Ukuran Perusahaan Terhadap Nilai Perusahaan Pada Perusahaan Properti dan Real Estate yang Terdaftar di Bursa Efek Indonesia Tahun 2015-2019. *Jurnal Ilmiah Akuntansi Dan Humanika*, *11*(2), 329–339.

Albertus, R. H., & Lestari, E. D. (2022). 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. *Strategic Management Business Journal*, *2*(02), 92–98.

Ambarwati, J., & Vitaningrum, M. R. (2021). Pengaruh likuiditas dan profitabilitas terhadap nilai perusahaan. *Competitive Jurnal Akuntansi Dan Keuangan*, *5*(2), 128.

Astutik, D. (2017). Pengaruh aktivitas rasio keuangan terhadap nilai perusahaan (Studi pada industri manufaktur). *Jurnal Stie Semarang (Edisi Elektronik)*, *9*(1), 35–53.

Dewi, S. Y., Lubis, A. F., & Silalahi, A. S. (2019). Analysis of Effect Profitability, Liquidity and Solvability to Firm Value. *IOSR Journal of Business and Management*, *21*(3), 51–56.

Dewita, D. A. O., AP, I. N. N., & Wardani, L. (2023). The Effect Of Liquidity, Activity And Solvency On Company Value (Study Of Manufacturing Companies Listed On The Indonesia Stock Exchange For The 2019-2021 Period). *Proceeding International Conference On Economics, Business And Information Technology (ICEBIT)*, *4*, 73–79.

Dupa, A. W., Hizazi, A., & Wahyudi, I. (2023). The Effect of Implementing Green Accounting and CSR Disclosures on the Quality of Financial Reporting with Institutional Ownership as a Moderation Variable: (Study of Energy Sector Companies Listed on the Indonesian Stock Exchange for the 2019-2021 Period. *Journal of Management, Accounting, General Finance and International Economic Issues*, *3*(1), 131–151. https://doi.org/10.55047/marginal.v3i1.893

El Sintarini, R., & Djawoto, D. (2018). Pengaruh Profitabilitas, Likuiditas, Solvabilitas, dan Aktivitas Terhadap Nilai Perusahaan Farmasi di BEI. *Jurnal Ilmu Dan Riset Manajemen (JIRM)*, *7*(7).

Erlina, N. (2018). Pengaruh Likuiditas, Solvabilitas, Profitabilitas Terhadap Nilai Perusahaan Pertambangan Di Bursa Efek Indonesia. *Jurnal Manajemen Kompeten*, *1*(1), 13–28.

Ernita, S., & Wanti. (2015). Pengaruh kinerja keuangan terhadap nilai perusahaan manufaktur sektor industri barang konsumsi di BEI. *Jurnal Ilmu Administrasi Bisnis*, *3*(2), 282–296.

Fahmi, I. (2015). *Analisis Laporan Keuangan*. ALfabeta.

Firdaus, I., & Tanjung, J. (2022). The Influence of Liquidity, Solvency, Activity, Profitability, And Sales Growth on Company Value. *International Journal of Multidisciplinary Research and Analysis*, *5*(6), 1491–1501.

Firnanda, T., & Oetomo, H. W. (2016). Analisis likuiditas, profitabilitas, solvabilitas, dan perputaran persediaan terhadap nilai perusahaan. *Jurnal Ilmu Dan Riset Manajemen (JIRM)*, *5*(2).

Ghozali, I. (2018). *Aplikasi analisis multivariate dengan program IBM SPSS 25*.

Hertina, D. (2021). Company Value Impact of Liquidity, Solvability and Profitability. *Turkish Journal of Computer and Mathematics Education (TURCOMAT)*, *12*(4), 782–788.

Iman, C., Sari, F. N., & Pujiati, N. (2021). Pengaruh likuiditas dan profitabilitas terhadap nilai perusahaan. *Jurnal Perspektif*, *19*(2), 191–198.

Itsnaini, H. M., & Subardjo, A. (2017). Pengaruh profitabilitas dan solvabilitas terhadap nilai perusahaan yang dimoderasi corporate social responsibility. *Jurnal Ilmu Dan Riset Akuntansi (JIRA)*, *6*(6).

Jihadi, M., Vilantika, E., Hashemi, S. M., Arifin, Z., Bachtiar, Y., & Sholichah, F. (2021). The effect of liquidity, leverage, and profitability on firm value: Empirical evidence from Indonesia. *The Journal of Asian Finance, Economics and Business*, *8*(3), 423–431.

https://doi.org/10.13106/jafeb.2021.vol8.no3.0423

Khasana, F. A., & Triyonowati, T. (2019). Pengaruh Leverage, Likuiditas, Profitabilitas Terhadap Nilai Perusahaan Pada Perusahaan Property and Real Estate di BEI. *Jurnal Ilmu Dan Riset Manajemen (JIRM)*, *8*(1).

Kurniasari, M. P., & Wahyuati, A. (2017). Pengaruh profitabilitas rasio aktivitas dan leverage terhadap nilai perusahaan manufaktur di BEI. *Jurnal Ilmu Dan Riset Manajemen (JIRM)*, *6*(8).

Kurniati, H., & Sulhan, M. (2022). The Role of Profitability in Mediation the Influence of Leverage, Liquidity, and BI Rate to Company Value. *The American Journal of Humanities and Social Sciences Research (The AJHSSR)*, *5*(03), 58–67.

Kurniawati, D., & Idayati, F. (2021). Pengaruh Profitabilitas, Ukuran Perusahaan, dan Rasio Aktivitas Terhadap Nilai Perusahaan. *Jurnal Ilmu Dan Riset Akuntansi (JIRA)*, *10*(2).

Lumentut, F. G., & Mangantar, M. (2019). Pengaruh likuiditas, profitabilitas, solvabilitas, dan aktivitas terhadap nilai perusahaan mannufaktur yang terdaftar di Indeks Kompas100 periode 2012-2016. *Jurnal EMBA: Jurnal Riset Ekonomi, Manajemen, Bisnis Dan Akuntansi*, *7*(3).

Lumoly, S., Murni, S., & Untu, V. N. (2018). Pengaruh likuiditas, ukuran perusahaan dan profitabilitas terhadap nilai perusahaan (studi pada perusahaan logam dan sejenisnya yang terdaftar di Bursa Efek Indonesia). *Jurnal EMBA: Jurnal Riset Ekonomi, Manajemen, Bisnis Dan Akuntansi*, *6*(3).

Markonah, M., Salim, A., & Franciska, J. (2020). Effect of profitability, leverage, and liquidity to the firm value. *Dinasti International Journal of Economics, Finance & Accounting*, *1*(1), 83–94. https://doi.org/10.38035/dijefa.v1i1.225

Mauludi, M. Y., & Budiarti, A. (2019). Pengaruh Profitabilitas, Leverage, dan Likuiditas Terhadap Nilai Perusahaan (pada perusahaan farmasi yang terdaftar di BEI). *Jurnal Ilmu Dan Riset Manajemen (JIRM)*, *8*(10).

Ndruru, M., Silaban, P. B., Sihaloho, J., Manurung, K. M., & Sipahutar, T. T. U. (2020). Pengaruh likuiditas, leverage, dan profitabilitas terhadap nilai perusahaan pada perusahaan manufaktur Tahun 2015-2017. *Jurnal Ilmiah Manajemen, Ekonomi, & Akuntansi (MEA)*, *4*(3), 390–405.

Ningsih, S., & Sari, S. P. (2019). Analysis of the effect of liquidity ratios, solvability ratios and profitability ratios on firm value in go public companies in the automotive and component sectors. *International Journal of Economics, Business and Accounting Research (IJEBAR)*, *3*(04).

Permana, A. A. N. B. A., & Rahyuda, H. (2018). *Pengaruh profitabilitas, solvabilitas, likuiditas, dan inflasi terhadap nilai perusahaan*. Udayana University.

Racabadi, D. A. P., & Priyawan, S. (2023). Pengaruh Rasio Likuiditas, Solvabilitas, Dan Profitabilitas Terhadap Nilai Perusahaan Pada Perusahaan Food and Beverage Yang Terdaftar Pada Bei Tahun 2019-2021. *Jurnal Mutiara Ilmu Akuntansi*, *1*(1), 13–27.

Rompas, G. P. (2013). Likuiditas Solvabilitas Dan Rentabilitas Terhadap Nilai Perusahaan Bumn Yang Terdaftar Dibursa Efek Indonesia. *Jurnal EMBA: Jurnal Riset Ekonomi, Manajemen, Bisnis Dan Akuntansi*, *1*(3).

Salim, S. (2023). Promoting Firm Performance via Board of Directors Effectiveness: A Study of Financial Services Companies in New Orleans. *Journal Of Management, Accounting, General Finance And International Economic Issues*, *3*(1), 16–31. https://doi.org/10.55047/marginal.v3i1.848

Santoso, B. H. (2016). Pengaruh kinerja keuangan terhadap nilai perusahaan pada perusahaan jasa telekomunikasi. *Jurnal Ilmu Dan Riset Manajemen (JIRM)*, *5*(2).

Septriana, I., & Mahaeswari, H. F. (2019). Pengaruh likuiditas, firm size, dan profitabilitas terhadap nilai perusahaan. *Jurnal Akuntansi Indonesia*, *8*(2).

Setyadi, H., & Iskak, J. (2020). Pengaruh Leverage, Profitabilitas, Dan Likuiditas Terhadap

Nilai Perusahaan. *Jurnal Paradigma Akuntansi*, *2*(4), 1763–1771.

Sutama, D., & Lisa, E. (2018). Pengaruh leverage dan profitabilitas terhadap nilai perusahaan. *JSMA (Jurnal Sains Manajemen Dan Akuntansi)*, *10*(1), 21–39.

Swastika, N., & Agustin, S. (2021). Pengaruh Profitabilitas, Solvabilitas, Dan Aktivitas Terhadap Nilai Perusahaan Food and Beverage Yang Terdaftar Di BEI. *Jurnal Ilmu Dan Riset Manajemen (JIRM)*, *10*(1).

Syamsuddin, F. R., Mas'ud, M., & Wahid, M. (2021). Pengaruh Solvabilitas, Profitabilitas Dan Likuiditas Terhadap Nilai Perusahaan (Studi Pada Perusahaan Properti Dan Real Estate Yang Terdaftar Di Bursa Efek Indonesia Periode 2015-2018). *Jurnal Ilmu Manajemen Profitability*, *5*(1), 98–136.

Weston, & Copeland. (1996). *Manajemen Keuangan* (8th ed.). Erlangga.

Wiagustini, N. L. P. (2010). *Dasar-dasar manajemen keuangan*. Denpasar: Udayana University Press.

Wimidhati, A., Indarti, I., & Adnanti, W. A. (2021). Pengaruh Likuiditas, Leverage, dan Profitabilitas terhadap Nilai Perusahaan pada Subsektor Makanan dan Minuman yang Terdaftar di BEI 2015-2018. *Jurnal Ilmiah Aset*, *23*(2), 109–119.

Yulazri, Y., & Joefatha, F. R. (2023). The Effect of Liquidity, Leverage and Profitability on Company Value of Healthcare Sector Businesses listed in the Indonesia Stock Market. *Majalah Ilmiah Bijak*, *20*(1), 67–79.