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THE EFFECT OF LIQUIDITY, SOLVENCY, PROFITABILITY AND ACTIVITY ON COMPANY VALUE

(Study of Food and Beverage Sub-sector Manufacturing Companies Listed on the Indonesian Stock Exchange for the 2019-2022 Period)

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Abstract

The stock trading value in the Indonesian capital market increased by 15.1% to IDR 9,499 trillion in 2022. The food and beverage industry in the manufacturing sector is key to Indonesia's economic growth, showing consistent growth of over 20% in 2022. This industry's success is due to its capital capacity, workforce absorption, and added value creation. This study investigates the impact of Liquidity, Solvency, Profitability, and Activity on the Corporate Valuation of publicly listed food and beverage manufacturing companies on the IDX from 2019 to 2022. Data extracted from the financial records of companies was employed in a method that focused on numbers, cause-and-effect relationships, and connections. A purposive sampling process was used to choose 24 companies for examination. The analysis of the data involved the use of multiple linear regression. The results suggest that the combined independent factors have an impact on the value of a company. Specifically, the level of liquidity, as determined by various ratios such as the current ratio, quick ratio, and cash ratio, has a considerable influence on the company's value as measured by PBV. The debt-to-equity ratio (DER) and long-term debt-to-equity ratio (LTDtER) have a notable influence on solvency, unlike the debt asset ratio (DAR). Company value is greatly affected by return on equity (ROE) and return on assets (ROA), but not by net profit margin (NPM) when it comes to profitability. Lastly, Activity, measured by inventory turnover (PPe), significantly affects company value, whereas receivables turnover (PPi) does not.

Keywords: *Company Value, Liquidity, Solvency, Profitability, Activity*

1. INTRODUCTION

The capital market serves as a gauge of a nation's economic advancement. Recent data shows that the total value of stocks traded on the IDX reached IDR 9,499 trillion in 2022, marking a 15.1% rise from the previous year. As a result, Indonesia's economy saw a 5.31% growth in 2022, with GDP at current rates hitting IDR 19,588.4 trillion and GDP per capita climbing to IDR 71.0 million or USD 4,783.9 (Badan Pusat Statistik, 2022).

The growth of the financial market in Indonesia is undeniably connected to the participation of businesses that are listed on the Indonesian stock market, particularly in the manufacturing industry. The manufacturing industry in Indonesia is experiencing good growth, with an increase in investments. The Ministry of Investment's data shows that the sector accounted for 40.9% of total investments totaling IDR 892.4 trillion. Overall, investments in Indonesia grew by 35.3% year-on-year and reached 74.4% of the target for 2022.

Manufacturing companies are involved in a variety of sectors such as basic industries, chemical industries, and consumer goods industries. The consumer goods

sector can be broken down into various segments such as food and drinks, tobacco products, medications, beauty products, everyday necessities, and household appliances.

The food and beverage industry are identified as a key area for supporting manufacturing and national economic development. It has been shown that this sector consistently makes a significant contribution to economic growth in Indonesia, as illustrated in the figure provided.

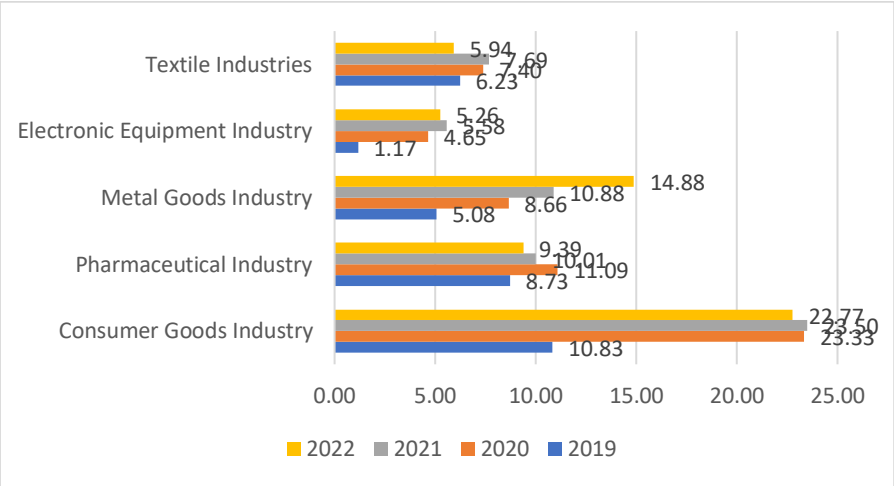

Figure 1. Manufacturing Sub Sector Growth Index
Source: Central Statistics Agency, 2023

Based on Figure 1, it proves that the manufacturing sub-sector includes the textile, electronic equipment, metal goods, pharmaceuticals and consumer goods sectors that have the highest growth, in 2019, the food and beverage sub-sector made up 10.83% of the industry. Despite a projected decline in 2022, it still has the highest growth compared to other sub-sectors, with a percentage above 20%. The food and beverage industry has positive trends because of advantages like large capital capacity, workforce absorption, and added value creation from basic ingredients. These advantages are crucial for competing in the capital market for investment (Silvia, 2019).

In the capital market, companies must engage in competition to develop effective strategic plans in order to enhance performance and fulfill company objectives. The primary goal of every business is to enhance shareholder wealth through the enhancement of company value. The value of a company reflects its overall condition. Having a high value makes a company more appealing to potential investors, indicating improved performance. Therefore, companies strive to demonstrate to investors that they are a suitable investment option (Prawoto & Basuki, 2016).

When assessing the company's worth, one can look at how the share price aligns with the profits earned. A high ratio would indicate that the company is performing well and has a strong value. Meanwhile, the factor that influences company value is financial performance, because financial performance can influence measurements and be used as a medium to observe whether a company is developing or declining (Firdaus & Tanjung, 2022).

The financial success of the organization can be demonstrated by evaluating and analyzing its performance. Evaluating performance involves examining how efficiently and effectively the company conducted its business activities over the accounting period. According to Iman et al. (2021) the value of a company can be influenced by liquidity, which is a significant factor in assessing financial performance. Demonstrating strong financial performance, a company can enhance its overall value by ensuring it meets its immediate financial obligations.

A company's liquidity is its capacity to settle its immediate debts utilizing assets it currently holds. According to Brigham and Houston (2010), liquidity is a liquid asset that can quickly be converted or liquidated into cash at the market price of the relevant period. According to Albertus and Lestari (2022), having a strong liquidity position is beneficial for a company's overall value, as it allows for better fulfillment of short-term obligations and thus enhances the company's worth. Meanwhile, according to Firdaus and Tanjung (2022); Permana and Rahyuda (2018), an excess of available cash within a business has the potential to reduce its total worth as a result of the detrimental effect on its value. Wimidhati et al. (2021) stated that the value of a company is not influenced by its liquidity. This demonstrates that regardless of whether a company has high or low liquidity, as long as the company is financially responsible, the level of liquidity will not impact investors' willingness to invest their money, thus influencing the company's value.

Then according to Lumentut and Mangantar (2019) the next financial performance factor that influences company value is solvency. According to Firnanda and Oetomo (2016), the company's solvency indicates how well it can meet its long-term financial commitments, particularly debts that have to be repaid. The stability of a company is gauged by analyzing the relationship between its assets and debt using a solvency ratio. If a company has a high solvency ratio but struggles to cover its long-term obligations with its assets, investors may be hesitant to invest due to the increased risk of bankruptcy.

In the research of El Sintarini and Djawoto (2018); Lumentut and Mangantar (2019); Rompas (2013), the overall value of a company is greatly influenced by its financial stability. When a company is able to fulfill its long-term financial obligations, its value typically increases. Alternatively, when a company is unable to meet its financial commitments over the long term, it’s worth may diminish as investors steer clear of risky ventures. In essence, the level of solvency directly impacts the value of a company. Itsnaini and Subardjo (2017) stated that the importance of investors assessing a company's liabilities compared to its assets cannot be overstated, as solvency heavily influences the company's overall value. A company with more debts than assets is at a greater risk of facing bankruptcy. Meanwhile, according to research by Agatha and Irsad (2021), company value is not influenced by solvency, indicating that investors do not consider the amount of debt a company has when making investment decisions, but rather effectiveness and efficiency in achieving a balance of expenditure and income.

The next financial performance factor that influences company value according to Sutama and Lisa (2018) is profitability. Profitability refers to a company's capacity to generate income in a set period. It is a widely accepted measure for evaluating a company's financial health. According to Wiagustini (2010), a company's bright future outlook is reflected in its strong profitability, leading to positive reactions from investors and ultimately boosting the company's valuation.

As the research by Dewi et al. (2019), higher profits lead to better company value as it attracts more investors, resulting in increased shareholder interest and ultimately boosting stock prices, a key indicator of company worth. Mauludi and Budiarti (2019) stated that profitability does not necessarily determine the value of a company, as long as the profitability is at an acceptable level, the company's overall value remains unaffected.

Then Lumentut and Mangantar (2019) stated activity is the next factor in financial performance that has an impact on the value of a company. The activity ratio illustrates how well a company's operational activities are supported by its assets. Meanwhile, according to Ernita and Wanti (2015), the level of efficiency in a company can be demonstrated through its activity ratio. A higher activity ratio indicates increased cash flow and suggests better management of transaction activities within the company. As research results from Astutik (2017) stated that the efficiency of operations has a strong impact on the overall worth of a company. By maximizing the turnover of every asset, a company can generate a higher business volume than the total value of its assets, consequently leading to an increase in sales and overall company value. Dewita et al. (2023) stated the company's worth is not impacted by the activity ratio, which suggests that the low level of activity is a result of the company having a sales volume lower than its overall assets.

Therefore, previous research on financial ratios like liquidity, solvency, profitability, and activity has shown varied results. Some studies found positive and negative effects, while others found no effect. Researchers are motivated to conduct further research on food and beverage companies to address gaps in previous research and ensure consistency in results.

2. LITERATURE REVIEW

2.1 Company Value

Investors' view of a company's worth is based on how well managers handle the resources given to them, which is usually tied to the stock price (Silvia, 2019). The PBV ratio formula is used to determine the worth of a company.

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

2.2 Liquidity

A company's liquidity refers to its capacity to promptly and effectively meet its immediate financial commitments (Fahmi, 2015). This research examines the liquidity ratio through an investigation of the Current Ratio, Quick Ratio, and Cash Ratio. The specific calculation method is outlined below.

1) $\text{Current Ratio} = \frac{\text{Current asset}}{\text{Current Debt}}$
2) $\text{Quick Ratio} = \frac{\text{Current Assets} - \text{Inventory}}{\text{Current Liabilities}}$
3) $\text{Cash Ratio} = \frac{\text{Cash+Bank}}{\text{Current Liabilities}}$

2.3 Solvency

A company's solvency indicates its ability to fulfill financial obligations in case of closure, covering both short-term and long-term responsibilities (Munawir, 2014). In this study, the solvency ratio is determined using various measuring tools including the Debt-to-Equity Ratio (DER), Debt to Asset Ratio (DAR), and Long-Term Debt to Equity Ratio (LTDtER). The calculation is shown below.

1) Debt to Equity Ratio = $\frac{\text{Debt}}{\text{Equity}}$
2) Debt to Asset Ratio = $\frac{\text{Debt}}{\text{Asset}}$
3) LTDtER = $\frac{\text{Long Term Debt}}{\text{Equity}}$

2.4 Profitability

The capacity of a business to generate earnings within a specific timeframe is known as profitability (Hery, 2023). The study's analysis of financial performance utilizes three metrics, including Return on Equity (ROE), Net Profit Margin (NPM), and Return on Assets (ROA). The calculation for each ratio is outlined below.

1) ROE = $\frac{\text{Net Profit After Tax}}{\text{equity}}$ x 100%
2) NPM = $\frac{\text{Net Profit After Tax}}{\text{Sales}}$ x 100%
3) ROA = $\frac{\text{Net Profit After Tax}}{\text{Asset}}$ x 100%

2.5 Activity

The activity ratio is a measure that helps determine how efficiently a company is using its assets and resources (Hery, 2023). The activity ratio in this research uses the measurement tools Total Assets Turnover Ratio, Receivables Turnover and Inventory Turnover. The formula is as follows.

1) Assets Turnover Ratio = $\frac{\text{Net sales}}{\text{Total Assets}}$
2) Receivables Turnover = $\frac{\text{Credit Sales}}{\text{Average Sales}}$
3) Inventory Turnover = $\frac{\text{Sales}}{\text{Supply}}$

3. RESEARCH METHODS

Quantitative research methods are used in the study to examine information collected from food and beverage companies in the manufacturing sector that are listed on the Indonesia Stock Exchange BEI from 2019 to 2022. A purposive sampling method, a type of non-probability sampling, was utilized to choose 34 companies for the study. The data collected for the research consists of annual financial reports from the specified companies during the stated time frame.

3.1. Descriptive statistics

Descriptive statistics are commonly utilized in research and data analysis to offer a concise overview and explanation of the essential features found in a dataset. This

involves summarizing the central tendency of the data through calculating the mean, which gives the average value of the dataset. Additionally, descriptive statistics also involve measuring the variability of the data by calculating the standard deviation, which indicates how spread out the values are around the mean. Another key aspect of descriptive statistics is identifying the range of values within the dataset, including the maximum and minimum values.

3.2. Normality Test

According to Ghozali (2018), normality testing is testing the normality of data distribution. In this research, the Kolmogrov-Smirnov Asymp test was used. Sig. (2-tailed) > level of significance ($\alpha = 0.05$), normal

3.3. Multiple Linear Regression Analysis

Ghozali (2018) explains that in research and data analysis, descriptive statistics are commonly employed to offer a concise overview and explanation of the main attributes of a set of data. This involves summarizing the central tendency of the data through calculating the mean, which gives the average value of the dataset.

$$Y = \alpha + \beta1\ CR + \beta2\ QR + \beta3\ RK + \beta4\ DER + \beta5\ DAR + \beta6\ LTDtER + \beta7\ ROE + \beta8\ NPM + \beta9\ ROA + \beta10\ TATR + \beta11\ PPi + \beta12\ PPe + e$$

3.4. Simultaneous Test (F-test)

The F Test is employed to assess if there is a linear correlation between the dependent variable and the independent variables, as well as to establish if the independent variables collectively impact the dependent variable (Ghozali, 2018). If $\alpha < 0.05$ then Ha is accepted.

3.5. Partial Test (t-test)

The purpose of the t test is to assess how much influence an independent variable has on the dependent variable without any other factors (Ghozali, 2018). If $\alpha < 0.05$ then Ha is accepted.

3.6. Coefficient of Determination (R)

In statistics, the coefficient of determination is a valuable metric used to determine the extent to which a regression model can account for the variance in a given data set. According to Ghozali (2018), this important statistic plays a key role in assessing how well a regression line can explain the connection between different variables. The coefficient of determination quantifies the amount of variability in the dependent variable that can be predicted or associated with the independent variable in regression analysis.

4. RESULTS AND DISCUSSION

4.1 RESULTS

4.1.1 Descriptive Statistics

Table 1. Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
PBV	96	-.94	28.51	3.1520	3.87796
CR	96	.26	13.31	2.6259	2.62287
QR	96	.15	11.30	1.9046	2.24962
RK	96	.00	10.77	1.2314	1.86445
DER	96	-2.13	2.85	.9236	.71611
DAR	96	.10	1.89	.3480	.23149
LTDtER	96	-1.43	2.21	.5304	.57694
ROE	96	-.68	1.45	.1356	.23650
NPM	96	-.24	.88	.0934	.15713
ROA	96	-.19	.61	.0869	.11134
TATR	96	.01	3.71	1.1895	.77582
PPi	96	.04	.65	.1471	.09157
PPe	96	1.38	30.98	9.1858	5.37086
Valid N (listwise)	96				

Source: SPSS v.26

4.1.2 Normality Test

Table 2. Normality Test

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		80
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	.63728677
Most Extreme Differences	Absolute	.066
	Positive	.066
	Negative	-.047
Test Statistic		.066
Asymp. Sig. (2-tailed)		.200[c,d]

Source: SPSS v.26

The Unstandardized Residual data was used to assess the normality of the equation model data, resulting in an asymp sig value of 0.200. This suggests that the significance level is above 0.05, leading us to infer that the information in this mathematical formula conforms to a standard pattern.

4.1.3 Multiple Linear Regression Analysis

Table 3. Multiple Linear Regression Analysis

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.706	1.259		2.149	.035
	CR	1.002	.719	.761	2.394	.017
	QR	1.015	.543	.971	2.870	.007
	RK	.102	.095	.173	2.073	.029
	DER	1.665	1.274	1.625	2.307	.020
	DAR	-2.804	1.603	-1.733	-1.749	.085
	LTDtER	2.228	.138	.342	2.650	.004
	ROE	1.001	1.124	.800	2.019	.038
	NPM	-.389	1.108	-.390	-.351	.727
	ROA	.081	1.108	.073	2.073	.042
	TART	-1.126	1.199	-.682	-.939	.351
	PPi	.191	.211	.123	.904	.369
	PPe	.561	.268	.379	2.091	.040

Source: SPSS v.26

The equation derived from the data presented in Table 3 is as follows:

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

4.1.4 Simultaneous Test (F-test)

Table 4. Simultaneous Test (F-test)

ANOVA[a]

	Model	Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	27.298	12	2.275	44.835	.000b
	Residual	31.050	66	.470		
	Total	58.349	78			

Source: SPSS v.26

Based on the information provided in table 4, it is clear that the Fcount value is 27.240 and the significance f value is 0.004, indicating it is below 0.05. This suggests that H1 is supported while H0 is rejected, indicating that the independent variable being used concurrently has an impact on the dependent variable. Consequently, it can be inferred that the variables of Liquidity (Current Ratio, Quick Ratio & Cash Ratio), Solvency

(DER, DAR & LTDtER), Profitability (ROE, NPM & ROA) and Activity (TATR, PPi & PPe) significantly influence the Company Value Variable (PBV).

4.1.5 Partial Test (t-Test)

Table 5. Partial Test (t-Test)

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.706	1.259		2.149	.035
	CR	1.002	.719	.761	2.394	.017
	QR	1.015	.543	.971	2.870	.007
	RK	.102	.095	.173	2.073	.029
	DER	1.665	1.274	1.625	2.307	.020
	DAR	-2.804	1.603	-1.733	-1.749	.085
	LTDtER	2.228	.138	.342	2.650	.004
	ROE	1.001	1.124	.800	2.019	.038
	NPM	-.389	1.108	-.390	-.351	.727
	ROA	.081	1.108	.073	2.073	.042
	TART	-1.126	1.199	-.682	-.939	.351
	PPi	.191	.211	.123	.904	.369
	PPe	.561	.268	.379	2.091	.040

Source: SPSS v.26

The table results indicate the following:

1. The Liquidity variable with the CR (Current Ratio) proxy is known to have a significant value of 0.017 < 0.05. So that H1a is accepted then liquidity as a proxy for CR (Current Ratio) has an effect on company value (PBV)
2. The liquidity variable with the QR (quick ratio) proxy is known to have a significant value of 0.007 < 0.05. So that H1b is accepted then liquidity with the QR (quick ratio) proxy has an effect on company value (PBV)
3. The Liquidity variable with the RK proxy (cash ratio) is known to have a significant value of 0.029 < 0.05. So that H1c is accepted then liquidity with the RK proxy (cash ratio) has an effect on company value (PBV)
4. The Solvency variable with the DER (debt equity ratio) proxy is known to have a significant value of 0.020 < 0.05. So that H2a is accepted then solvency with the DER (debt equity ratio) proxy has an effect on company value (PBV)
5. The Solvency variable with the DAR (debt asset ratio) proxy is known to have a significant value of 0.085 > 0.05. So H2b is rejected, then solvency with the DAR (debt asset ratio) proxy has an effect on company value (PBV)
6. The Solvency variable with the LTDtER (Long Term Debt to Equity Ratio) proxy is known to have a significant value of 0.004 > 0.05. So that H2c is accepted then

solvency with the LTDtER (Long Term Debt to Equity Ratio) proxy has an effect on company value (PBV)

7. The Profitability variable with the ROE (Return on Equity) proxy is known to have a significant value of 0.038 < 0.05. So that H3a is accepted then profitability with ROE (Return on Equity) as a proxy has an effect on company value (PBV)
8. The Profitability variable with the NPM (Net Profit Margin) proxy is known to have a significant value of 0.727 > 0.05. So H3b is rejected, then profitability with the NPM (Net Profit Margin) proxy has an effect on company value (PBV)
9. The Profitability variable with the ROA (Return on Asset) proxy is known to have a significant value of 0.042 < 0.05. So that H3c is accepted then profitability as a proxy for ROA (Return on Assets) has an effect on company value (PBV)
10. The Activity Variable with the TATR (Total Assets Turnover Ratio) proxy is known to have a significant value of 0.351 < 0.05. So H4a is rejected, then activities with the TATR (Total Assets Turnover Ratio) proxy have an effect on company value (PBV)
11. The Activity variable with the PPi (Receivables Turnover) proxy is known to have a significant value of 0.369 < 0.05. So H4b is rejected, then activities with a proxy for PPi (receivables turnover) have an effect on company value (PBV)
12. The Activity Variable with the PPe (Inventory Turnover) proxy is known to have a significant value of 0.040 < 0.05. So that H4c is accepted then activities with PPe (inventory turnover) proxies have an effect on company value (PBV)

4.1.6 Coefficient of Determination

Table 6. Coefficient of Determination

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.684[a]	.578	.451	.68590

Source: SPSS v.26

Based on table 6, it is known that the Adjusted R Squared value column is 0.451 or 45.1%, which means the independent variables are Liquidity (Current Ratio, quick ratio & cash ratio), Solvency (DER, DAR & LTDtER), Profitability (ROE, NPM & ROA) and Activities (TATR, PPi & PPe) have an influence of 45.1% on the dependent variable, namely Company Value. So as much as 44.9% is influenced by other variables.

4.2 Discussion

4.2.1 The Effect of Liquidity on Company Value

a) Liquidity as a proxy for current ratio of company value (PBV)

The measure of liquidity known as the Current Ratio proxy greatly influences a company's worth. Utilizing liquidity as a measure of the Current Ratio could positively impact the valuation of a company by showcasing its capacity to fulfill immediate financial responsibilities. Investors will feel more confident about the company's ability to pay off short-term debts, reducing the perceived financial risk. Consequently, the company's value will rise as more investors are encouraged to invest.

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

The quick ratio, which is used as a proxy for assessing liquidity, plays a significant role in determining a company's worth. Liquidity is essential in assessing the value of a company, as it demonstrates the company's capacity to meet its short-term financial commitments. Consequently, a higher level of liquidity correlates with a higher company value as investors view companies with strong liquidity as demonstrating favorable performance.

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

The cash ratio proxy representing liquidity shows a noteworthy increase in firm worth. The effect of liquidity, as indicated by the cash ratio, on a company's value demonstrates that the ability of a company to cover its short-term financial commitments can influence investor confidence, resulting in an increase in the company's worth.

4.2.2 The Effect of Solvency on Company Value

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

The Solvency factor represented by the debt equity ratio (DER) proxy has a noticeable, favorable impact on the company's value (PBV). It shows that a higher optimal level of DER can enhance the company's worth.

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

The connection between the Solvency variable and the DAR proxy has no impact on the company's value, as shown by the PBV. This suggests that changes in the DAR ratio do not contribute to improving the company's value.

c) Solvency with the LTDtER (Long Term Debt to Equity Ratio) proxy for company value (PBV)

The correlation between the Solvency variable and the LTDtER proxy shows a notable increase in company value (PBV). This suggests that enhancing LTDtER optimization can lead to an increase in company value.

4.2.3 The Effect of Profitability on Company Value

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

Profitability, as indicated by its Return on Equity (ROE), greatly influences a company's value (PBV). In other words, a higher ROE ratio results in a rise in the company's overall worth.

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

The connection between a company's profitability and its value, as shown by the Net Profit Margin, is not considered to be very influential. This means that fluctuation in Net Profit Margin, whether high or low, does not influence the growth in company value.

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

The profitability variable, measured by ROA (Return on Asset), has a positive impact on the company's value as shown by PBV. Additionally, a higher ROE ratio will also contribute to an increase in company value.

4.2.4 The Influence of Activities on Company Value

a) Activities with TATR (Total Assets Turnover Ratio) proxy for company value (PBV)

TATR, as a measure of activity, does not affect the company's value. Therefore, the level of TART does not play a role in determining the growth of the company's worth.

b) Activities with PPi (Receivable Turnover) proxies for company value (PBV)

The inclusion of the activity variable, in this case the PPi as a stand-in for receivables turnover, does not affect the overall valuation of the company when using PBV. Furthermore, fluctuations in the PPi level, whether high or low, do not result in any alterations to the company's value as determined by PBV.

c) Activities with PPe (Inventory Turnover) proxies for company value (PBV)

The impact of the activity variable, using the PPe as a proxy for Inventory Turnover, shows a substantial positive correlation with the company's value (PBV). In summary, a higher PPe ratio is linked to an increase in company value (PBV).

5. CONCLUSION

Preliminary findings indicate that using the Liquidity variable as a measure of the current ratio has a notable impact on firm value (PBV). The liquidity variable, when measured by the QR (quick ratio), also influences company value (PBV) significantly. When the liquidity variable is assessed through the RK proxy (cash ratio), it still has a noteworthy effect on company value (PBV). The Solvency variable, represented by the DER (debt equity ratio) proxy, impacts company value (PBV) to some extent. However, the Solvency variable, when measured by the DAR (debt asset ratio) proxy, does not show a significant influence on company value (PBV). The Solvency variable, determined by the LTDtER (Long Term Debt to Equity Ratio) proxy, has a significant effect on company value (PBV).

Using Return on Equity (ROE) as a stand-in for measuring profitability greatly influences the value of a company, specifically in terms of Price to Book Value (PBV). However, the NPM proxy for profitability does not seem to have a notable impact on the company's value as indicated by PBV. When using ROA as a proxy for Profitability, there is a noticeable effect on company value (PBV). However, the use of PPi (Receivables Turnover) as a proxy for the Activity variable does not have a significant impact on company value (PBV). Conversely, using PPe (Inventory Turnover) as a proxy for the Activity variable has a notable effect on company value (PBV).

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