

THE EFFECT OF LIQUIDITY AND PROFITABILITY ON COMPANY VALUE (STUDY ON CEMENT COMPANIES LISTED ON THE INDONESIA STOCK EXCHANGE FOR THE 2016-2020 PERIOD)

Novia Halimatus Sa'diah¹, Ester Manik², Windi Matsuko Danasasmitha³
STIE Pasundan, Bandung^{1,2,3}
E-mail: noviaahs@gmail.com¹, ester@stiepas.ac.id², windi@stiepas.ac.id³

ABSTRACT

This research determines the effect of liquidity, namely the current ratio, and profitability, return on assets to the company's value, namely price to book value in the Cement Sub-Sector Manufacturing Companies Listed on the Indonesia Stock Exchange for the 2016-2020 period. The sampling technique used in this research is purposive sampling. The analysis technique used is multiple linear regression, coefficient of determination, and partial and significance tests. We are processing research data using the SPSS 25 program. Based on the results of the study and the calculation value of r square of 0.501 or equal to 50.1%, this figure means that the liquidity variable (CR) (X1) and profitability variable (ROA) (X2) simultaneously (together) influence the variable. The firm value (Y) is 50.1%, while other variables outside this regression equation or unexamined variables influence the remaining 49.9%.

Keywords: Liquidity, Profitability, Firm Value

ABSTRAK

Penelitian ini untuk mengetahui pengaruh likuiditas current ratio dan profitabilitas return on assets terhadap nilai perusahaan price to book value Pada Perusahaan Semen Yang Terdaftar Di Bursa Efek Indonesia Periode 2016-2020. Teknik pengambilan sampel dalam penelitian ini menggunakan purposive sampling. Teknik analisis dalam penelitian ini menggunakan regresi linear berganda, koefisien determinasi, uji parsial dan uji signifikansi. Pengolahan data penelitian menggunakan program SPSS 25. Mendapatkan hasil penelitian dan nilai perhitungan r square sebesar 0,501 atau sama dengan 50,1%, angka tersebut berarti bahwa variabel likuiditas (CR) (X1) dan variabel profitabilitas (ROA) (X2) secara simultan (bersama-sama) memiliki pengaruh terhadap variable nilai perusahaan (Y) sebesar 50,1% sedangkan sisanya 49,9% dipengaruhi oleh variabel lain diluar persamaan regresi ini atau variabel yang tidak diteliti.

Kata kunci: Likuiditas, Profitabilitas, Nilai Perusahaan

INTRODUCTION

The main goal of the company is to increase the value of the company by increasing the political prosperity of the shareholders. Firm value is significant because it reflects the company's performance which can affect investors' perceptions of the company. Therefore, the greater the company's value, the greater the prosperity shareholders obtain. (Nuswandari et al., 2019) Several factors are considered by companies in determining company value, including profitability, company size, capital structure, and liquidity. (Arsyad et al., 2021) However, this study only focuses on liquidity which is proxied by the current ratio, and profitability, which is proxied by return on assets. (Kusmawati et al., 2022)

The current ratio is a ratio that measures a company's ability to pay short-term obligations or debts that are due when billed as a whole. (Dewi, 2021) In other words, how much current assets are available to cover short-term obligations due soon? The current ratio is also a form to measure the level of safety (margin of safety) of a company. The current ratio is calculated by comparing total assets with current liabilities. (Nurwulandari, 2021)

Based on the data, the liquidity of each company has always fluctuated, and there has been a decline in all companies in 2020. One of the reasons for the decline is due to the company's debt. (Sondakh, 2019) The current

ratio is a commonly used measure of short-term solvency, a company's ability to meet debt needs when it matures. (PATTIRUHU & PAAIS, 2020) A low current ratio is usually considered to indicate a problem with liquidity. (Samo & Murad, 2019) Conversely, a company with a current ratio that is too high is also not good because it shows a lot of idle funds, which can ultimately reduce the company's profitability.

Liquidity proxied by the current ratio positively and significantly affects firm value. If liquidity increases, the value of the company also increases. (Mauris & Rizal, 2021) This condition proves that investors will be attracted to companies with good liquidity. Profitability proxied by return on assets also positively and significantly affects firm value. (Wulandari et al., 2020) If profitability increases, company value also increases. (Prasetya Margono & Ganno, 2021) Again, this proves that investors are interested in companies with good profitability. (Nugraha et al., 2018)

METHOD

In this study, the method used is descriptive and verification methods with a quantitative approach. According to Descriptive research, a statement of the problem regarding the existence of independent variables, either only on one variable or more (an independent variable is a variable that stands alone, not an independent

variable, because if the independent variable is always paired with the dependent variable). The verification method can be interpreted as research conducted on specific populations or samples to test the established hypotheses. While the quantitative research method is based on the philosophy of positivism used to examine specific populations or samples, data collection uses research instruments. Therefore, quantitative or statistical data analysis aims to test the established hypotheses.

In this study, researchers focused on the effect of liquidity and profitability on firm value in cement sub-sector manufacturing companies listed on the Indonesia Stock Exchange for the 2016-2020 period. The sampling technique in this study was purposive sampling. The reason for selecting the sample using purposive sampling is that not all samples have the criteria that the author has determined. Therefore, the selected sample is deliberately determined based on specific criteria that the author has determined to get a representative sample. The population in this study is the annual financial report data on cement companies listed on the Indonesian stock exchange.

RESULTS and DISCUSSION

Based on the results of data calculations, it is known that the quality of valid and reliable data is shown in Table 1 below:

Emiten	Tahun	CR	ROA	PBV
INTP	2016	452,50	12,84	1.084,43
	2017	370,31	6,44	1.645,25
	2018	313,73	4,12	1.462,40
	2019	331,21	6,62	1.517,22
	2020	291,73	6,61	1.201,42
SMBR	2016	286,83	5,93	879,50
	2017	168,00	2,90	1.105,06
	2018	213,44	1,37	500,39
	2019	228,80	0,54	125,50
	2020	133,03	0,19	310,40
SMCB	2016	45,94	-1,44	427,80
	2017	54,36	-3,86	444,53
	2018	26,67	-4,44	1.125,61
	2019	108,21	2,55	647,48
	2020	101,81	3,14	729,20
SMGR	2016	127,25	10,25	178,00
	2017	156,78	4,17	192,92
	2018	195,15	6,03	209,14
	2019	136,10	2,97	210,02
	2020	135,27	3,43	206,71
WTON	2016	130,91	6,04	288,62
	2017	103,20	4,82	158,58
	2018	111,86	5,48	104,47
	2019	115,72	4,94	111,79
	2020	111,51	1,45	99,22

The data table 1 above shows that the current ratio in manufacturing companies has fluctuated

and decreased for all companies in 2020. INTP is the company that has the highest current ratio figure compared to 4 other companies. The INTP current ratio in 2016 was 452.50% and decreased for two consecutive years to 370.31% in 2017 and 313.73% in 2018, while the following year experienced a slight increase to 331.21% and decreased back in 2020 to 291.73%. In 2016, SMBR's CR was at 286.83%; in 2017, it decreased to 168%, and there was an increase for two consecutive years to 213.44% in 2018 and 228.80% in 2019; the decline in CR occurred again in 2020 at 133.03%. SMCB is a company that has the smallest CR number compared to the other four companies. In 2016, SMCB's CR was at 45.94% and experienced a slight increase to 54.36%. In 2018 there was a decrease to 26.67%, while in 2019, there was a significant increase to 108.21%. The CR number decreased again in 2020 to 101.81%. SMGR's current ratio was 127.25% in 2016. In 2017 it increased to 156.78%, and another increase in 2018 with a CR rate of 195.15%. The decline in CR numbers occurred for two consecutive years to 136.10% in 2019 and 135.27% in 2020. In 2016 WTON's CR was at 130.91%, and in 2017, there was a significant decrease to 103.20%. In 2018 there was an increase to 111.86%. Likewise, in 2019, the CR rate increased again to 115.72%; in 2020, there was a slight decrease to 111.51%.

INTP's Return on Assets was at 12.84% in 2016 and experienced a significant decrease in

2017 to 6.44%. Another decline occurred in 2018 to 4.12%, while in 2019, there was an increase to 6.62%. In 2020 there was a slight decrease to 6.61%. SMBR's return on assets has experienced a decline in ROA every year, starting from 2016, with the highest ROA rate of 5.93%. In 2017 there was a significant decrease to 2.90%. In 2018, ROA decreased to 1.37%. In 2019 it decreased to 0.54%; in 2020, it was at its lowest with a ROA of 0.19%. SMCB's return on assets has been negative for three consecutive years. The ROA figure in 2016 was -1.44%; in 2017, it was at -3.86% and fell again in 2018 to -4.44%, while in 2019, it increased to 2.55% and rose again in 2020 to 3.14%. SMGR's ROA in 2016 was the highest ROA figure during 2016-2020, namely 10.25%. In 2017 there was a significant decrease to 4.17%. In 2018 there was a slight increase to 6.03%, and a decrease in the ROA figure occurred again in 2019 to 2.97%. Meanwhile, in 2020, there was an increase of 3.43%. Likewise with SMGR, WTON's ROA in 2016 was the highest ROA figure of 6.04%, but in 2017, it decreased to 4.82%, while in 2018, there was an increase in the ROA rate to 5.48%, while in 2019, there was a decrease to 4.94% and fell back in 2020 to 1.45%.

INTP's PBV was 1,084.43 in 2016. In 2017, PBV was at its highest during the 2016-2020 period, namely 1,645.25. The PBV figure decreased in 2018 to 1,462.40. In 2020 there was an increase to 1,517.22, while in 2020, there was

a decrease in the PBV figure to 1,201.42. In 2016, SMBR's PBV was at 879.50; in 2017, the PBV figure experienced an increase to also be at its highest during the 2016-2020 period to 1,105.06. In 2018, PBV decreased significantly to 500.39; another decline occurred in 2019 to 125.50; in 2020, it increased to 310.40. SMCB's PBV in 2016 was at the smallest number, namely 427.80. In 2017 it increased to 444.53, which continued until 2018 to 1,125.61. In 2019, the PBV figure decreased to 647.48 and rose again in 2020 to 729.20. In 2016, SMGR's PBV figure was the lowest during the 2016-2020 period, namely 178.00. In 2017 there was an increase to 192.92. Likewise, in 2018, the PBV figure rose to 209.14. Another increase occurred in 2019, namely to 210.02, but in 2020 the PBV figure decreased to 206.71. In 2016, WTON's PBV was 288.62. In 2017 there was a significant decrease to 158.58. The PBV figure decreased again in 2018 to 104.47. In 2019 there was an increase to 111.79, but in 2020 there was another decrease to 99.22.

From the research results through secondary data, the financial reports of cement sub-sector manufacturing companies listed on the Indonesia Stock Exchange for the 2016-2020 period illustrate that profitability using the return on assets measurement tool has decreased yearly.

The results of research conducted by (., 2019; Hapsoro & Falih 2020; Markonah et al., 2020) prove that Liquidity (CR) and Profitability (ROA) simultaneously affect firm value (PBV).

CONCLUSION

Based on the research, it is known that liquidity (CR) has a significant effect on firm value (PBV) because the high current ratio owned by a company indicates that the company's ability to pay its short-term obligations is also high. Profitability (ROA) significantly affects firm value (PBV) because the higher the ROA, the higher the company's ability to generate profits, resulting in high company profitability. A high ROA value will give a positive signal to investors that the company can earn under favorable conditions. This condition attracts investors to own company shares and will increase share prices to increase the company's value. Based on the research, it is known that liquidity (CR) and profitability (ROA) have a significant and simultaneous (together) effect on firm value (PBV). Companies must maintain and improve company performance to attract investors because investors always see how a company is performing before deciding to invest in the company. In addition, it can also strengthen liquidity by increasing assets because, in this way, companies can evaluate the extent to which their ability to pay short-term obligations also strengthens profitability by increasing company performance in order to generate optimal profits so that company value will increase in order to attract investors to invest.

REFERENCE

- A. H. M. (2019). The Influence of Liquidity, Profitability, Intensity Inventory, Related Party Debt, And Company Size To Aggressive Tax Rate. *Archives of Business Research*, 7(3). <https://doi.org/10.14738/abr.73.6319>
- Arsyad, M., Haeruddin, S. H., Muslim, M., & Pelu, M. F. A. R. (2021). The effect of activity ratios, liquidity, and profitability on the dividend payout ratio. *Indonesia Accounting Journal*, 3(1), 36. <https://doi.org/10.32400/iaj.30119>
- Dewi, U. (2021). ANALISIS PENGARUH TINGKAT LIKUIDITAS TERHADAP EFISIENSI DAN KEBUTUHAN MODAL KERJA PADA PT INDUSTRI TELEKOMUNIKASI INDONESIA (PERSERO). *Jurnal Ekonomi, Bisnis & Entrepreneurship (e-Journal)*, 10(2), 91–103.
- Hapsoro, D., & Falih, Z. N. (2020). The Effect of Firm Size, Profitability, and Liquidity on The Firm Value Moderated by Carbon Emission Disclosure. *Journal of Accounting and Investment*, 21(2). <https://doi.org/10.18196/jai.2102147>
- Kusmawati, R. H., Roslina, N. Y., Kumalasari, R. E., & Sholihah, S. (2022). Pengaruh Profitabilitas Dan Kebijakan Deviden Terhadap Nilai Suatu Perusahaan Yang Bergerak Di Bidang Farmasi Periode 2012 S.D 2019. *Acman: Accounting and Management Journal*, 2(2), 226–234. <https://doi.org/10.55208/aj.v2i2.43>
- 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>
- Mauris, F. I., & Rizal, N. A. (2021). The Effect of Collaterallizable Assets, Growth in Net Assets, Liquidity, Leverage and Profitability on Dividend Policy (Case Studies on Non-Financial Services Sector Companies Listed on the Indonesia Stock Exchange for the 2016-2019 Period). *Budapest International Research and Critics Institute (BIRCI-Journal): Humanities and Social Sciences*, 4(1), 937–950. <https://doi.org/10.33258/birci.v4i1.1695>
- Nugraha, A. S., Yusup, M., & Djuhara, D. (2018). PENGARUH PERTUMBUHAN PERUSAHAAN DAN PROFITABILITAS TERHADAP NILAI PERUSAHAAN PADA PERUSAHAAN SEKTOR PROPERTY YANG TERDAFTAR DI BURSA EFEK INDONESIA PERIODE 2012-2016. *Majalah Bisnis & IPTEK*, 11(2), 146–163.
- Nurwulandari, A. (2021). Effect of Liquidity, Profitability, Firm Size on Firm Value with Capital Structure as Intervening Variable.

- Atestasi: Jurnal Ilmiah Akuntansi*, 4(2), 257–271.
<https://doi.org/10.57178/atestasi.v4i2.271>
- Nuswandari, C., Sunarto, S., Jannah, A., & Ikromudin, I. (2019). Corporate Social Responsibility Moderated the Effect of Liquidity and Profitability on the Firm Value. *Proceedings of the International Conference on Banking, Accounting, Management, and Economics (ICOBAME 2018)*.
<https://doi.org/10.2991/icobame-18.2019.19>
- PATTIRUHU, J. R., & PAAIS, M. (2020). Effect of Liquidity, Profitability, Leverage, and Firm Size on Dividend Policy. *The Journal of Asian Finance, Economics and Business*, 7(10), 35–42.
<https://doi.org/10.13106/jafeb.2020.vol7.no10.035>
- Prasetya Margono, F., & Gantino, R. (2021). INFLUENCE OF FIRM SIZE, LEVERAGE, PROFITABILITY, AND DIVIDEND POLICY ON FIRM VALUE OF COMPANIES IN INDONESIA STOCK EXCHANGE. *Copernican Journal of Finance & Accounting*, 10(2), 45–61.
<https://doi.org/10.12775/CJFA.2021.007>
- Samo, A. H., & Murad, H. (2019). Impact of liquidity and financial leverage on firm's profitability – an empirical analysis of the textile industry of Pakistan. *Research Journal of Textile and Apparel*, 23(4), 291–305. <https://doi.org/10.1108/RJTA-09-2018-0055>
- Sondakh, R. (2019). THE EFFECT OF DIVIDEND POLICY, LIQUIDITY, PROFITABILITY AND FIRM SIZE ON FIRM VALUE IN FINANCIAL SERVICE SECTOR INDUSTRIES LISTED IN INDONESIA STOCK EXCHANGE 2015-2018 PERIOD. *ACCOUNTABILITY*, 8(2), 91.
<https://doi.org/10.32400/ja.24760.8.2.2019.91-101>
- Wulandari, N., Tansar, I. A., & Suzanto, B. (2020). PENGARUH PROFITABILITAS DAN LEVERAGE TERHADAP NILAI PERUSAHAAN PADA PT. CHITOSE INTERNASIONAL, TBK PERIODE TAHUN 2015-2019. *Majalah Bisnis & IPTEK*, 13(1), 12–22.
<https://doi.org/10.55208/bistek.v13i1.142>