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The Effect of Liquidity, Solvency, Profitability, and Activity on Company Value

(Empirical Study on Tourism and Recreation Subsector Companies Listed on the Indonesia Stock Exchange for the Period 2018-2022)

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ABSTRACT

This research aims to determine the effect of current ratio, debt to equity ratio, net profit margin, and total assets turnover on the value of tourism and recreation subsector companies listed on the Indonesia Stock Exchange for the period 2018-2022. The data used in this research is secondary data in the form of financial reports of tourism and recreation subsector companies listed on the Indonesia Stock Exchange for the period 2018-2022. The sampling technique used was purposive sampling method based on specific criteria, resulting in a sample of 11 out of 19 companies. The analytical method used is multiple linear regression analysis and tested using the Statistical Package for the Social Science (SPSS) version 25 program. The research results show that the variables current ratio, debt to equity ratio, and total assets turnover have a positive and significant effect on company value. Meanwhile, net profit margin does not have a significant influence on company value.

Keywords: *Current Ratio; Debt to Equity Ratio; Net Profit Margin; Total Assets Turnover; Company Value*

INTRODUCTION

The COVID-19 pandemic has not only impacted public health, but has also impacted almost all sectors and sub-sectors of companies. One of the sub-sectors that has had a significant impact is tourism and recreation. The Central Statistics Agency (BPS) reported data on the growth of foreign tourist visits from 2018 to 2022. In 2018, the number of foreign tourist visits to Indonesia reached 15.81 million, an increase of 12.58% compared to 14.04 million visits in 2017. In 2019, the number of visits increased again to 16.10 million. However, the pandemic caused a drastic decline in 2020, with the number of visits only reaching 4.05 million or down 75.03%. This decline continued into 2021, with the lowest figure of 1.56 million visits, reflecting a decline of 61.57%. In 2022, the number of return visits increased sharply by 251.28%, reaching 5.47 million visits (source: www.bps.go.id).

The tourism potential in Indonesia is relatively high compared to other countries in Southeast Asia. Therefore, the tourism and recreation sub-sector still has great potential to attract investors who want to increase capital. However, although this sub-sector continues to show growth, this growth is not always balanced by an increase in company value. Company value is one of the important aspects considered by investors before deciding to invest. Company value is usually closely related to stock prices. An increase in company value indicates an increase in shareholder welfare, which can be in the form of the company's net profit or an increase in stock prices on the Indonesia Stock Exchange (IDX). The higher the stock price, the higher the company's value. This shows that the company has greater appeal to investors.

One of the important aspects that investors consider before investing is the value of the company itself. To assess the value of a company, investors can utilize financial reports and analyze them through various financial ratios. Financial ratio analysis reflects the quality of the company's performance. If the financial ratio shows good performance, investors tend to be interested in investing, which in turn can increase the value of the company. Conversely, poor financial performance will reduce investor interest and have an impact on the decline in the value of the company. Based on the explanation and phenomena, theoretically there are many factors that affect the value of the company. Some of them include company size, profitability ratio, liquidity ratio, solvency ratio, activity ratio, asset growth, sales growth, capital structure, and intellectual capital.

METHODS

This study uses a quantitative method with a descriptive approach. According to Sugiyono (2018), the quantitative method is based on the philosophy of positivism which aims to test hypotheses through data analysis based on numbers and statistics. This study focuses on a specific population and sample, with data collection using research instruments. The descriptive type is used to analyze and describe the data that has been collected without making comparisons between variables. In this study, the data analyzed includes independent variables such as Current Ratio, Debt to Equity Ratio, Net Profit Margin, and Total Assets Turnover on the value of tourism and recreation sub-sector companies listed on the Indonesia Stock Exchange (IDX) for the period 2018–2022. The research model used in analyzing the influence of independent variables on the dependent variable is a multiple linear regression model. This model is used to determine the linear relationship between two or more independent variables with one dependent variable. The data used are secondary data obtained from the annual financial reports of tourism and recreation sub-sector companies available on the official BEI website (www.idx.co.id), www.idnfinancials.com, and stock price data from www.finance.yahoo.com. Data collection techniques include library research and field research to ensure relevant data. The study population includes 47 tourism and recreation sub-sector companies listed on the IDX during the period, with samples determined using purposive sampling techniques based on certain criteria.

RESULT

Descriptive Statistical Analysis

Table 1. Descriptive Statistical Analysis

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
SQRT_X1	95	.05	4.03	1.3327	.77919
SQRT_X2	95	.14	2.77	.8153	.45720
SQRT_X3	95	1.00	6.88	2.8209	.52772
SQRT_X4	95	.03	1.72	.5431	.42247
SQRT_PBV	95	.03	6.43	1.4079	.97003
Valid N (listwise)	95				

Based on table 1, the results of the descriptive statistical analysis can be seen, the Current Ratio variable with a total of 95 research data has a mean value of 1.3327 with a standard deviation of 0.77919. The Debt to Equity Ratio variable has a mean value of 0.8153 with a standard deviation of 0.45720. The Net Profit Margin variable has a mean value of 2.8209 with a standard deviation of 0.52772. And the Total Assets Turnover variable has a mean value of 0.5431 with a standard deviation of 0.42247.

Classical Assumption Test

Normality Test

Table 2. Kolmogorov Smirnov Test Results

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		95
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	.82369909
Most Extreme Differences	Absolute	.084
	Positive	.084
	Negative	-.077
Test Statistic		.084
Asymp. Sig. (2-tailed)		.092[c]

Source: data processing output with SPSS v.25

Based on the results of the normality test in table 2, the results of the one-sample Kolmogorov Smirnov test data processing obtained an Asymp Sig. (2-tailed) value of 0.092> 0.05 so that it can be concluded that the data is normally distributed and suitable for use in research.

Multicollinearity Test

Table 3. Multicollinearity Test Results

Coefficients[a]

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.	Collinearity Statistics Tolerance	Collinearity Statistics VIF
1	(Constant)	-.786	.634		-1.240	.218		
	SQRTX1_CR	.704	.133	.566	5.309	.000	.705	1.418
	SQRTX2_DER	.713	.228	.336	3.129	.002	.696	1.438
	SQRTX3_NPM	.120	.172	.065	.697	.488	.920	1.087
	SQRTX4_TATO	.621	.225	.270	2.762	.007	.837	1.195

a. Dependent Variable: SQRTY_PBV

Based on the results of the multicollinearity test in table 3, it shows that the VIF value is less than 10 and the tolerance value is more than 0.10. In this case, it can be concluded that there is no multicollinearity between the independent variables.

Heteroscedasticity Test

Table 4. Heteroscedasticity Test Results (Glejser Test)

Coefficients[a]

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	.682	.315		2.168	.033
	SQRTX1_CR	.004	.066	.007	.059	.953
	SQRTX2_DER	-.126	.113	-.139	-1.117	.267
	SQRTX3_NPM	-.056	.085	-.071	-.659	.511
	SQRTX4_TATO	.086	.111	.088	.773	.441

a. Dependent Variable: ABS_RES

Because the significance value obtained from each variable above is greater than 0.05, it can be concluded that there is no heteroscedasticity problem in the regression module.

Autocorrelation Test

Table 5. Autocorrelation Test

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.528[a]	.279	.247	.84180	2.163

a. Predictors: (Constant), SQRTX4_TATO, SQRTX3_NPM, SQRTX1_CR, SQRTX2_DER
b. Dependent Variable: SQRTY_PBV

Based on table 5, it can be concluded that the Durbin Watson value is 2.163 with n = 95 and k = 4. Then the DW of the model dU = 1.7546, dL = 1.5795 and 4 - dU = 2.2454, so that dU = (1.7546) < DW (2.163) < 4 - dU (2.2454), so it can be concluded that the DW value is in a position where there is no autocorrelation.

Analysis of Determination Coefficient

Table 6. Analysis of Determination Coefficient

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.528[a]	.279	.247	.84180	2.163

a. Predictors: (Constant), SQRTX4_TATO, SQRTX3_NPM, SQRTX1_CR, SQRTX2_DER
b. Dependent Variable: SQRTY_PBV

Based on table 6, the Adjusted R2 value is 0.247 or 24.7%. This shows that 24.7% of Company Value is influenced by Current Ratio, Debt to Equity Ratio, Net Profit Margin, and Total Assets Turnover, while the remaining 75.3% is influenced by other factors not examined in this study.

Multiple Linear Regression Analysis

Table 7. Multiple Linear Regression Analysis

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	-.786	.634		-1.240	.218		
	SQRTX1_CR	.704	.133	.566	5.309	.000	.705	1.418
	SQRTX2_DER	.713	.228	.336	3.129	.002	.696	1.438
	SQRTX3_NPM	.120	.172	.065	.697	.488	.920	1.087
	SQRTX4_TATO	.621	.225	.270	2.762	.007	.837	1.195

The results from table 7 reveal the equation for multiple linear regression with the following results:

PBV= -0.786+0.704 CR+0.713 DER+0.120 NPM+0.621 TATO+ ε

Hypothesis Test

Based on table 7, it shows that the current ratio variable obtained a calculated t value> t table of 5.309> 1.986 with a significance of 0.000 <0.05, it is said that H1 is accepted so that it means that the current ratio variable has a significant positive effect on the company's value. The Debt to Equity Ratio variable obtained a calculated t value> t table of 3.129> 1.986 with a significance of 0.002 <0.05, it is said that H2 is accepted so that it means that the debt to equity ratio variable has a significant positive effect on the company's value. The Net Profit Margin variable obtained a calculated t value < t table of 0.697 <1.986 with a significance of 0.488> 0.05, it is said that H3 is rejected so that it means that the net profit margin variable has no effect on the company's value. Total Assets Turnover variable t count value > t table of 2.762 > 1.986 with a significance value of 0.007 < 0.05 it is said that H4 is accepted so that it means that the total assets turnover variable has a significant positive effect on the company's value.

Goodness of Fit Test (f Test)

Table 9. Goodness of Fit Test Results (f Test)

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	24.673	4	6.168	8.704	.000[b]
	Residual	63.777	90	.709		
	Total	88.450	94			

Based on table 9, the results of F count > F table of 8.704 > 2.47 with a significance value of 0.000, which means that it can be concluded that the regression model of current ratio, debt to equity ratio, net profit margin, and total assets turnover on the company's value is feasible to use.

DISCUSSION

Effect of Current Ratio on Company Value

Current Ratio is a ratio that shows the company's ability to pay its short-term obligations. The higher the Current Ratio value, the lower the company's failure rate to meet its short-term obligations. This is certainly a consideration for investors in buying shares. The better the company pays its obligations or debts, the more it will give a positive signal to investors to invest their capital because the company has a healthy financial condition and is able to maximize its assets and easily sell assets if needed. The results of this study are consistent with the results of research by Hilda Syakinah, Ferry Santoso, and Dewi Anggraini (2023) that the Current Ratio has a positive and significant effect on Company Value. 2. The Effect of Debt to Equity

Ratio on Company Value

Debt to Equity Ratio is a ratio used to measure the level of use of a company's debt compared to all equity owned by the company's shareholders. Thus, the Debt to Equity Ratio can reflect the company's ability to meet its obligations as indicated by how much equity is available as collateral for debt. A company that has a high Debt to Equity Ratio shows that it has a large debt, but as long as the company can pay its obligations or debts, it will affect public trust in the company, so that it can increase the value of the company. The results of this study are consistent with the results of research by Jeni Irnawati, Hadijah Febriana, and Deni Yuli Asmita (2023) that Debt to Equity Ratio has a positive and significant effect on Company Value. 3.

Effect of Net Profit Margin on Company Value

Net Profit Margin is used to see the proportion of income that affects profit. This ratio can also be used to measure a company's ability to generate net profit at a certain sales level. The higher the Net Profit Margin, the more productive and efficient a company's performance is in reducing costs to generate profit. However, in this study, Net Profit Margin has a negative effect, because seen from the financial reports from 2020 to 2022, many companies have net losses and low sales so that the company does not make a profit. An uncertain Net Profit Margin reflects the company's difficulty in maximizing net profit from each sale. This causes problems related to performance in the company. If net profit tends to decrease, this will hinder the management of company costs. A problematic Net Profit Margin will certainly affect investors' interest in investing their money in the company, causing the stock price to decline gradually, posing a threat to Company Value. The results of this study are consistent with the results of Alisa Anggraini and Deny Yudiantoro (2023) that Net Profit Margin does not have a significant effect on Company Value.

The Effect of Total Assets Turnover on Company Value

Total Assets Turnover is used to measure the effectiveness of the total assets owned by the company in generating sales, the higher the Total Assets Turnover value, the better it will be for the company because the total asset value is used effectively by the company in generating sales, increasing sales will increase the Company Value. So that it is used by investors as a reference in buying shares in the company and increasing investor confidence in investing. The results of this study are consistent with the results of the study by Rinaldi and Nisa Oktavianti (2023) that Total Assets Turnover has a positive and significant effect on Company Value.

CONCLUSION

This research tool uses multiple linear regression analysis using the SPSS version 25 program. Based on the results of the study and discussion, it shows that the Current Ratio (CR), Debt to Equity Ratio (DER), and Total Assets Turnover (TATO) have a significant effect on Company Value, while Net Profit Margin (NPM) does not have a significant effect on Company Value in tourism and recreation sub-sector companies listed on the Indonesia Stock Exchange for the period 2018-2022.

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