The Effect Of Current Ratio, Debt To Equity Ratio And Return On Assets On Company Value

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Abstract: The management of a company that has gone public is responsible for maximizing the value of the company in order to maximize the return of the company owner. One way to maximize company value is to improve company performance which can be measured through financial ratios. In this study, the ratios used are Current Ratio as a proxy for the liquidity ratio, Debt to Equity Ratio as a proxy for the solvency ratio and Return On Assets as a proxy for the profitability ratio. The data used in this study are secondary data obtained historically in financial reports published by the Indonesia Stock Exchange 2012-2016. The method used in this research is descriptive and verification methods with a quantitative approach. The analysis technique used is panel power regression analysis using the Eviews 9 tool. The results of this study indicate that partially Current Ratio has no effect on firm value, with t-count value $0.152127 < $t-table 2.03951 and sig. amounting to $0.8801 > 0.05$. Debt to Equity Ratio affects firm value, with a t-count value of $2.062743 > $t-table 2.03951 and a sig. amounting to $0.0476 < 0.05$. Return On Assets has an effect on firm value, with a t-count value of $3.058731 > $t-table of 2.03951 and a significance value of $0.0046 < 0.05$. Current Ratio, Debt to Equity Ratio and Return On Assets simultaneously affect firm value, by obtaining the calculated F value of 3.305611 which is greater than the F table value of 2.91 and the sig value. of $0.032986 < 0.05$.

Keywords: Current Ratio, Debt to Equity Ratio, Return On Assets, Firm Value, Price to Book Value

INTRODUCTION

The competition of companies in Indonesia is growing every day. In increasing competition, companies are required to maintain and increase their business excellence. To build business excellence, companies need capital that is used to finance all company operations. One of the ways a company can get capital is by conducting an Initial Public Offering (IPO) or initial public offering on the Indonesian capital market and becoming a go public company.

Companies that have gone public will get the benefit of getting additional capital from the community, improving the company's image in the community and increasing company value. The company was founded with the aim of maintaining and extending the life of the company such as increasing profits, attracting consumers, creating quality products, managing capital and so on. However, as companies grow, especially companies that have gone public, another goal is to pay attention to the wishes of shareholders and parties involved in the company. Investing in the capital market is nothing new for the people of Indonesia. This aims to obtain a greater return than investment in the banking world. The public can invest in publicly traded companies which have been grouped into 9 corporate sectors. This corporate sector is a combination of companies that have the same type of business. One way of assessing sectoral stock price movements is through the stock

price index. The stock price index is an indicator number in seeing the average price of several shares of publicly traded companies.

The following is a table of the sectoral stock price index movements on the Indonesia Stock Exchange from 2012 to 2016.

Table 1.
Movement of Sectoral Stock Price Index in Indonesia Stock Exchange 2012-2016

	Agriculture	Mining	Basic Industry	Miscella-neous Industry	Consumer Goods	Property, Realestate, Building Constructur	Infrastructure, utilities and Transportation	Finance	Trade, Service and Investment
2012	2.062,94	1.863,67	526,551	1.336,52	1.565,88	326,552	907,524	550,097	740,949
2013	2.139,96	1.429,31	480,744	1.205,01	1.782,09	336,997	930,399	540,334	776,786
2014	2.351,04	1.369,00	543,674	1.307,07	2.042,25	524,908	1.160,28	731,64	878,634
2015	1.719,26	811,072	407,839	1.057,28	2.064,91	490,933	981,333	687,039	849,527
2016	1.864,25	1.384,71	538,189	1.370,63	2.324,28	517,81	1.055,59	811,893	860,654
Rata-rata	2.027,49	1.371,55	499,40	1.255,30	1.955,88	439,44	1.007,03	664,20	821,31

Sumber: BEI (data diolah oleh peneliti, 2017)

From table 1. it can be seen that the Agriculture sector has the highest average stock price index compared to the stock price index of other sectors, namely Rp. 2,027.49. While the lowest is the Property, Realestate, Building Constructur sector. However, when viewed from Figure 1.1 the Agriculture sector experienced fluctuating data and experienced a significant decline in 2015 and again rose in 2016. Agriculture sector or agriculture is a company sector whose business is engaged in agriculture, plantations and fisheries. The Agriculture sector is one of the important sectors in the movement of the Indonesian economy.

The decline in the sectoral stock price index in 2015 was due to a decrease in agricultural output. Suhariyanto, Deputy of Balance Sheet and Statistical Analysis at BPS, stated that the El Nino season that hit Indonesia caused the harvest period for agricultural products to shift, which should have started in March to April, another contributing factor is that credit disbursement from the banking sector has slowed and decreased, resulting in a capital stock to produce quality results (agribusiness.co.id, accessed on 28 November 2017).

The Agriculture sector plays an important role in the economy in Indonesia. This can be seen from Indonesia's economic growth figures, the growth of the agricultural sector tends to have the same trend as the economic growth in Indonesia. The following is a graph of economic growth and agricultural growth in Indonesia.

One of the ways to improve the economy and spread prosperity evenly is by increasing sustainable and inclusive investment in the Agriculture sector. The Agriculture sector is a potential sector, because Indonesia's population of 261.1 million requires a large supply of food. Then seen from the natural potential of the State of Indonesia which can be maximized in producing Agriculture products will be an added value for agricultural products in the country of Indonesia. So, the Agriculture sector can be a leading sector.

The existence of the gap and research gap phenomena that have been described previously, the researchers conducted research on the ratios that affect the value of companies in the Agriculture sector. From this description, it can be concluded that the facts that occur in the field are sometimes not in accordance with the existing theory. Based on the background and problems described by the researcher, the researcher took the title "The Effect of Current Ratio, Debt to Equity Ratio and Return On Assets on Company Value" (Research on the Agriculture Sector Listed on the Indonesia Stock Exchange 2012-2016).

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

In Stiyarini's (2016) research entitled The Effect of Financial Performance on Firm Value in Telecommunication Service Companies. It shows that the Liquidity Ratio as measured by the Current Ratio has no significant effect on firm value. The solvency ratio has a significant effect on firm value. The activity ratio does not have a significant effect on firm value. Ratio Profitability has a significant effect on firm value.

In the research of Lita Elisabeth Salempang, Jullie J. Sondakh and Rudy J. Pusung (2016) entitled The Effect of Return On Assets, Debt to Equity and Sales Growth on Firm Value in the Real Estate and Property Sectors Listed on the IDX 2013-2014. This study shows that Return On Assets has no effect on firm value, the Debt to Equity Ratio variable affects firm value, sales growth variables affect firm value and the Return On Assets, Debt to Equity and Sales Growth variables simultaneously affect firm value.

In Dewi Julianti's (2016) research entitled The Effect of Debt Ratio (DER) and Profitability (ROA) on Firm Value (PBV) (A Case Study of Manufacturing Companies in the Automotive Sub-Sector and Components Listed on the Indonesia Stock Exchange for the 2012-2014 Period). This research shows that the variable Debt to Equity Ratio has an effect on firm value, the variable Return on Assets has an effect on firm value.

In order to facilitate this research and provide a clear direction in the interpretation of data and facts into the writing of this thesis, the problem formulation is first carried out. The formulation of the problem which is the subject of this research are:

1. Is there an effect of Current Ratio on Firm Value in Agriculture Sector Companies listed on the Indonesia Stock Exchange 2012-2016?
2. Is there an effect of Debt to Equity Ratio on Firm Value in Agriculture Sector Companies listed on the Indonesia Stock Exchange 2012-2016?
3. Is there any effect of Return On Assets on Firm Value in Agriculture Sector Companies listed on the Indonesia Stock Exchange 2012-2016?
4. Are there any simultaneous effects of Current Ratio, Debt to Equity and Return On Assets on Firm Value in Agriculture Sector Companies listed on the Indonesia Stock Exchange 2012-2016?

METHODS

The research which aims to determine the effect of Curent Ratio, Debt to Equity Ratio and Return On Assets on Company Value. This research takes data from the company's annual report on the Indonesia Stock Exchange Bandung representative office Bandung Representative Office, Jalan PH. H. Mustofa No. 33, Neglasari, Cibeunying Kaler, Bandung City, West Java or can be accessed through www.idx.co.id and market capitalization data published on the OK Stock website. When this research was conducted for 6 months, it can be seen in the following table.

The population used in this study are companies in the Agriculture sector that published their financial reports on the IDX for the period 2012-2016 with a population of 21 companies. The sample is part of the number and characteristics of the population (Sugiyono, 2017). The population is selected to be the sample using a sampling technique.

RESULT AND DISCUSSION

Tabel 4.5
Hasil Analisis Deskriptif

	PBV	CR	DER	ROA
Mean	1.534810	2.175999	1.151454	4.725786
Median	1.476613	1.120387	0.846808	4.929901
Maximum	3.476802	8.076957	2.686316	14.77184
Minimum	0.304735	0.225461	0.151518	-10.45199
Std. Dev.	0.732227	2.228251	0.825598	5.523116
Skewness	0.599338	1.669968	0.276830	-0.483824
Kurtosis	3.133937	4.416824	1.790482	3.479035
Jarque-Bera	2.121532	19.19540	2.580480	1.700151
Probability	0.346190	0.000068	0.275205	0.427383
Sum	53.71836	76.15995	40.30090	165.4025
Sum Sq. Dev.	18.22933	168.8135	23.17484	1037.164
Observations	35	35	35	35

Sumber: Hasil Output Eviews 9 (Data diolah peneliti, 2018)

Tabel 4.6

Hasil Uji Hausman

Correlated Random Effects - Hausman Test Equation: Untitled Test cross-section random effects			
Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	2.221536	3	0.5277

Sumber: Output Eviews 9 data diolah oleh Peneliti (2018)

Tabel 4.7

Random Effect Model

Dependent Variable: PBV Method: Panel EGLS (Cross-section random effects) Date: 02/22/18 Time: 14:08 Sample: 2012 2016 Periods included: 5 Cross-sections included: 7 Total panel (balanced) observations: 35 Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
CR	0.017612	0.115772	0.152127	0.8801
DER	0.556626	0.269847	2.062743	0.0476
ROA	0.079012	0.025831	3.058731	0.0046
C	0.482166	0.589359	0.818119	0.4195

Sumber: Output Eviews 9 data diolah oleh Peneliti (2018)

Hypothesis testing

Tabel 4.11

Hasil Uji Parsial (Uji t)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
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Sumber: Output Eviews 9 data diolah oleh Peneliti (2018)

Simultaneous Regression Coefficient Test Results (Test F)

Tabel 4.12

Hasil Uji Simultan (Uji F)

F-statistic	3.305611
Prob(F-statistic)	0.032986

Sumber: Output Eviews 9 data diolah oleh Peneliti (2018)

Determination Coefficient Test Results

Tabel 4.13

Hasil Uji Koefisien Determinasi

R-squared	0.242366

Sumber: Output Eviews 9 data diolah oleh Peneliti (2018)

The Influence of Current Ratio on Firm Value

In the calculation of panel data analysis, the Current Ratio variable obtained the t-count value of 0.152127 with a significance of 0.8801. Because t-count <t-table (0.152127 <2.03951). This shows that the first hypothesis H0 is accepted, so it can be concluded that the Current Ratio variable has no effect on firm value in Agriculture sector companies listed on the Indonesia Stock Exchange 2012-2016.

Effect of Debt to Equity Ratio on Firm Value

In the calculation of panel data analysis for the variable Debt to Equity Ratio, the t-value is 2.062743 with a significance of 0.0476. Because t-count> t-table (2.062743> 2.03951) then H0 is rejected, so it can be concluded that there is an effect of the Debt to Equity Ratio on firm value in Agriculture sector companies listed on the Indonesia Stock Exchange 2012-2016. Because the coefficient of Return On Assets is 0.079012, the direction of the relationship with the firm value variable is positive. This shows that the higher the value of a company's Debt to Equity Ratio variable, it will increase the firm's value and vice versa if the company's Debt to Equity Ratio decreases, the firm's value will decrease.

Effect of Return On Assets (X3) on Firm Value (Y) of Agriculture companies

From the calculation of panel data analysis for the Return On Assets variable, the t-count value is 3.058731 with a significance of 0.0046. Because t-count> t-table (3.058731> 2.03951) then H0 is rejected, so it can be concluded that there is an effect of Return On Assets on firm value in Agriculture sector companies listed on the Indonesia Stock Exchange 2012-2016. Because the coefficient of Return On Assets is 0.079012, the direction of the relationship with the firm value variable is positive. This shows that the higher the value of a company's Return On Assets variable, it will increase the company's value and vice versa, if the company's Return on Assets has decreased, the company's value will decrease.

The Influence of Current Ratio, Debt to Equirt Ratio and Return On Assets on Firm Value in the Agriculture sector

From the results of panel data analysis simultaneously the F-count is 3.305611 with a significance of 0.032986. Because F-count> F-table (3.305611> 2.91) then H0 is rejected and Ha is accepted, so it can be concluded that there is a simultaneous influence between Current Ratio, Debt to Equity Ratio and Return On Assets on Firm Value in the Agriculture sector listed in Indonesia Stock Exchange in 2012-2016. In the test results the coefficient of determination, the value of R-Squared shows a result of 0.242366 which states that the proportion of the influence of the variables Current Ratio, Debt to Equity Ratio and Return On Assets on firm value is 24.24%. This means that Current Ratio, Debt to Equity Ratio and Return On Assets have a proportion of influence on firm value of 24.24%, while the remaining 75.76% (100% - 24,

CONCLUSIONS

Based on the results of research, data analysis and discussion, namely the effect of Current Ratio, Debt to Equity Ratio and Return on Assets on Firm Value, it can be concluded as follows:

1. *Current Ratio*does not have a significant effect on firm value. This is indicated by the t-value (0.152127) which is smaller than the t-table (2.03951) with a significance value greater than 0.05 (0.8801). The acceptance of the hypothesis that there is no influence between the Current Ratio on firm value in this study is probably due to the fact that investors do not make the Current Ratio variable a factor that influences investor interest in stocks in the Agriculture sector during the study period. Because the Current Ratio has more to do with the internal condition of the company in meeting its short-term obligations, so investors pay less attention to ratios in short-term measurements.

2. *Debt to Equity*The ratio has a significant effect on firm value. This is indicated by the value of the t-count (2.062743) which is greater than the t-table (2.03951) with a significance smaller than 0.05 (0.0476). Acceptance of the hypothesis that the Debt to Equity Ratio affects

3. This firm value means that the company's policy to take debt will affect the firm's value. This debt policy will be balanced towards company development, increased production and increased sales figures so as to increase returns. An increase in company returns will increase dividends for shareholders. This makes investor interest increase so that the Debt to Equity Ratio affects firm value in a positive direction.

4. *Return On Assets*has a significant effect on firm value. This is indicated by the t-value (3.058731) which is greater than the t-table (2.03951) with a significance smaller than 0.05 (0.0046). The acceptance of the hypothesis that Return On Assets has an effect on firm value means that the higher the Return On Assets of a company will show that the more effective a company is in managing its assets. This is a consideration for investors to invest. Profitability performance is a reference for investors to see how the company's profitability in the future is able to provide good dividends for investors. So that the higher the investors invest their capital in the company, it will increase the company's stock price and increase the company's value.

5. Current Ratio, Debt to Equity Ratio and Return On Assets simultaneously have a significant effect on firm value. This is indicated by the calculated F value of (3.305611) which is greater than the F-table value (2.91) with a significance value smaller than 0.05 (0.032986). The acceptance of the hypothesis that Current Ratio, Debt to Equity Ratio and Return On Assets have a significant effect on firm value, indicating that these three variables can be used as analysis material for investors who will invest in the Agriculture sector. This provides information to companies and investors that internal factors can influence the movement of company value. So that company management must be able to evaluate the Current Ratio, Debt to Equity Ratio and Return On Assets. The efficiency and effectiveness of the use of capital and regulation of the proportion of debt must be maximized in order to be able to maximize the company's activities and maximize the profits that the company receives.

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