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The Effect of Cash Availability and Debt Paying Ability on PT Astra International Value

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Abstract

This research aims to analyze the effect of cash availability (Cash Ratio) and debt payment ability (Debt to Equity Ratio) on company value as measured by Price to Book Value (PBV) at PT AstraInternasional Tbk during the period 2013-2022. The research uses a quantitative approach with secondary data obtained from the company's financial reports. Data analysis methods include descriptive statistics, classical assumption tests, multiple linear regression analysis, anda hypothesis testing using t-test, F-test, and coefficient of determination (R^2). The results show that partially, Cash Ratio has a significant but negative effect on PBV with a significance value of 0.038 < 0.05. This indicates that excessive cash holdings, if not utilized effectively, can lower the firm's market value in the eyes of investors. Meanwhile, the Debt to Equity Ratio (DER) has a significant and positive effect on PBV with a significance value of 0.001 < 0.05, meaning that efficient debt management can enhance company value. Simultaneously, both Cash Ratio and Debt to Equity Ratio have a significant effect on PBV with a significance value of 0.006 < 0.05. The coefficient of determination (R^2) of 0.772 indicates that 77.2% of the variation in company value can be explained by these two financial ratios. Overall, the study concludes that liquidity and capital structure play an important role in influencing company value, with DER having a stronger impact than CR.

Keywords:
Debt to Equity Ratio, Cash Ratio, Price Book Value

INTRODUCTION

In the era of globalization, there has been increasingly intense development and competition in the business world both in the national, regional, and international environments. In the face of this competition, every company must develop its competitive advantage in order to survive and advance its company. One of the important aspects in maintaining a company's financial health is the level of liquidity, which is the company's ability to meet its short-term obligations. In this case, the cash ratio is one of the main indicators used to assess how much a company is able to pay off current debt with available cash. This ratio aims at actual liquidity because it only takes into account cash and cash equivalents without involving other current assets such a s receivables or inventories.

PT Astra Internasional Tbk was established in Jakarta in 1957 as a publicly traded company under the name Astra Internasional Inc. Along with the progress of the business and the need to expand, the company conducted an initial public offering on the Indonesia Stock Exchange with the stock code ASII in 1990, as well as changing its name to PT Astra Internasional Tbk. The company is often considered a barometer of the Indonesian economy due to its presence in various business sectors such as automotive, agribusiness, heavy equipment, mining, construction and energy. This is done on a broad business scale, liquidity management is a crucial factor in maintaining investor confidence and ensuring that operational activities run well. Adequate cash availability not only reflects a company's ability to meet short-term liabilities, but also shows flexibility in dealing with uncertain economic conditions.

The main goal of the company is to optimize the company's value. The company aims to prosper shareholders by increasing the value of the company reflected in its share price. When the stock price is high, the prosperity of the shareholders is higher. The value of shareholders will increase if the value of the company increases, which is characterized by a high rate of return on investment to shareholders.

In this study, the analysis of the cash ratio (CAR) and debt to equity (DER) ratio and the influence of both on the price to book value (PBV) because this ratio pays attention to the comparison of market prices with the book value. A high level of Price to Book Value (PBV) will convince investors of the company's prospects and be able to increase prosperity. A good company value is seen when the PBV value is above 1 (one). If the higher the PBV ratio, it will show that the company's value is better. On the other hand, if the PBV is below 1 (one), it means that the company's value is not good. So that investors' perception of the company is also not good, because with a company value below one, it describes the selling price of the company as having a low value and the components of the company's financial structure deteriorate. The value of PT Astra International Tbk's financial ratio 2013-2022:

In Table 1.1

Year	Cash Ration (CR)	Debt to Equity Ratio (DER)	Price to Book Value (PBV)
2013	0,26	1,02	2.592,49
2014	0,40	0,96	2.498,20
2015	0,35	0,94	1.919,69
2016	0,32	0,87	2.394,50
2017	0,31	0,89	2.149,42
2018	0,21	0,98	1.927,11
2019	0,24	0,88	1,495,69
2020	0,55	0,73	1.247,95
2021	0,61	0,70	1.079,62
2022	0,51	0,70	938,51

(Source : Of Processed Financial Report Data from PT Astra International Tbk)

Based on the results of the analysis of PT Astra Internasional Tbk's financial ratios during the 2013-2022 period, it can be seen that the company's financial condition has experienced dynamics from year to year. The Cash Ratio shows a relatively low but stable figure, which means that the company's ability to meet short-term obligations with cash is still quite controlled.

The Debt to Equity Ratio is in the moderate range, indicating that the company's funding structure is in a healthy condition and financial risks can be managed properly.

Meanwhile, the price-to-book value ratio shows a fluctuating trend, even tending to decline in recent years. This condition can be interpreted as a decline in the market valuation of the company, although this does not necessarily reflect a decline in operational performance.

In general, PT Astra Internassional Tbk still showed quite good financial stability during the observation period, despite the decline in the value of the shares in recent years.

LITERATURE REVIEW

Company Values

According to Weston and Copelan (2010) in their book Endah Prawesti (2022:21-22), the measurement of company value consists of: *Price Earning Ratio* (PER), Tobin's Q, and *Price Book Value* (PBV).

In this study, the value of the company will be measured by *the Price Book Value*, which can be interpreted as the result of a comparison between the stock price and the book value. This ratio can describe how much the market appreciates the book value of a company's shares.

Definition Price Book Value

In this study, the value of the company will be measured by "Price Book Value (PBV) is the ratio used in comparing the stock price to the book value of the company". This ratio is used to measure the level of the price of a stock whether it is *overvalued* or *undervalued*. The lower the PBV value of a stock, the stock is categorized as undervalued, which is very good for long-term investment.

Price Book Value indicator

Based on the definition of PBV according to Hernita (2019) above, it can be known that *the Price Book Value* indicators, as follows:

1. Stock Price
2. Book Value of Shares

Price Book Value Formula

In this study, the value of a company will be measured by *the Price Book Value*, because it can describe how much the market appreciates the book value of a company's shares. The *Price Book Value* formula is:

$$PBV \quad \frac{\text{Stock Price}}{\text{Book Value of}}$$

Factors that affect Price Book Value

According to Christiani and Putri (2018) The factors that affect *Price Book Value* are:

1. Cash Ratio
2. Debt to Equity Ratio

Definition of Liquidity

According to Mardiyanto (2009,54) is "Measuring the company's ability to pay off short-term liabilities (debt) on time, including paying off the part of long-term debt due in the year in question.

In this study, the liquidity parameter used is Cash Ratio (CR) describing the company's financial condition in the short term without having to look at other assets. This ratio is important to know how ready the company is to face urgent needs without having to sell other assets.

Cash Ratio Indicator

Based on the understanding according to Mardiyanto above, it can be known that the *Cash Ratio* indicator, as follows:

1. Cash and Cash Equivalents
2. Current Liability

Cash Ratio Formula

In this study, the liability parameter used is the Cash Ratio, which measures the company's ability to pay short-term obligations with available cash and stored in the bank. The Cash Ratio formula :

$$\text{Cash Ratio} = \frac{\text{Who} + \text{Setara Who}}{\text{Current Liability}}$$

Factors that affect the Cash Ratio

According to Mardiyanto (2009) the factors that affect the Cash Ratio are influenced by 2 (two) factors, namely:

1. Kas dan Setara Kas / *Cash and cashh equivalents*
2. Kewajiban Lancar / *Current Liabilities*

Definition Debt to Equity Ratio

According to Hery (2018:168), states that "Debt to Equity Ratio (DER) is a ratio used to measure the size of the debt-to-capital ratio"

Based on the above understanding, it can be interpreted that *the Debt to Equity Ratio* is a ratio that measures the proportion of a company's debt to the company's capital structure.

Debt to Equity Ratio Indicator

According to Hery (2018:168), the Debt to Equity Ratio indicator is as follows:

1. Total Hutang (Debt)
2. Ekuitas (Equity)

Debt to Equity Ratio Formula

For management and potential investors, the capital structure ratio is often used to look at the financial risks caused by the company's funding policies. The higher the financial risk that the company may face, and vice versa. The DER formula is as follows:

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

Factors that affect the Debt to Equity Ratio

According to Sudana (2018:162), the factors that affect *the Debt to Equity Ratio* are:

1. Sales Growth Rate
2. Sales Stability
3. Industry Characteristics
4. Asset Structure

FRAME OF MIND

Price Book Value (PBV) is a market ratio used to measure the performance of stock market prices to their book value. A high level of Price Book Value (PBV) will convince investors of the company's prospects and be able to increase prosperity. This ratio measures the level at which a stock's price is overvalued or undervalued. The lower the PBV value of a stock, the more undervalued it is, which is very good for long-term investment.

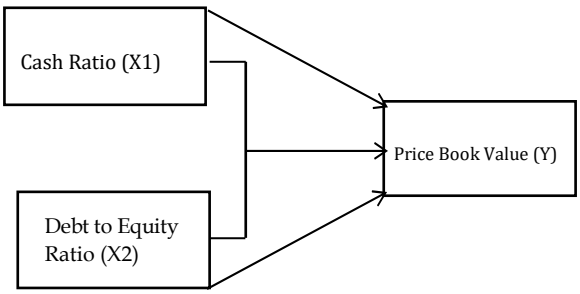
Cash Ratio is a ratio that shows the company's ability to meet its short-term obligations using cash and available cash equivalents. The existence of an optimal cash ratio level shows that the company's prospects are getting better because it means that there is potential for financial stability and flexibility in dealing with current obligations so that it will make it easier for the company's management to withdraw capital in the form of shares. If there is an increase in investor confidence in the liquidity of a company, it will indirectly increase the price of the stock in the capital market and ultimately increase the value of the company.

If the company's Cash Ratio (CR) value is getting higher, it means that the company has a good ability to pay its short-term obligations using existing cash. This condition shows that the company's finances are quite safe and liquid. Usually, if a company is considered financially stable, investor confidence also increases. As a result, the stock price is increasing and the company's value is also rising.

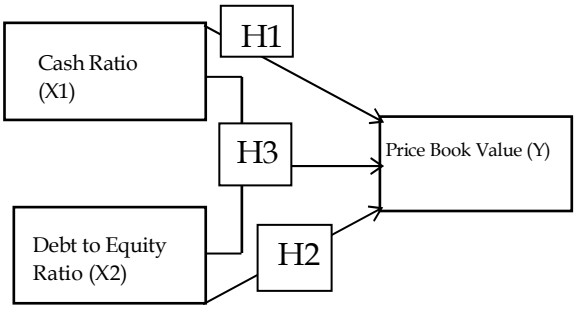
The Debt to Equity Ratio (DER) measures a company's ability to meet its obligations through debt financed capital. For management and potential investors, DER is often used to look at the financial risks caused by a company's funding policies. The higher the ratio, the higher the financial risk that the company may face and vice versa.

If the value of the company's Debt to Equity Ratio (DER) is good, then the more investors invest and the more funds are used to finance the company which is expected to achieve a lot of profits so that the stock price rises and the company's value will also rise.

Figure 2.1 Frame of Mind



HIPOTESIS



Based on the literature review and the framework of thought that has been described above, the researcherproposes a hypothesis that:

X_1 : The Effect of Cash Ratio on Price BookValue
X_2 : The Effect of Debt to Equity Ratio on Price Book Value
X_3 : The Effect of Return On Equity and Debt to Equity Ratio Simultaneously on Price Book Value

METHOD

Research method is a technique or way of searching, obtaining, collecting, or recording data used for the purpose of compiling a scientific paper and then analyzing the correctness of the data obtained.

a. Descriptive Statistical Analysis

Descriptive statistics can be used to provide an overview or description of an object being studied through sample or population data as it is, without conducting an analysis and drawing conclusions that are universally applicable. Descriptive statistics can be seen from mean, median, mode, variant, quartile, decile, presentile, and standard deviation. According to Ghozali (2017:2019), 'Descriptive statistics are technical analyses that describe or describe research data through minimum, maximum, average, standard deviation, sum range, kurtosis and distribution swipeness (swekness).

b. Classic Assumption Test
   1) Normality Test
      The normality test was used to test whether the regression model in this study had normal residual distributions or not. A good indicator of a regression model is to have normal distributed data.
   2) Multicollinearity Test
      The multicollinearity test is used to test whether a research regression model has a correlation between independent (independent) variables
   3) Heteroscedasticity Test
      The heteroscedasticity test aims to test whether in the regression model there is variance disparity from one residual to another observation (Ghozali, 2018:120)

4) Autocorrelation Test
The autocorrelation test is the relationship between the residual of one observation and the residual of another observation (Winarno, 2015:5.29)

c. Linear Regression Test
Multiple Linear Regression Analysis. According to Sugiyono (2017:275), multiple linear regression analysis is used by researchers, when researchers predict how the state of dependent variables (criterions) will rise and fall, if two or more independent variables as predictor factors are increased and lowered in value (manipulated).

$$Y = (a + \beta 1.X1 + \beta 2.X2 + \varepsilon)$$

d. Coefficient Determination Analysis
In this study, determination analysis was used to determine how much the ability of independent variables to explain the variation of dependent variables. To find out this, the value of the determination coefficient, in this study the following formula is used.

$$KD = r^2 \times 100\%$$

e. Uji Hypothesis
1) Partial Regression Test (t-test)
The t-statistical test is used to find out how far an independent variable individually influences in explaining variable variation (Ghozali 2017:22). To find out whether there is an influence of each independent variable on the dependent variable.
a) If the significant value < 0.05, then Ha is accepted H0 is rejected, meaning that the independent variable has an effect on the independent variable.
b) If the significant value > 0.05, then Ha is rejected and H0 is accepted, meaning that the independent variable has no effect on the dependent variable.

2) Simultaneous Test (Test f)
The f-test is used to test whether regression models can be used to predict dependent variables. The hypothesis will be tested using a significance level (a) of 5 percent or 0.05. The criteria for acceptance or rejection of the hypothesis will be based on the probability value of the significance. If the significance probability value is < 0.05, then the hypothesis is accepted. This means that regression models can be used to predict independent variables. If the significance probability value > 0.05, then the hypothesis is rejected. This means that regression models cannot be used to predict independent variables.

RESULT

This section will explain the Cash Ratio, Debt to Equity Ratio and Price Book Value at PT Astra Internasional Tbk for ten (10) years from 2013 to 2022. The results are as follows:

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
CR	10	.21	.61	.3760	.13794
DER	10	.70	1.02	.8670	.11804
PBV	10	938.51	2592.49	1824.3180	603.14853
Valid N (listwise)	10				

(Source : Spss 27 Data Results)

The Descriptive Statistics table shows the results of the analysis of three research variables, namely Cash Ratio (CR), Debt to Equity Ratio (DER), and Price to Book Value (PBV) at PT Astra International Tbk during the 2013-2022 period. The Cash Ratio value is in the range of 0.21-0.61 with an average of 0.3760, which means that the company's ability to meet short-term obligations is quite stable even though it has fluctuated. The DER variable has a minimum value of 0.70 and a maximum value of 1.02 with an average of 0.8670, showing that the company's capital structure is balanced between debt and its own capital. Meanwhile, PBV has an average of 1,824.31 with a minimum value of 938.51 and a maximum of 2,592.49, indicating that Astra's shares are generally still valued higher than their book value. Overall, the three variables showed varied movements but were still in reasonable conditions for further analysis.

A. Classic Assumption Test

1) Normality Test

One-Sample Kolmogorov-Smirnov Test

			Unstandardized Residual
N			10
Normal Parameters[a,b]	Mean		.0000000
	Std. Deviation		287.8269291
Most Extreme Differences	Absolute		.142
	Positive		.142
	Negative		-.125
Test Statistic			.142
Asymp. Sig. (2-tailed)[c]			.200[d]
Monte Carlo Sig. (2-tailed)[e]	Sig.		.817
	99% Confidence Interval	Lower Bound	.807
		Upper Bound	.827

a. Test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

d. This is a lower bound of the true significance.

e. Lilliefors' method based on 10000 Monte Carlo samples with starting seed 299883525.

(Source : Spss 27 Data Results)

The normality test was carried out to find out whether the residual data from the regression model was normally distributed or not. Based on the results of the

Kolmogorov - Smirnov test, an Asymp value was obtained. Sig (2-tailed) is 0.200. Since this value is greater than 0.05, it can be concluded that the residual data is normally distributed. This means that the data in this study has met the basic assumptions needed to conduct regression analysis. This condition shows that the data distribution does not save significantly from normal distribution, so the results of subsequent statistical tests such as t-test, f-test, and determination coefficients are reliable. Thus, the model used in this study is considered feasible to analyze the influence of cash ratio and debt to equity ratio on price to book value at PT Astra International Tbk.

2) Multicollinearity Test

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients			95.0% Confidence Interval for B		Correlations			Collinearity Statistics	
		B	Std. Error	Beta	t	Sig.	Lower Bound	Upper Bound	Zero-order	Partial	Part	Tolerance	VIF
1	(Constant)	-3557.949	2036.119		-1.747	.124	-8372.605	1256.708					
	CR	1246.927	1508.493	.285	.827	.436	-2320.092	4813.945	-.660	.298	.149	.273	3.658
	DER	5667.154	1762.705	1.109	3.215	.015	1499.018	9835.290	.866	.772	.580	.273	3.658

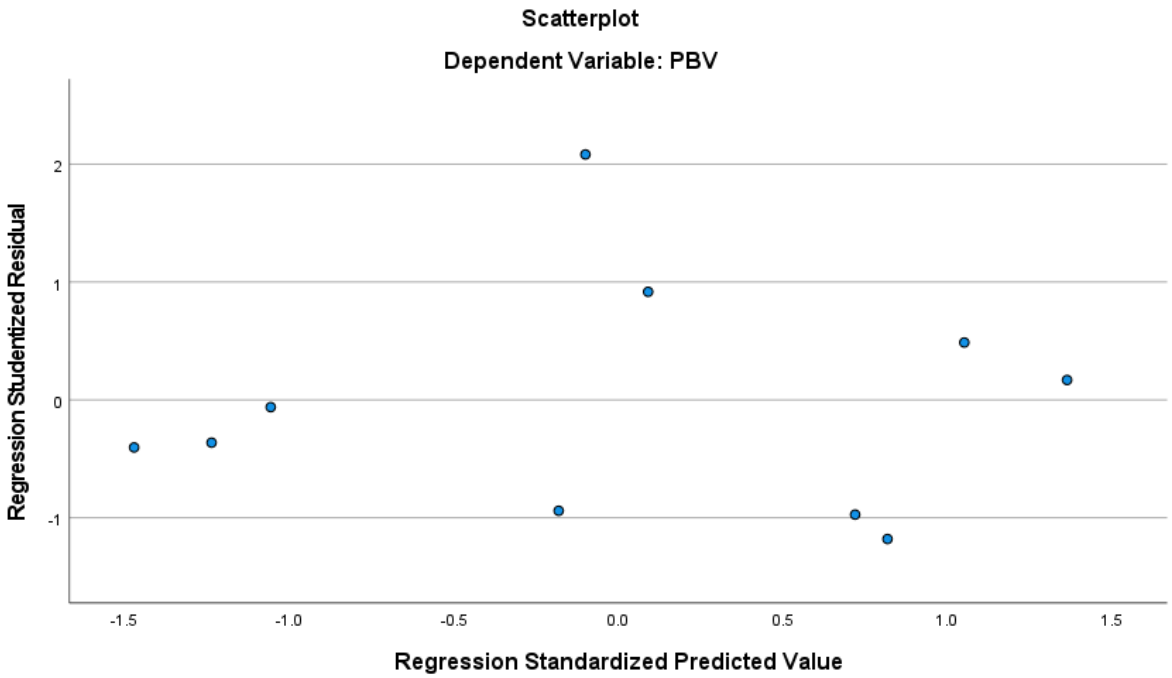
a. Dependent Variable: PBV

(Source : Spss 27 Data Results)

Variabel	Collinearity Statistics	
	Tolerance	VIF
Cash Ratio (CR)	0,273	3,658
Debt to Equity Ratio	0,273	3,658

Based on the Multicollineity Test above, it shows that the variables Cash Ratio (CR) and Debt to Equity Ratio (DER) have a Tolerance value of 0.273 (greater than 0.1) and a VID value of 3.658 (less than 10) respectively. From these results, it can be concluded that there is no multicollinearity in this study, because the two independent variables (CR and DER) do not have a high correlation with each other, so the regression model is feasible to be used to predict the dependent variable Price to Book Value (PBB) and meet the free assumption of multicollineity.

3) Autocorrelation Test



(Source : Spss 27 Data Results)

Based on the Autocorrelation Test, the results of the scatterplot graph autocorrelation show that the dots are scattered randomly and do not form a specific pattern, either linear patterns or other systematic patterns. The dots are scattered around the number 0 on the Y axis without showing a sequential or patterned pattern. This means that there is no autocorrelation in the regression model, so the model is suitable for further analysis.

4) Heteroscedasticity Test

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	-3557.949	2036.119		-1.747	.124
	CR	1246.927	1508.493	.285	.827	.436
	DER	5667.154	1762.705	1.109	3.215	.015

a. Dependent Variable: PBV

(Source : Spss 27 Data Results)

Based on the Heteroscedasticity Test, it can be seen that the variables Cash Ratio (CR) and Debt to Equity Ratio (DER) obtained a significance value of 0.015. Referring to the test criteria with a significance level of 0.05, the CR variable showed free from heteroscedasticity symptoms due to the value of sig, > 0.05. Meanwhile, the DER variable indicates the presence of heteroscedasticity symptoms in this research model due to the value of sig, < 0.05.

5) Autocorrelation Test

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.879[a]	.772	.707	326.36506	2.071

a. Predictors: (Constant), DER, CR

b. Dependent Variable: PBV

(Source : Spss 2 Data Results)

The results of the autocorrelation test with the Durbin Watson method showed a value of 2.072. This value is close to 2, which means that there is no positive or negative autocorrelation in the regression model. This shows that the relationship between the error (residual) of one observation and another observation is random and does not affect each other. Thus, the data of this study meet the classical assumptions of autocorrelation and the regression model used can be considered feasible for further analysis.

6) Regression Test

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients			Correlations			Collinearity Statistics	
		B	Std. Error	Beta	t	Sig.	Zero-order	Partial	Part	Tolerance	VIF
1	(Constant)	-3557.949	2036.119		-1.747	.124					
	CR	1246.927	1508.493	.285	.827	.436	-.660	.298	.149	.273	3.658
	DER	5667.154	1762.705	1.109	3.215	.015	.866	.772	.580	.273	3.658

a. Dependent Variable: PBV

(Source : Spss 27 Data Results)

Multiple regression tests were carried out to determine the direction and magnitude of the influence between independent variables, namely Cash Ratio (CR) and Debt to Equity Ratio (DER) on dependent variables, namely Price to Book Value (PBV). Based on the results of the analysis, the regression equation is obtained as follows:

PBV = -3357,949 + 1245,927 (CR) + 5667,154 (DER)

From the following results, it can be seen that the constant value of -3357.949 indicates that if the value of CR and DER is zero, then the PBV will be at the negative number. The regression coefficient for CR is positive 1246.927, which means that every increase in CR by one unit will increase PBV by 1246.927 units. Meanwhile, the regression coefficient of DER of 5667.154 is also positive, meaning that every increase in DER of one unit will increase PBV by 5667.154 units. Thus, both independent variables have a positive influence on the company.

B. Hypothesis Test

T (Partial) Cash Ratio Test

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	2909.934	462.222		6.296	<.001
	CR	-2887.276	1161.010	-.660	-2.487	.038

a. Dependent Variable: PBV

(Source : Spss 27 Data Results)

Based on the results of the t-test, a significant value for the Cash Ratio of 0.038 was obtained, which was smaller than 0.05. This shows that partially the Cash Ratio has a significant effect on the Price to Book Value (PBV). A calculated t-value of -2.487 indicates a negative direction of influence, so that when the Cash Ratio increases too high, PBV can actually decrease. This means that excess cash that is optimized for investment or expansion can reduce the attractiveness of the company in the eyes of investors.

Uji t (Parsial) Debt to Equity Ratio

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	-2012.243	789.547		-2.549	.034
	DER	4425.099	903.162	.866	4.900	.001

a. Dependent Variable: PBV

(Source : Spss 27 Data Results)

The results of the t-test for the Debt to Equity Ratio variable showed a significant value of 0.001, which is smaller than 0.05. Thus, DER has a significant effect on PBV. A calculated t-value of 4,900 and a positive coefficient of 4425,099 indicates that the higher the DER (as long as it is within reasonable limits), the greater the value of the company. This illustrates that the efficient use of debt is able to increase the value of the company in the eyes of investors.

Simultaneous F Test

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2528494.296	2	1264247.148	11.869	.006[b]
	Residual	745599.070	7	106514.153		
	Total	3274093.367	9			

a. Dependent Variable: PBV

b. Predictors: (Constant), DER, CR

(Source : Spss 27 Data Results)

The F test is used to see the effect of the Cash Ratio and Debt to Equity Ratio variables together on Price to Book Value. Based on the results of the ANOVA analysis, the F value was obtained with a significant value of 0.006, which is smaller than 0.05. This means that simultaneously, the Cash Ratio and Debt to Equity Ratio have a significant effect on the Price to Book Value of PT Astra International Tbk. In other words, changes in the company's value are not only influenced by one factor, but a combination of these two financial variables.

C. Determination Coefficient Test

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.879[a]	.772	.707	326.36506	2.071

a. Predictors: (Constant), DER, CR

b. Dependent Variable: PBV

(Source : Spss 27 Data Results)

The results of the determination coefficient test showed an R Square value of 0.772 and an Adjusted R Square of 0.707. This means that around 77.2% of the variation in Price to Book Value (PBV) can be explained by two independent variables, namely Cash Ratio and Debt to Equity Ratio. While the rest, which is 22.8%, is influenced by other factors outside the research model, such as Return on Assets (ROA), Earning per Share (EPS), or macroeconomic conditions. The high R^2 value indicates that this regression model has a strong ability to explain the relationship between the variables studied.

DISCUSSION

This section will explain the Cash Ratio, Debt to Equity Ratio and Price Book Value at PT Astra Internasional Tbk for ten (10) years from 2013 to 2022. The discussion is as follows:

The Effect of Cash Ratio on Price to Book Value

Based on the results of the t-test (partial), a significant value of 0.038 < 0.05 was obtained, meaning that the Cash Ratio has a significant effect on the Price Book Value (PBV). A t-count value of -2.487 indicates the direction of a negative relationship. So it can be concluded that the higher the Cash Ratio, the company's value can actually decrease.

This can happen because too much cash is not necessarily good. If cash is not used effectively, for example for investments or activities that generate profits, investors can judge the company as less productive. As a result, the value of the company decreases.

This result is in line with research by Anggraeni and Banani (2021) who stated that the level of liquidity does not always increase the value of the company because investors are more interested in seeing the company's profits and future prospects than the amount of cash they have.

The Effect of Debt to Equity Ratio on Price Book Value

The results of the t-test showed a significant value of 0.001 < 0.05 and t-count of 4.900 with a positive coefficient of 4425.099, meaning that the Debt to Equity Ratio (DER) had a positive and significant effect on the Price Book Value (PBV).

This means that if the company can manage its debt well, it can increase the company's value. The reasonable use of debt can help companies increase capital for profit-generating business activities. Investors can also see that the company is able to utilize debt efficiently.

This result is in accordance with the structural theory of capital, that the use of debt within reasonable limits can increase the value of the company because there are benefits from tax savings (tax shield). This result is also supported by research by Huatauruk, Zalukhu, and Colyn (2024) which shows that leverage has a positive effect on company value.

The Effect of Cash Ratio and Debt to Equity Ratio on Price Book Value

The simultaneous test (F test), obtained an f-calculation value of 11.869 with a significant 0.0006 < 0.05, means that the Cash Ratio and Debt to Equity Ratio together have a significant effect on the Price Book Value (PBV). So, the value of the company is not only influenced by one factor, but by a combination of the two.

The results of the R Square test of 0.772 showed that 77.2% of changes in company value could be explained by these two variables, the remaining 22.8% were influenced by other factors such as profit, company size, or economic conditions.

When viewed from the results of the partial test, the influence of DER is stronger than the Cash Ratio. Which means, the way a company manages debt is more concerned by investors than how much cash it has. Therefore, companies need to maintain a balance between debt and cash so that the company's value remains stable and attractive to investors.

CONCLUSION

a. Based on the results of the partial t-test, the Cash Ratio has a significant influence on the Price Book Value with a significance of 0.038 < 0.05. However, the direction of the influence is negative, meaning that the higher the Cash Ratio does not necessarily increase the value of the company. This can happen because too much cash without optimal utilization can reduce investor attraction. Investors are more concerned about how companies rotate their cash to make a profit, not just looking at the size of the cash they have.
b. The results of the t-test showed that the Debt to Equity Ratio had a positive and significant effect on PBV with a significance value of 0.001 < 0.05. This means that the more efficient the company, the company's value tends to increase. The use of controlled debt provides an opportunity for companies to increase investment and business activities, thereby encouraging an increase in stock prices.
c. The results of the F test showed a significance value of 0.006 < 0.05, which means that the two variables have a significant effect on the company's value. The R Square value of 0.772 indicates that 77.2% of the PBV change can be explained by the Cash Ratio and the Debt to Equity Ratio. This means that liquidity factors and capital structure are equally important in shaping investors' perception of a company's value, even though DER has a more dominant influence than CR.

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