THE EFFECT OF LIQUIDITY, LEVERAGE AND PROFITABILITY ON COMPANY VALUE

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Accepted by Editors: 22-09-2023 | Completed Revision: 19-10-2023 | Published: 20-10-2023

Abstract
This research was conducted with the aim of determining the effect of liquidity, leverage and profitability on company value in property and real estate sector companies listed on the Indonesia Stock Exchange for the 2017-2021 period. The population in this study was 85 companies. The sampling technique used was purposive sampling and obtained research samples of 22 companies. The analysis methods used are descriptive analysis and multiple linear regression analysis. The results showed that simultaneously liquidity, leverage and profitability have a positive and significant effect on the value of the company. And the test results partially show that liquidity has a positive and insignificant effect on the value of the company, leverage has a positive and significant effect on the value of the company, profitability has a positive and insignificant effect on the value of the company.

Keywords: Liquidity, Leverage, Profitability, Company Value.

1. Introduction

In today's competitive industrialization era, all companies need to continuously improve their competitiveness. With increasing competition in domestic and international markets, companies must be able to maintain or gain a competitive advantage by concentrating fully on their financial operations and activities (Kusumah, 2018). The main goal of the company is to achieve the highest possible profit, by prospering its owners and investors to increase the value of the company. The goals of a company do not differ much, but what is different is only the company's emphasis according to the company's ideals (Dewi &; Sujana, 2019).

Company value is the value of all assets, both the value of operational and non-operational physical assets (Prawoto, 2016: 21). Company value is an investor's view of the success of a company and is often associated with its stock price, so that if the stock price is high, the company's value will also increase (Irawan &; Kusuma, 2019). When referring to the company's capital structure, then company value also means the value of the company's entire capital structure, that is, fair market value. The value of the company is determined solely on the basis of investment decisions. This point of view of investment decisions can be interpreted as important, because only through investment activities can the company's goal of maximizing shareholder welfare be achieved. Financial decisions can maximize company value so that they can increase the wealth of company owners and shareholders (Amalia, 2021).

Some factors that affect the value of the company include liquidity, leverage, and profitability. The first factor affecting the value of a company is liquidity. Liquidity is defined as a description of the company's ability to fulfill its short-term obligations smoothly and on time so that liquidity is often referred to as short-term liquidity. Liquidity

can be used to measure the company's ability to meet short-term financial obligations, both obligations to finance the production process and company exit obligations (Fahmi, 2017: 87). Liquidity is the speed and ease of assets that can be converted into cash. Liquidity is more focused on the company's ability to fulfill its obligations so that in this case the company has sufficient internal funds to pay its operational costs (Barnades &; Suprihhadi, 2020).

In addition to liquidity, the next factor that can affect a company's value is leverage. The leverage ratio is a ratio to measure how much a company is financed with its long-term debt. The use of debt that is too high will endanger the company because the company will fall into the category of extreme leverage (extreme debt), where the company is trapped in a high level of debt and it is difficult to release the debt burden. Therefore, companies should consider how much debt is worth taking and from which source of funds can be used to pay the debt (Fahmi, 2017: 127). Leverage can be understood as an estimator of the risks inherent in the company, in general investors avoid companies that have high leverage because the higher the leverage ratio, the higher the risk that will be charged, especially if the company cannot fulfill its obligations in a timely manner that can cause the company's value to decrease (Hery, 2017).

The next factor is profitability. The profitability ratio is a ratio that assesses the company's ability to obtain maximum profit or profit, where by achieving maximum profit in accordance with its goals, the company can do much to improve the welfare of owners and employees, as well as improve the quality of products and services for new investment (Kasmir, 2017: 196). Profitability is the amount earned by deducting losses on production costs, miscellaneous expenses and losses on business revenues or profits. In addition, the interpretation of profitability is the excess of income over expenses for the reporting period (Paulina, 2019).

2. Theoretical Background

Signalling Theory

Signal theory is used to understand an action by management in conveying information to investors which in turn can change investor decisions in looking at the company's condition. Signal theory can generally be interpreted as a signal from a company to investors. The signal format sent is the positive or negative signal format. Information held by companies is very important to outsiders because it is used to make investment decisions. External parties need complete and accurate information (Suganda, 2018: 15).

Signalling Theory suggests how a company should signal to users of financial statements. This signal is in the form of information about what has been done by management to realize the wishes of the owner. Signals can be promotions or other information stating that the company is better than other companies. Financial data and announcements about the company's situation that investors hear are treated and interpreted as good news or bad news (Ratnasari, et al., 2017).

Signalling theory is described as encouraging companies to provide information in a timely manner so that there is no information asymmetry between company executives and outside parties. Information asymmetry arises because company management knows more information about the company than outsiders. Information asymmetry can be reduced by providing signals to shareholders in the form of disclosure of financial information via the internet and establishing an internal control structure to prepare financial statements in accordance with investor wishes (Idawati &; Dewi, 2017).

The reason for using signalling theory in this study is because companies must provide positive signals by conveying information about reliable financial statements to investors to dispel investor doubts about company performance, as well as change investors' decisions to invest and give confidence to the company. The trust given by investors will increase the stock price so that it will increase the value of the company.

Theoretical Framework

In this study, the dependent variable is the value of the company and independent variables or variables that are thought to affect the value of the company by researchers include Liquidity, Leverage and Profitability. The following researchers outline a theoretical framework in the form of the relationship of Liquidity, Leverage and Profitability to Company Value.

The Effect of Liquidity on Company Value

Liquidity is a ratio that describes a company's ability to meet its short-term obligations or obligations that are less than one year old. Where the higher the level of liquidity, the value of the company increases. Vice versa, the lower the level of liquidity, the value of the company decreases. High liquidity indicates that assets are easily liquidated to meet their obligations. In addition, liquidity is used as a reference for a corporate organization in making decisions. Companies that have a high level of liquidity will be responded well by external parties such as investors, creditors and suppliers because they are considered to have good company performance. That way, the demand for shares will increase which also increases the value of the company.

The Effect of Leverage on Company Value

Leverage is a ratio that measures the amount of funding made by a company to meet its operational needs or how much assets are financed with funding from outside parties (long-term debt). Companies that require large amounts of funding to meet operational needs in developing their business, then the company must make debts to creditors to get these funds. However, companies that have a high level of leverage will reduce investor confidence in the company because it is feared that the debt cannot be met with existing assets or capital. So, the higher the leverage, the higher the level of risk and causes the company's value to decrease.

The Effect of Profitability on Company Value

Profitability is a ratio that describes a company's ability to make a profit. A higher level of profitability will give investors' confidence to invest in companies where investors assume that with high profits, they will get maximum returns. That way, positive signals from investors make the stock price increase which will be in line with

Hypothesis Development

Based on the theoretical framework above, the following research hypothesis can be put forward.

H1 : Liquidity has a positive and significant effect on Company Value
H2 : Leverage has a negative and significant effect on Company Value
H3 : Profitability has a positive and significant effect on Company Value

3. Methods

Research methods are scientific ways of obtaining data with specific purposes and uses. The scientific way means that research activities are based on scientific characteristics, namely rational, empirical and systematic. Rational means that the research activity is carried out in a reasonable way, so that it is affordable by human reasoning. Empirical means that the ways in which it is carried out can be observed by the human senses, so that others can observe and know the means used. Systematic, meaning that the process used in the study uses certain steps that are logical (Sugiyono, 2021: 2).

The research method used in this study is quantitative method. Quantitative methods are research methods based on positive philosophy, used to examine certain populations or samples, data collection using research instruments, quantitative/statistical data analysis (data in the form of numbers) with the aim of testing hypotheses that have been determined (Sugiyono, 2021: 16).

The data analysis technique used is a descriptive analysis technique. Descriptive analysis techniques are statistics used to analyze data by describing or describing the data that has been collected as it is without intending to make generalized conclusions or generalizations (Sugiyono, 2021: 206). Descriptive analysis techniques in this study are used to analyze and describe each variable under study, namely liquidity, leverage, profitability and company value, as well as to find out the relationship between variables so that the hypothesis proposed is appropriate or not.

Unit Analysis

The unit of analysis is all things that are examined to get a brief explanation of the entire unit analyzed, this unit of analysis is usually also referred to as the observation unit (Morissan, 2017: 166). The unit of analysis in this study is the financial statements and annual reports of all property and real estate sector companies listed on the Indonesia Stock Exchange during the 2017-2021 period. Population is a generalized area consisting of objects or subjects that have certain quantities and characteristics determined by researchers to be studied and drawn conclusions (Sugiyono, 2021: 126). The population in this study is all property and real estate sector companies listed on the Indonesia Stock Exchange (IDX) in the 2017-2021 period.

4. Results and Discussion

Table 1. Descriptive Statistical Results

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
QR	110	.051	6.934	1.11124	1.296203
DER	110	-21.058	2.841	.45918	2.397759
NPM	110	-3.066	2.487	-.07830	.749617
PBV	110	-.969	.816	.34240	.200605
Valid N (listwise)	110				

Source: SPSS Output (Processed Data, 2022)

Based on the results of descriptive statistical analysis in the table above, it can be seen that the number of samples (N) was 110 samples in the observation period for 5 years, namely from 2017 to 2021. The explanation of the results of descriptive statistical analysis is as follows.

1. The liquidity variables in property and real estate sector companies listed on the Indonesia Stock Exchange for the 2017-2021 period that have been studied have a minimum value of 0.051, a maximum value of 6.934, an average value of 1.11124 and a standard deviation of 1.296203.
2. The variable leverage in property and real estate sector companies listed on the Indonesia Stock Exchange for the 2017-2021 period that has been studied has a minimum value of -21.058, a maximum value of 2.841, an average value of 0.45918 and a standard deviation of 2.397759.
3. The variable profitability in property and real estate sector companies listed on the Indonesia Stock Exchange for the 2017-2021 period that has been studied has a minimum value of -3.066, a maximum value of 2.487, an average value of -0.07830 and a standard deviation of 0.749617.
4. The variable company value in property and real estate sector companies listed on the Indonesia Stock Exchange for the 2017-2021 period that has been studied has a minimum value of -0.969, a maximum value of 0.816, an average value of -0.34240 and a standard deviation of 0.200605.

Table 2. Correlation Analysis Results

Correlations

		QR	DER	NPM	PBV
QR	Pearson Correlation	1	.022	.084	.132
	Sig. (2-tailed)		.821	.380	.169
	Sum of Squares and Cross-products	183.135	7.407	8.948	3.739
	Covariance	1.680	.068	.082	.034
	N	110	110	110	110
DER	Pearson Correlation	.022	1	-.043	.670**
	Sig. (2-tailed)	.821		.656	.000
	Sum of Squares and Cross-products	7.407	626.668	-8.406	35.123
	Covariance	.068	5.749	-.077	.322
	N	110	110	110	110
NPM	Pearson Correlation	.084	-.043	1	.018
	Sig. (2-tailed)	.380	.656		.849
	Sum of Squares and Cross-products	8.948	-8.406	61.250	.301
	Covariance	.082	-.077	.562	.003
	N	110	110	110	110
PBV	Pearson Correlation	.132	.670**	.018	1
	Sig. (2-tailed)	.169	.000	.849	
	Sum of Squares and Cross-products	3.739	35.123	.301	4.386
	Covariance	.034	.322	.003	.040
	N	110	110	110	110

**. Correlation is significant at the 0.01 level (2-tailed).

Source: SPSS Output (2022)

Based on the table above, it can be concluded that the results of the correlation coefficient between the variables of liquidity, leverage, profitability and company value are as follows.

1. The value of the correlation coefficient of liquidity to company value is 0.132, which

means that liquidity has a positive correlation relationship with a very low level of relationship to company value. Based on the correlation table of Sig. (2-tailed) value between liquidity and company value is 0.169, which means greater than the probability value of 0.05 or 0.169 > 0.05, it can be concluded that there is no significant correlation between liquidity and company value.

2. The value of the correlation coefficient of leverage to company value is 0.670, which means that leverage has a positive correlation with the level of strong relationship to company value. Based on the correlation table of Sig. (2-tailed) value between leverage and company value is 0.000, which means smaller than the probability value of 0.05 or 0.000 < 0.05, it can be concluded that there is a significant correlation between leverage and company value.
3. The value of the correlation coefficient of profitability to company value is 0.018, which means that profitability has a positive correlation relationship with a very low level of relationship to company value. Based on the correlation table, the value of Sig. (2-tailed) between profitability and company value is 0.849, which means greater than the probability value of 0.05 or 0.849 > 0.05, it can be concluded that there is no significant correlation between profitability and company value.

Classical Assumption Test

Multicolonicity Test

Table 3. Multicolonicity Test Results

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.298	.019		15.629	.000		
	QR	.018	.011	.114	1.599	.113	.992	1.008
	DER	.056	.006	.669	9.396	.000	.998	1.003
	NPM	.010	.019	.037	.523	.602	.991	1.009

a. Dependent Variable: PBV

Source: SPSS Output (2022)

Based on the table above, it can be concluded that the tolerance value of all independent variables > 0.1, where the tolerance value of liquidity is 0.992, the tolerance value of leverage is 0.998 and the tolerance value of profitability is 0.991. Then, the Variance Inflation Factor (VIF) value of all variables < 10, where the Variance Inflation Factor (VIF) value of liquidity is 1.008, the Variance Inflation Factor (VIF) value of leverage is 1.003 and the Variance Inflation Factor value (VIF) of profitability is 1.009. That way, from these results it can be stated that in this study there was no multicolonicity.

Autocorrelation Test

Table 4. Autocorrelation Test Results

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.681[a]	.464	.449	.148941	1.149

a. Predictors: (Constant), NPM, DER, QR

b. Dependent Variable: PBV

Source: SPSS Output (2022)

Based on the table above, it can be seen that the value of Durbin Watson (DW) is 1.149. Furthermore, the value will be compared with a table value with a significance of 5% and the number of samples (N) as many as 110 from independent variables totaling 3 (k = 3), then obtained a dL value of 1.6336 and a dU value of 1.7455. Durbin Watson (DW) values are between 0 and dL values of 0 < 1.149 < 1.6336, meaning that there is no positive autocorrelation in this study.

Heteroscedasticity Test

Table 5. Heteroscedasticity Test Results

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.127	.011		11.524	.000
	QR	-.009	.006	-.136	-1.422	.158
	DER	.004	.003	.104	1.093	.277
	NPM	.012	.011	.108	1.123	.264

a. Dependent Variable: ABS_RES

Source: SPSS Output (2022)

Based on the table above, it can be concluded that in this glacier test all independent variables show a significance value greater than 0.05, namely a liquidity significance value of 0.158 (0.158 > 0.05), a leverage significance value of 0.277 (0.277 > 0.05) and a profitability significance value of 0.264 (0.264 > 0.05). That is, there was no heteroscedasticity in this study.

Normality Test

Table 6. Normality Test Results

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		110
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	.14687722
Most Extreme Differences	Absolute	.078
	Positive	.078
	Negative	-.049
Test Statistic		.078
Asymp. Sig. (2-tailed)		.094[c]

a. Test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

Source: SPSS Output (2022)

Based on the table above, it can be concluded that the data is declared normally distributed because the significance values are 0.094 > 0.05.

Hypothesis Testing
Multiple Linear Regression Analysis
Table 7. Multiple Linear Regression Analysis Results

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.298	.019		15.629	.000
	QR	.018	.011	.114	1.599	.113
	DER	.056	.006	.669	9.396	.000
	NPM	.010	.019	.037	.523	.602

a. Dependent Variable: PBV

Source: SPSS Output (2022)

Based on the table above, it can be seen that the equation of multiple linear regression models is seen as follows.

$$Y = 0.298 + 0.018X1 + 0.056X\ 2 + 0.010X3$$

From these equations, it can be explained that:

1. The constant value is 0.298 which means that if the independent variables namely liquidity, leverage and profitability are considered constant (value 0), then the dependent variable is the value of the company will be 0.298.
2. The regression coefficient value of liquidity (X 1) is 0.018 which means that if the liquidity variable (X 1) increases by one unit with another variable considered constant (value 0), then the company value variable (Y) will increase by 0.018.
3. The regression coefficient value of leverage (X2) is 0.056 which means that variable leverage (X2) increases by one unit with another variable considered constant (value 0), then the variable value of the company (Y) will increase by 0.056.
4. The regression coefficient value of profitability (X 3) is 0.010 which means that if the profitability variable (X 3) increases by one unit with another variable considered constant (value 0), then the company value variable (Y) will increase by 0.010.

F Statistical Test (Simultaneous)
Table 8. Statistical Test Results F (Simultaneous)

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2.035	3	.678	30.578	.000[b]
	Residual	2.351	106	.022		
	Total	4.386	109			

a. Dependent Variable: PBV

b. Predictors: (Constant), NPM, DER, QR

Source: SPSS Output (2022)

Based on the table above, it can be seen that thecalculated F value is 30.578 and the significance value is 0.000 which means it is smaller than 0.05 or 0.000 < 0.05. Thus, it can be concluded that Ho is rejected and Ha is accepted which means liquidity, leverage and profitability together have a significant effect on the value of the company

Statistical Test t (Partial)

Table 9, Statistical Test Results t (Partial)

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.298	.019		15.629	.000
	QR	.018	.011	.114	1.599	.113
	DER	.056	.006	.669	9.396	.000
	NPM	.010	.019	.037	.523	.602

a. Dependent Variable: PBV

Source: SPSS Output (2022)

Based on the table above, it can be explained that:

1. Liquidity shows acalculated t value of 1.599 with a significance value of 0.113 and greater than 0.05 or 0.113 > 0.05. So, it can be concluded that Ho is accepted and H1 is rejected which means that liquidity has a positive and insignificant effect on the value of the company, where if the value of liquidity increases, the value of the company also increases but not significantly.
2. The leverage shows a calculated t value of 9.396 with a significance value of 0.000 and is less than 0.05 or 0.000 < 0.05. So, it can be concluded that Ho is rejected and H2 is accepted which means that leverage has a positive and significant effect on the value of the company, where if the value of leverage increases, the value of the company also increases significantly.
3. Profitability shows acalculated t value of 0.523 with significance value of 0.602 and greater than 0.05 or 0.602 > 0.05. So, it can be concluded that Ho is accepted and H3 is rejected which means that profitability has a positive and insignificant effect on the value of the company, where if the value of profitability increases, the value of the company will increase but not significantly.

Coefficient of Determination Test

Table 10. Coefficient of Determination Test Results

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.681[a]	.464	.449	.148941

a. Predictors: (Constant), NPM, DER, QR

b. Dependent Variable: PBV

Source: SPSS Output (2022)

Based on the table above, it can be seen that the value of the coefficient of determination (R Square) is 0.464, meaning that the influence of the independent variable on the dependent variable is 46.4%, while the remaining 53.6% is influenced by variables other than liquidity, leverage and profitability.

5. Conclusion

Liquidity, leverage and profitability together have a positive and significant effect on company value in property and real estate sector companies listed on the Indonesia Stock Exchange for the 2017-2021 period. This means Together, the variables of liquidity,

leverage and profitability can affect the value of the company, where if these variables rise, the value of the company also rises.

Liquidity has a positive and insignificant effect on company value in property and real estate sector companies listed on the Indonesia Stock Exchange for the 2017-2021 period. This means that individual liquidity can affect the value of the company. If the liquidity value is high, the company's value will increase, but the high liquidity value does not solely make investors believe in investing their capital because there are many other factors that can affect the company's value that must be considered again. Therefore, the effect of liquidity on company value is not significant.

Leverage has a positive and significant effect on company value in property and real estate sector companies listed on the Indonesia Stock Exchange for the 2017-2021 period. This means that individual leverage can affect a company's value. If the leverage value is high, the company's value will also increase because the funding carried out will maximize the company's operational activities and will reduce the tax burden to be paid. Therefore, the effect of leverage on company value is significant.

Profitability has a positive and insignificant effect on company value in property and real estate sector companies listed on the Indonesia Stock Exchange for the 2017-2021 period. This means that individual profitability can affect the value of the company. If the profitability value is high, then the value The company will increase, but a high profitability value does not mean sales increase because it could be from reducing costs. Therefore, the value of profitability cannot be used as a full reference in assessing the company, which causes the effect of profitability on the value of the company is not significant.

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