THE EFFECT OF LIQUIDITY AND PROFITABILITY ON COMPANY VALUE (Study on consumer goods industry sector companies in the food and beverage sub-sector listed on the IDX in 2018-2019)

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Abstract. *This study aims to determine whether liquidity and profitability influence firm value. The data used in this study is secondary data where this secondary data is taken from the financial statements of companies in the consumer goods industry sector in the food and beverage sub-sector listed on the IDX in 2018-2019. This research uses descriptive analysis method, linear regression, and significant test.*
The results of this study indicate that liquidity has an influence on firm value in the consumer goods industry sector in the food and beverage sub-sector. Same thing with profitability. Profitability influences firm value. And after conducting the simultaneous test, liquidity, and profitability influence firm value, but not significant.
Keyword*: liquidity, profitability, company value*

INTRODUCTION

In general, the purpose of creating a company is to provide or increase the prosperity of the company owner. It takes wise and solid management to achieve these goals. Company value is a clear picture to see the level of prosperity that shareholders have, which can be provided by the company. Increasing company value is a long-term goal that any existing company wants to achieve because this company value is one of the factors for investors to be interested in investing their money in the company. Many factors can influence a company's value. For companies producing goods as an example. The management of the company must be able to innovate, and think broadly but directed so that all operational activities in the company can run well so that all existing assets, liabilities, and capital can be maximized properly.

An increase in company value can occur if the company's performance is running effectively. Liquidity is one of the things that investors pay attention to before investing the money they have. Munawir (2013) states that this liquidity ratio is considered by many parties such as banks, short- term creditors, investors, and even companies themselves. He further said this is useful to see the performance and readiness of companies to pay their obligations. In this study, the formula used by the author is the current ratio. Namely, current assets are reduced by current liabilities. This is to see the ratio of current assets owned to current liabilities owned. And this can be a picture of whether the company's management has made thorough studies or judgments before deciding to use assets, debt, and all other aspects owned by the company itself.

Profitability is one of the main goals of the company. The purpose of the company is made to obtain the maximum profit with the least possible capital where these profits can be used for many things external and internal to the company. So through the profits or benefits obtained by the company, the company can expand its business and can increase the passion and value of the company. The sale of the

company's products is the source of the company's profits. So it can be said, if sales increase, the profits to be obtained will be even greater. In this study, the formula to be used is ROA (return on assets). Namely, earnings after tax divided by total assets. This is to see the comparison between the profits obtained by the company and the total assets owned by the company.

The author found one case faced by the company where this case discusses the value of the company. The Apple company is one of the most mature and well-known electronics companies in the world. Fauzia (2019) reported that Apple experienced a 10% decline in company value and lost 450 billion US dollars in company value on the US stock market in just 2 months. Previously, the Apple company market price could touch a value of 1.1 trillion US dollars, but in the first quarter of 2019, the market price of the Apple company was only 700 billion US dollars. Apple explained that this significant decline in company value was influenced by a significant decrease in company revenue. The management stated that they would control their financial situation and the market situation so that the company management could find solutions so that the company would get a turning point from the decline that had occurred.

On the description of the case above, the authors are interested in making research on "The effect of liquidity and profitability on firm value". The author will focus on liquidity, profitability, company value in the consumer goods industry sector in the food and beverage subsector listed on the IDX in the 2018-2019 period and see how liquidity and profitability affect company value in that sector company.

LITERATUTE REVIEW

Liquidity.

Liquidity is one of the factors that are highly considered by internal and external parties of the company. This liquidity ratio can help many parties to assess the company's financial health condition. Kasmir (2013) states that liquidity is a ratio that can describe the level of a company's ability to meet current liabilities. While Munawir (2013) states that a company can be said to be healthy if the company can fulfill its obligations on time. It can be said that a company is healthy if it has a good liquidity ratio. When the borrower collects obligations from the company, the company can immediately fulfill it. The company can also be said to be healthy if the management can fulfill the predetermined interest and dividends. This liquidity is very functional and beneficial for internal and external parties of the company. As consideration for making decisions for the short and long term.

There are many ways or formulas to measure the value of the liquidity ratio. Some of them have the current ratio and the quick ratio. Fahmi (2014) explains that this current ratio is a measure used to assess how ready a company is to pay the company's short-term debt when it matures. Sawir (2003) explains that this current ratio is a measure of a company's ability to meet short- term liabilities by using the company's current assets.

Profitability.

Profitability is a tool to measure a company's ability to generate profits. Profitability is the company's ability to make a profit through sales, total assets, and capital owned by the company either through company owners or investors. Waluyo (2015) states that profitability is the addition of the equity value of shareholders that occurs because the company is successful in business operations. And according to Brigham & Ehrhardt (2002), profitability is the net profit obtained by the company from the policies and decisions made by the company. Brigham and Houston (2010) say that this profitability ratio can be a measuring factor for how effective the company's management is in managing all the resources owned by the company.

According to Hery (2015) that the purpose and benefits of this profitability ratio are to see and measure the company's performance capabilities from previous periods. Sudana (2011) explains there are 4 types of profitability. One of them is Return on Assets (ROA). In this study, the authors will focus on this ROA. Where the ROA formula is Return on assets = Net income / total assets. Where the company's net profit will be compared with the company's total assets. This is to see how effective the company's activities and management are.

The value of the company.

The company value can also be a basis for an assessment to see whether the company has good prospects for investment by investors. And also, through this company value, we can see whether the shareholders or owners of the company get added value from the company. Hery (2017) states that the purpose of forming a company is to increase the wealth or prosperity of the company owner or shareowners by increasing the value of the company. The value of the company is often associated with the share price of the company. Purnaya (2016) states that the value of the company describes the selling price of the company itself.

High corporate value is the hopes and desires of shareholders and the owner of the company itself. Because with high company value, it will increase their wealth and prosperity. There are many forms of assessment of company value, one type of company value according to Aziz, Mintarti, & Nadir, M (2015) is book value. It is said that the book value per share can be used to see the capital provided by the shareholders and to see the value of the shares per share by dividing the total shares by the number of shares outstanding. To measure company value, Fahmi (2012) explains that there are many ways to measure company value. One of them is Earning Per Share (EPS). EPS is useful for seeing the income to be obtained from each share that will be given to shareholders based on the number of shares owned by the shareholders.

RESEARCH METHODS

The research method used in this study is utilizing the secondary data in which the authors review the annual financial statements of companies listed on the IDX. The

author sees and collects the required data through the financial statements of these companies and documents all the data needed for this research. The author also reads several books to analyze previous research related to this research. In this study, the authors chose 15 companies in the food and beverage sub-sector consumer goods industry that registered their financial statements on the IDX where the authors saw whether these companies had IPOs, and made annual financial reports in rupiah exchange rates. Then it meets the classification for financial reports (2018-2019) listed on the IDX, namely 1). Tri Banyan Tirta Tbk; 2). Campina Ice Cream Industry Tbk; 3). Wilmar Cahaya Indonesia Tbk; 4). Sariguna Primatirta Tbk; 5). Wahana Interfood Nusantara Tbk; 6). Delta Djakarta Tbk; 7). Sentra Food Indonesia Tbk; 8). Garudafood Putra Putri Jaya Tbk; 9). Buyung Poetra Sembada Tbk; 10). Indofood Sukses Makmur Tbk; 11). Mulia Boga Raya Tbk; 12). Prashida Aneka Niaga Tbk; 13). Palma Serasih Tbk; 14). Siantar Top Tbk; 15). Ultrajaya Milk Industry and Trading Company Tbk.

In this research, the writer uses the descriptive method, which is the method used to see the relationship and cause and effect of the object under study. This study uses quantitative data, and this study is to determine the impact of liquidity and profitability on firm value. This research literature data is obtained from various literature sources such as books, journals, and other types related to the variables in this study.

The population used in this study is the consumer goods industry sub-sector companies listed on the IDX for the 2018-2019 period. The sample of this study is 15 of the many companies listed in the consumer goods industry subsector companies. Where this sample uses purposive sampling in sampling data.

To analyze data, the authors used several statistical tests to see the relationship between liquidity and profitability on firm value. Among them, the authors conducted a descriptive statistical analysis test, correlation coefficient analysis, determination coefficient analysis, classical assumption test (normality test, heteroscedasticity test, multicollinearity test, autocorrelation test), multiple regression analysis tests, hypothesis test (partial test (t-test), simultaneous (F test)). All tests conducted by the author used data obtained from the IDX and processed using SPSS software.

Sugiyono (2015) states that descriptive statistics are statistics that are useful for analyzing data in a descriptive form to provide an overview and conclusions on obtained data that is easy and generally accepted for the general public. The formula used is:

$$X = \frac{(\Sigma Xi)}{(n)}$$

Where:

Xi = fixed value of data

X = average count (mean)

n = Amount of data

Correlation Coefficient Analysis.

This test aims to see whether or not there is a relationship between variables and to assess the level of closeness of the relationship between these variables. Sugiyono (2016) states that the strength of the relationship between these variables is measured by indicators of strong, weak, and not strong. And this relationship is also measured by positive linear correlation (unidirectional relationship) or negative linear (related in another direction). The formula for the correlation coefficient is as follows:

$$r = \frac{n(\sum XY) - (\sum X).(\sum Y)}{\sqrt{\{n.\sum X^2 - (\sum X)^2\}.\{n.\sum Y^2 - (\sum Y)^2\}}}$$

Analysis of the coefficient of determination.

The coefficient of determination is useful for seeing how much the independent variable can explain the dependent variable. The greater the coefficient of determination, the better the independent variable's ability to explain the dependent variable. The formula for the coefficient of determination is as follows:

Kd = r2 x 100%

Classic assumption test.

This test is useful to see whether the existing linear regression model is feasible or not. In this test, the writer will use four classical assumption test methods, namely the normality test, heteroscedasticity test, multilcolonierity test, and autocorrelation test. Normality tests to see whether the data distribution is normally distributed or not. In this test, the guideline for decision making for this test is that if significant> 0.05, the data is called normal, and if significant <0.05, the data is called abnormal. Ghozali (2012) states that heteroscedasticity is the inequality of the variance from one residual observation to another. This test is used to see whether the deviation regression model is constant or not. Multicolonierity test aims to test whether the regression model correlates with independent variables. A good regression model should not correlate with independent variables. The autocorrelation test aims to test whether the regression model correlates with the confounding error in the t-period and the confounding error in the t-1 period (previous).

Simple Regression Analysis Test.

Riduwan (2014) says that simple regression analysis is a systematic estimate of what will happen in the future based on data and information obtained from the past and now is the time to correct mistakes so that existing mistakes from the past can be minimized. The formula used is:

$$\hat{Y} = \alpha + bX$$

Y = Subject dependent variable

X = independent variable that has value a = constant value

b = value of direction as a determinant of the forecast
Multiple Regression Analysis Test.

This analysis is the development of a simple regression analysis. Its use is to predict the value of the dependent variable if there are two or more independent variables. The formula used is:

$$Y = a + b_1X_1 + b_2X_2$$

Y = company value a = constant number
X1 = liquidity
X2 = profitability

Hypothesis testing.

There are two tests in this hypothesis test, namely partial test (t-test) and simultaneous test (F test). A partial test is used to test how much influence the independent variable is used to partially explain the dependent variable. The formula used is:

$$t = \frac{r\sqrt{n-2}}{\sqrt{1-r^2}}$$

r = partial correlation coefficient
t count = t value
n = amount of data

and the simultaneous test is useful for knowing whether the independent variables together have a significant effect on the dependent variable. The formula for calculating this simultaneous test is:

$$F = \frac{R^2/k}{\frac{n-R^2}{n-k-1}}$$

R = value of multiple correlation coefficient n = amount of data
k = number of independent variables

RESULT AND DISCUSSION

Liquidity in the food and beverage sub-sector company.

The results of the data processing carried out by the author, the authors found that the Current Ratio variable has an average value (Mean) of 3.0355 with a minimum value of 0.68 and a maximum value of 12.63 and has a deviation of 3.04574. So it can be interpreted that an average of Rp. 1 current debt from 15 companies in the food and beverage industry subsector is guaranteed by Rp. 3,0355 current assets. Subramanyam (2017) explains that a good ratio for the current ratio is 1: 2, where 1 current debt can be guaranteed by 2 current assets of the company. So referring to this theory, it can be

concluded that the average company has a good CR, although several companies have a CR value below 2: 1.

Profitability in the food and beverage sub-sector companies.

The results of data processing conducted by the author, the authors found that the Return on Assets variable has an average (Mean) of 0.1936 with a minimum value of -0.06 and a maximum value of 1.91 and has a deviation of 0.43293. Zulbiandi (2016) explains that a good ROA ratio for a company is between 15% -20%. So referring to this theory, it can be concluded that the average company has a fairly good ROA which has a ratio of 19.36% even though there are companies that experience a loss of 6%.

Firm Value in the food and beverage subsector company.

The results of data processing conducted by the author, the authors found that the Book Values per Shares variable has an average (Mean) of 782.6578 with a minimum value of 0.17 and a maximum value of 6173.10 and it has a deviation of 1490.43208. Book values per share are the value of the shares per share. Of the 15 companies in the food and beverage sub-sector studied by the author, these companies have a fairly good share value per share with an average of Rp. 782.6578 per share, although there are companies that have very little value.

Effect of liquidity on firm value.

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.141[a]	.020	-.015	1501.56291

Predictors: (Constant), Liquidity
Dependent Variable: BVS

Based on the table above, the researcher found that the R square correlation value is 0.020 which explains that the contribution of liquidity to firm value is 2% and the remaining 98% is influenced by other factors not examined in this study.

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	992.770	390.364		2.543	.017

Likuiditas	-69.218	91.549	-.141	-.756	.456

a. Dependent Variable: BVS

Based on the table above, the authors find that there is a significant value between liquidity and firm value, which is 0.456> 0.05. It can be concluded that liquidity has no significant effect on firm value.

Effect of profitability on firm value.

Coefficientsa

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	860.335	302.167		2.847	.008
	Profitability	-401.156	646.172	-.117	-.621	.540

a. Dependent Variable: BVS

Based on the analysis of data, that the R square correlation value was 0.117 and significant level between profitability and firm value is 0.540> 0.05. Means that the contribution of profitability to firm value was 11.7% and the profitability does not have a significant effect on firm value.

Effect of liquidity and profitability on firm value.

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.195[a]	.038	-.033	1514.97550	1.178

a. Predictors: (Constant), Profitability, Liquidity

b. Dependent Variable: BVS

Based on the correlation test table above, the authors found that the correlation value between X1 and X2 against Y, namely liquidity and profitability on firm value, found that the R-value was 0.195, which means that liquidity and profitability had a relationship with firm value even though it was low. And the value of R square is 0.038 or 3.8% where liquidity and profitability have a contribution of 3.8% and the rest is influenced by other factors.

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1106.879	425.242		2.603	.015
	Liquidity	-77.100	93.028	-.158	-.829	.414
	Profitability	-465.737	654.472	-.135	-.712	.483

a. Dependent Variable: BVS

Based on the table above, it shows that the liquidity value is 0.414> 0.05 and profitability is 0.483> 0.05, it can be concluded that this research model does not experience heteroscedasticity symptoms, which means that these data can be examined.

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2451174.911	2	1225587.455	.534	.592[b]
	Residual	61969070.548	27	2295150.761		
	Total	64420245.458	29			

a. Dependent Variable: BVS

b. Predictors: (Constant), Profitability, Liquidity

Based on the table above shows the F value of 0.534, the number of independent variables = 2, and the number of samples = 30. The significant value is 0.592> 0.05. Because the significant value is greater than 0.05, it can be concluded that liquidity and profitability together have no simultaneous effect on firm value.

The results of multiple linear regression tests of liquidity and profitability on firm value.

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1106.879	425.242		2.603	.015
	Liquidity	-77.100	93.028	-.158	-.829	.414
	Profitability	-465.737	654.472	-.135	-.712	.483

a. Dependent Variable: BVS

The variable equation based on the results of the multiple regression test above is: Firm value = 1106,879 - 77,100 liquidity - 465,737 profitability. The value that shows the number 1106,879 means that if the liquidity and profitability variables are zero, then the company value is 1106.879. For the liquidity variable, -77,100 means that

with every increase in liquidity, the company value will decrease by 77,100. And for the profitability variable -465,737 means that with every increase in liquidity, the company value will decrease by 465,737.

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

Liquidity in the 15 food and beverage industry sub-sector companies that I chose listed on the IDX in 2018-2019 was good, as well as profitability in the food and beverage industry sub-sector companies listed on the IDX in 2018-2019 which had a fairly good level of profitability. . The value of shares per sheet contained in the food and beverage industry sub-sector companies has a high diversity of differences, but on average it has a fairly good share price value per share.

Liquidity has a relatively low level of relationship. The effect of liquidity on firm value has no significant effect. Where liquidity has an effect of 2% on firm value and the other 98% is influenced by other factors. In linear regression, it shows that with every increase in liquidity, the firm's value will decrease by 77,100.

Profitability has a fairly low level of a relationship too. The effect of profitability on firm value has no significant effect. Where profitability has an influence of 11.7% on firm value and the rest is influenced by other factors. The linear regression shows that with each increase in liquidity, the company value will decrease by 465,737.

Liquidity and profitability have a low correlation with firm value. Liquidity and profitability only have an effect of 3.8% on firm value where the rest is caused by other factors that are not present in this study. And in linear regression, liquidity and profitability have no significant effect on firm value because the value obtained does not match the standard.

Recommendations

After obtaining the research results, the authors hope that management and investors can consider the results of this study to make decisions related to company value where liquidity and profitability affect but not significant to the value of the company itself. And to further researchers, the authors hope to add other variables that may have a significant effect on firm value, where these variables are not part of this study. So that the company management and investors can see the variables and other factors that can affect the value of the company.

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