

## **EFFECT OF RETURN ON ASSET, DEBT EQUITY RATIO AND CURRENT RATIO ON COMPANY VALUE (Study on Manufacturing Companies Listed on Indonesia Stock Exchange for the period 2017-2020)**

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### **ABSTRACT**

The purpose of this study is to examine the effect of Profitability proxied by ROA, Working Capital Proxied by Debt Equity Ratio and Liquidity Proxied by current Ratio to the potential for Firm Value in the company. The sample used in this study is various manufacturing companies listed on the Indonesia Stock Exchange during the period 2017 to 2020. The sample selection method used was the purposive sampling method. Hypothesis testing is done using logistic regression. Based on the results of hypothesis testing it can be concluded that the Return On Asset variable is proven to have a significant positive effect on the likelihood of Firm Value, the Debt Equity Ratio Variable is proven to have a significant negative effect on the likelihood of Firm Value, as well as the Current Ratio variable also has a significant Positif effect on the likelihood of firm Value.

**Keywords:** Firm Value, ROA, DER, CR

### **INTRODUCTION**

Today's business world has fierce competition, with advances in technology and a rapidly growing external environment. Every company wants to survive in this very tight competitive condition. One of the companies that are in the field of transportation is by increasing the value of their companies.

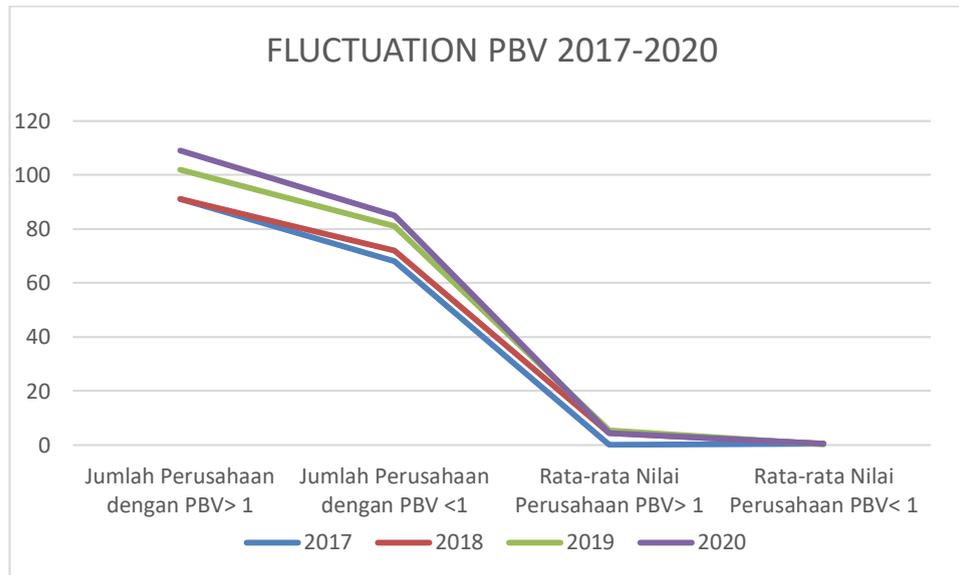
Company value is a certain condition that has been achieved by a company as a picture of public confidence in the company. The main purpose of the company is to improve the welfare of owners or shareholders through increasing the value of the company. If the value of a company increases then the welfare of the shareholders will also increase, this needs to be known by investors before deciding to invest. But it does not allow every company to experience an increase in the value of its company (PBV). Manufacturing Companies are the business sector that contributed the most 19.62% of total GDP in 2019 (Katadata.co.id, 2019). This shows that the manufacturing sector is the focus for the Indonesian economy, but the phenomenon that occurs is that many companies go public on the Indonesia Stock Exchange over the past three years have a PBV smaller than one (see Table 1). In 2017 of all manufacturing industry companies listed on the IDX there were 57% or 91 companies registered in the industry had a PBV smaller than one, with an average PBV value of less than one 0.39. In 2018, 44% or 72 industrial companies had a PBV smaller than one with an average value of 0.45. In 2019, 44% or 81 industrial companies had a PBV of less than one with an average of 0.28. By 2020 there will be 44% or 85 industrial companies having a PBV of less than one with an average of 0.44. Although seen from the percentage of companies that have a PBV smaller

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than stucco through the decline, but judging from the average number of PBV companies that have a value tends to decrease. This means that investors' perception of these companies is getting worse.

**List of Amounts and Values of Price To Book Value (PBV)  
 Manufacturing Companies on the Indonesia Stock Exchange in 2017-2020**



**Source: Annual Report: 2017, 2018, 2019, 2020**

From the data above shows that manufacturing companies listed on the Indonesia Stock Exchange every year experience continuous fluctuations in increases and decreases. If it continues to occur, it will cause many manufacturing companies listed on the Indonesia stock exchange to go bankrupt and have to improve the value of their companies. The existence of technological advances today the company must increase the value of its company, very tight competitiveness by carrying out operational activities. The goal of a company must be to maximize profits for the continuity of its company. This is so that the company knows its financial condition and can help in the decision making of funding and planning in the future. Many factors can affect the value of the company, including Profitability, Capital Structure, and Asset Growth.

Profitability is a ratio to assess a company's ability to seek profit or profit in a given period. This ratio also provides a measure of a company's level of management effectiveness shown by profits generated from sales or from investment income (Cashmere, 2015: 114). Return on asset (ROA) is a way to measure a company's ability to use its assets to earn profits while (Fahmi, 2012). Profitability ratio is a ratio to assess a company's ability to make a profit. This ratio also provides a measure of the level of management effectiveness of a company (Cashmere, 2016).

The high profitability of a company shows the company's performance is getting better, so investors will be interested in investing. Profitability can also affect the prestige of creditors (banks) in knowing the amount of profit earned by the company, creditors can assess how well the company pays debts to creditors based on the level of asset usage.

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According to research conducted by (Dewi & Wirajaya, 2013) and (Manoppo & Arie, 2016), profitability has a positive and significant influence on the value of the company.

The company can run optimally with sufficient funding sources in its operational activities. Company funding can be seen from the capital structure owned. The capital structure itself is a proportion or comparison in determining the fulfillment of the company's spending needs derived from the source of funds, both derived from its own capital and foreign capital in the form of debt, funds that are external funds that have an influence on the value of the company. In this case the positive and negative impacts can also be caused by debt too high, if the company has the risk of defaulting on interest costs and principal debt that is too high compared to the benefits provided from the debt or the debt has exceeded above the optimal point so that it can cause a decrease in the value of the company. But on the contrary, it can have a positive impact if the company is able to manage the debt so that the position of the capital structure is below the optimal point then any addition of debt can increase the value of the company. The structure of capital is a proportion or comparison in determining the fulfillment of a company's spending needs, whether by using debt, equity, or by issuing shares (Brigham and Houston, 2010: 107).

In meeting the company's funding policy determines profitability and the capital structure required for the increase in the value of the company. According to manoppo and Valdi Arie (2016) debt to equity ratio is a financial ratio that shows the relative proportion between equity and debt used to finance a company's assets has a positive and significant influence on the value of the company. But unlike the research conducted by Mahatma Dewi and Wirajaya (2013) there is a negative and significant influence on the value of the company.

A company can be said to be successful if in its business activities continuously able to meet its short-term financial obligations 5 that must be immediately paid and get a profit which is an absolute requirement in ensuring the survival of a company. Liquidity is also needed to increase the value of the company, as well as liquidity itself is the company's ability to meet its short-term obligations through current assets owned by the company. The level of liquidity for the company can tell if the company is able to manage its funds optimally. Thus liquidity becomes a factor that can affect the value of a company. If you have good liquidity investors can know that the company has a fairly good performance, with this the company can attract investors to invest its capital. According to research conducted by (Indasari & Yadnyana, 2018), Liquidity using current ratios has a positive and significant influence on the value of the company. Therefore, the researcher took the title "Effect of Profitability, Capital Structure and Liquidity on the Value of Companies Listed on the Indonesia Stock Exchange (IDX)"

## **LITERATURE REVIEW**

### **PROFITABILITY (ROA)**

Profitability is one of the indicators of a company's success in making profits. The higher the profitability, the higher the success rate of the company in generating profits. The use of this ratio can indicate the effectiveness of management and efficiency of the company in terms of the profit generated through sales and investment income. The level of profitability can affect the value of the company, if the company's profit generated increases. Then it can be concluded that the company works very well and can manage its wealth effectively and efficiently.

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ROA has a type of ratio that can be measured, consisting of: Gross Profit Margin (GPM) which provides information on the company's profits from sales, after reducing production costs for goods sold, and Asset turn over which is the turnover rate of assets used by the company within a year.

Signaling theory states that high profitability signals to the company's stock growers that the company has a goal in the future (Obeidat.2009) so as to give investors the power to invest in the company.

$$ROA_t = \frac{EBIT_t}{\frac{TA_{t-1} + TA_t}{2}}$$

## CAPITAL STRUCTURE

Capital structure or so-called capital structure can be measured using a comparison of long-term debt with its own capital. The Company in determining the type of securities issued is a reflection of the capital structure, the problem of capital structure is closely related to the relationship of capitalization issues. Long-term spending policies can affect a company's value, a company's capital costs and the company's market price described in the theory of capital structure. The value of a company increases, then the stock market price will also increase which is a reflection of the stock market price (Sudana, 2011: 143). In the theory of Modigliani and Merton Miller (MM) there are assumptions related to the theory of capital structure (Brigham and Houston, 2010), that is:

1. There is no agency cost
2. No taxes
3. No bankruptcy costs
4. Investors have the same information as management about the company's future prospects
5. In the event of bankruptcy then the asset can be sold at market price (market value)

A company must have alternatives – efficient funding alternatives in meeting its funding needs. The company has optimally efficient capital structure funding, namely by minimizing the overall cost of capital use so as to maximize the company's profit (Riyanto, 2011). In addition, there is a theory of Trade Off Theory which is a theory that discusses the relationship between capital structure and corporate value. To balance the benefits and sacrifices arising as a result of the use of debt required the Essence of Trade Off Theory. The use of debt will increase the value of the company if the capital structure is below the optimal point then any addition of debt will increase the value of the company, after that if the position of the capital structure is above the optimal point then any addition of debt will decrease the value of the company. Companies that have high profit rates will try to reduce taxes by increasing debt ratios. The greater the debt that the company has, the more unable the company is in paying the debt. However, with the amount of debt can create conflict between the parties involved in the company. This large corporate debt is able to increase the profitability of the company, at some point can also make the value of the company decrease. This is called the optimal point of capital structure.

According to (Cashmere, 2013: 156) on the structure of leveraged capital there are several measurements that can be used, namely, Debt to Asset Ratio (Debt Ratio) Debt Ratio is needed by companies in measuring the financial health of the company,

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especially in bearing the debt it has. It is a debt ratio used to measure the ratio between total debt and total assets. In other words, how much the company's debt affects the management of its assets. If the result of a high debt to asset ratio then the higher the risk of the company in paying off its obligations means funding with more debt, then the more difficult it is for the company to obtain loans because it is worried that the company is unable to cover its debt with its assets.

Similarly, if the ratio is low, the smaller the company is financed with debt. The formula of the Debt Ratio is as follows:

$$\text{Debt Ratio} = \frac{\text{Total Debt}}{\text{Total Asset}} \times 100\%$$

## **LIQUIDITY**

Liquidity is a ratio that describes a company's ability to meet short-term obligations. The company is able to meet the debt if the company is billed, especially debts that have matured. So that it can function to measure the company's ability to meet obligations.

According to (Cashmere, 2013: 134) on liquidity there are options used for measurement, that is:

### **Current Ratio (CR)**

According to Riyanto (2013) current ratio (CR) can also be called working capital ratio, because the component is the basic component of working capital. CR is a ratio to measure a company's ability to pay short-term obligations or debts that are immediately due. The greater the ratio of current assets and current debt, the higher the company's ability to respond to its current liability bill. Calculation of current ratio can be done by comparing between total assets and total current debt.

$$\text{CR} = \frac{\text{Current asset}}{\text{Current Debt}} \times 100\%$$

### **Effect of ROA on PBV**

ROA is one of the benchmarks of profitability. The higher ROA will reflect the company's high level of ability to get business profits. Based on signaling theory, profitability is a signal for investors of the company's prospects that are getting better, so the value of the company will also increase (Briham and Houston, 2006).

This theory is also in line with the findings obtained by (Kusuma Jaya, 2011) and (Pangilu, 2014) revealing that the influence of ROA on the value of the company is positive. Therefore hypothesis 1 of this study states that.

H1 : ROA's influence on PBV is positive (Briham and houston, 2006, Kusuma Jaya 2011, and 2014)

### **Effect of Debt Equity Ratio on PBV**

Capital structure is a picture of the comparison between long-term debt and the capital of a company's own. The larger the capital structure, the more companies use debt as operational financing, resulting in a decrease in the value of the company. The greater the company's debt, the interest expense will also increase, resulting in the company's profit decreases. With 30 low incomes the company will affect investor interest in

investing in its capital. Investors will not invest in the company if a company loses trust and few investors want to invest then the company's stock price decreases. This decrease in the stock price can cause the company's income to decrease so that the company has operational difficulties that result in bankruptcy and decreased company value. So it can be said simultaneously the structure of capital and growth of the company negatively and significantly affect the value of the company. Debt to equity ratio (DER) shows that the company's value of negative and significant influence is supported according to (dewi & wirajaya, 2013).

In addition, (Kodongo et. al, 2015) found that the capital structure positively affects the value of the company. The results showed that the capital structure, dividend policy and size of the company had a simultaneous effect on the value of the company (Prastuti & Sudiarta, 2016).

Researchers discussed the influence of capital structure, dividend policy, company size on the value of the company in 85 manufacturing companies. It aims to determine the significance of the partial influence of variable capital structure, dividend policy and company size to the value of the company in manufacturing companies on the Indonesia Stock Exchange for the period 2017 - 2020. The population of manufacturing companies registered in the IDX period 2017-2020 with the number of 70 companies whose samples used purposive sampling methods. Data analysis used to test hypotheses uses multiple linear regression analysis. Further research (Mangesti et al, 2019) which examined profitability and capital structure in manufacturing companies in Indonesia found that capital structure has a negligible influence on the value of the company.

H2: Capital Structure has a significant effect on the Value of the Company.

### ***EFFECT OF CURRENT RATIO ON PBV***

Liquidity is the ability of a company to meet its short-term obligations using current assets owned by the company. The interest expense of a company will decrease if the debt owned by a small company resulting in the profit earned by the company will increase. If a company has high income will also affect the investor's interest in investing and affect the rate of return on capital invested by investors. And investors will increasingly believe in investing so that the company's stock price will increase. With the increase in the stock price, the company's profits will be affected increase and investors will be more impressed so that the value of the company will increase. According to research conducted by (Putra & Lestari, 2016), shows that there is a positive and significant influence on the value of companies using current ratio (CR). The greater the company's ability to manage liquidity, it can increase investor confidence, resulting in an increase in the company's stock price. The higher the stock price of the company, the higher the value of the company. (Altaf, 2018) conducted research on the relationship between net working capital and corporate value for a sample of 2,483 companies in 16 Asian countries. The results confirmed a strong negative relationship between net working capital and company value.

(Le, 2019) conducted research on the influence of working capital management on company valuation, profitability and risk. It found a significant negative relationship between net working capital (NWC) and company valuation, profitability and risk. The

results suggest that, in managing working capital, company managers must make a trade-off between profitability goals and risk control. Working capital management is very

H3: Liquidity has a positive and significant effect on the Value of the Company

## THEORETICAL FRAMEWORK

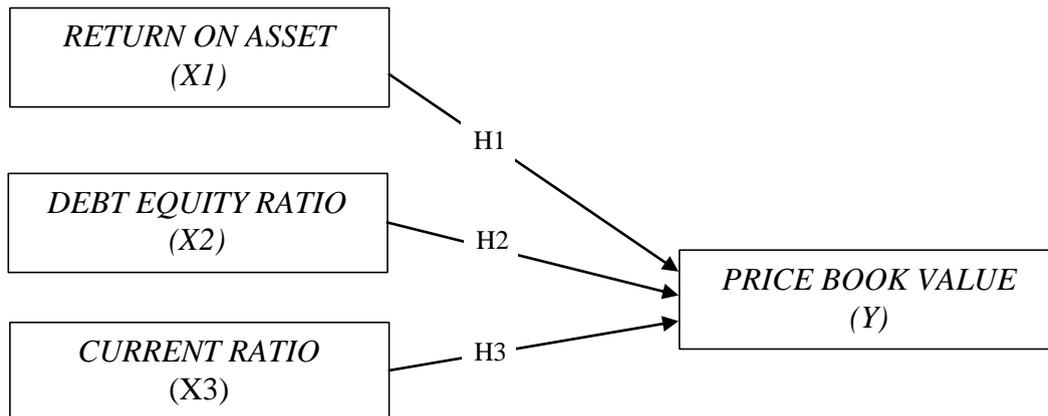


Figure 1. Research Model

## RESEARCH METHODOLOGY 7

This research takes the object of the research, namely manufacturing companies listed on the Indonesia Stock Exchange (IDX). The observation period carried out in this study is for four years, namely 2017-2020 because this time span is considered to be able to provide a picture of data that suits the needs of this study.

### Population and Sample

According to Sugiyono (2012) population is a generalization area consisting of objects / subjects that have certain qualities and characteristics that are applied by researchers to be studied and then drawn to their ability. In conducting research, it is generally carried out population restrictions with the aim that the research population is homogeneous so as to minimize the level of difficulty faced in the study. Therefore, the population in this study is a company that has gone public and is registered with the IDX with a four-year observation period from 2017 to 2020.

The sample used in this study is a manufacturing company listed on the Indonesia Stock Exchange (IDX) from 2017 - 2020. The selection of samples in this study uses the purposive sampling method, which is sampling based on certain considerations where the conditions are made as criteria that must be met by the sample, with the aim to obtain a representative sample in accordance with the research intent (Sugiyono P. D., 2017).

The sample criteria used in this study are as follows:

1. Multi-industry sector manufacturing companies listed on the Indonesia Stock Exchange (IDX) during the research year period.
2. Companies that publish annual financial statements during consecutive research year periods.
3. Companies that have long-term debt
4. Companies that have retained earnings
5. Companies that report financial statements in rupiah currency value.

### **Types and Sources of Data**

The type of data used is quantitative data. Quantitative data is data in the form of numbers or qualitative data that is estimated (skoring) (Sugiyono P. D., 2017). The source of data used in this study is secondary data that is data obtained in a ready-made form, has been collected, and processed by other parties, usually in the form of documentation or publication so that researchers just use the data according to need (Sanusi, 2011). Data is obtained from various sources such as financial statements and summaries of the company's financial performance on the IDX website as well as on the official website of the company concerned.

### **Operational Definition of Variables**

This research involves one dependent variable (bound) namely Company Value and independent variables (free) namely Profitability, Capital Structure and Liquidity. Profitability in this study is projected as Return On Asset (ROA) Capital Structure in this study is projected as Debt Equity Ratio (DER) and Liquidity in this study is projected as Current Ratio (CR).

### **Data Analysis Methods**

#### **1. Descriptive Statistics**

Descriptive statistics provide a description of the mean value, maximum value, minimum value, standard deviation of each research variable (Ghozali, 2009).

Descriptive statistics are used to analyze data as they can make generalized conclusions by describing or describing the collected data (Sugiyono P. D., 2017).

#### **2. Assess data feasibility and regression model**

The initial stage to analyze the logistic regression model is to test the feasibility of the data. In testing the feasibility of data used omnibus test of model. In this study test used significance at the level of 0.05 or  $\alpha = 5\%$ . If the  $\text{sig} < 0.05$  value then the data is feasible. While the data feasibility test uses the Hosmer and Lemeshow Goodness-of-Fit Test, the  $\text{Sig} > 0.05$  value then the model is declared feasible.

#### **3. Test coefficient of determination**

This test is done to measure the extent to which the ability of an independent variable can explain its ability to dependent variables. To see how large the combination relationship is, you can use the Nagelkerke R Square coefficient, which is the same size as the determination coefficient between 1 and 0. If the value is small then the ability of an independent to explain the variable is limited. Conversely, if the value is close to the number 1 then it is said to predict dependent variations, independent variables already provide the required information.

#### **4. Multicollinearity Test**

The main purpose of this test is to test whether existing free variables actually have a close relationship with dependent variables so that free variables that can actually

explain more definitively to bound variables. To detect the or absence of multicollinearity in the regression model can be seen from (1) tolerance values and their opponents; (2) Variance Inflation Factor (VIF). If the tolerance value is more than 0.10 and the VIF value is less than 10 then it is concluded that there is no multicollinearity between free variables in regression (Ghozali, 2009).

5. Test Classification Table

Classification tables can be used to clarify the accuracy of logistic regression models with research data, where these tests can show predictive results.

6. Hypothesis Test

The hypothesis test is conducted using the t test. The partial test is known as the t test in multiple linear regression analysis, the purpose of which is to test whether a partially independent variable (X) (individually/ each variable) has a significant effect on the dependent variable (Y). The stages of statistical testing are as follows (Ghozali, 2009):

a) Determining Ho and Ha

Ho = Partially independent variables have no significant effect on dependent variables.

Ha = Partially independent variables have a significant effect on dependent variables.

b) Determine  $\alpha = 0.05\%$

c) Conclusion:

If the P value  $< 0.05$ , then Ho is rejected or the independent variable significantly affects the dependent variable. If the P value  $\geq 0.05$ , then ho accepted or independent variable does not significantly affect the dependent variable.

**RESULTS AND DISCUSSIONS**

**1. Test The Quality of Instruments and Data**

**Descriptive Analysis**

Descriptive analysis by taking 70 data. Data taken in the year 2017, 2018, 2019 and 2020. Descriptive analysis to provide an explanation of the description of the Company's Value, Profitability, Capital Structure and Liquidity data. The description of the data obtained the picture as presented in table 1.

**Table 1.**  
**Descriptive analysis**

<b>Variable research</b>	<b>Minimum</b>	<b>Maximu</b>	<b>Mea</b>	<b>Std. Deviation</b>
FV (Y)	0,00	1,00	0,510	0,5025
ROA (X1)	-8,51	11,10	1,188	2,2345
DER (X3)	-4,94	4,82	0,384	0,9057
CR (X2)	0,14	5,36	0,549	0,6166

Source: Primary data processed

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Table 1 shows from 70 variable data the Company Value is a minimum value of 0.00 and a maximum value of 1.00, an average value of 0.5104 and a standard deviation of 0.5025. Thus, it can be known that the standard deviation value is less than the average value. This suggests that the Company Value variables used in the study did not vary.

The Roa variable obtained a minimum value of -8.51 and a maximum of 11.10. The mean value is known to be 1.1886 and the standard deviation is 2.2345. This indicates that the mean value is smaller than the standard deviation, meaning that the company's ability to pay off debt is not good.

In the Capital Structure variable obtained a minimum value of -4.94, a maximum value of 4.82, an average of 0.3844 and a standard deviation value of 0.9057. This indicates if the standard deviation value is greater than the average value, so that the funds generated by the company in financing the company's business operations are good.

Variable Liquidity obtained a minimum value of 0.14, a maximum of 5.36, an average value of 0.5495 and a standard deviation value of 0.6166. The average value is known to be smaller than the standard deviation value, so the company's wealth is in the good category.

### Assessing Data Feasibility and Regression Models

Data feasibility tests and regression models are the first steps to analyzing logistic regression models. There are two tests that can be used, namely the Omnibus test of Model and Hosmer and Lameshow Goodness-of-Fit Test. The first data feasibility test is done using the Omnibus test of model with a significance of 0.05 or 5%, if the sig value < 0.05 then the data can be said to be feasible. The results of the data feasibility test with the Omnibus test of the Model can be seen in table 2. Based on table 2 it can be seen that the significance value of 0.000 is smaller than the significant level of 0.05 meaning that the data in the study is worth using and can be continued.

### Testing the Coefficient of Determination

Determination coefficient testing is used to measure the extent to which dependent variables can be measured using independent variables. In logistic regression to find out how big the combination relationship can be seen through nagelkerke R Square testing on summary models. This test has the same size as the R square coefficient of determination in linear regression. Results from the Nagelkerke R Square test can be seen on Table 2.

Table 2.  
 Determination Test Results

S	-2 Log	Cox & Snell R	Nagelkerke R
1	106,952 <sup>a</sup>	0,238	0,433

Source: Primary data processed

Based on the results of the research in table 2 the value of Nagelkerke R Square is 0.317 which means that the variability of the Company Value variable can be explained by the Variable Profitability, Capital Structure and Liquidity of 43.3%. The remaining 56.7% was explained by other variables outside the research model.

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### Multicollinearity Test

The multicollinierity test aims to find out whether in regression models there is a correlation between independent variables. The rules of variance inflation factor (VIF) and tolerance, then if  $VIF > 10$  or tolerance  $< 0.10$  means that there are symptoms of multicollinearity. Conversely if  $VIF < 10$  or tolerance  $> 0.10$  means there is no multicollinearity. Multicollinearity test results in table 3. Based on the results of multicollinearity testing in table 3 there is a tolerance value in all independent variables  $> 0.10$  and VIF values in all independent variables  $< 10$ . Thus it can be said that there is no correlation between variable.

**Table 3.**  
**Multicollinearity Test Results**

Variable	Tolerance	VIF	Information
ROA	0,419	2,387	There is no multicollinearity.
DER	0,440	2,272	There is no multicollinearity.
CR	0,997	1,003	There is no multicollinearity.

Source: Primary data processed

**Table 4.**  
**Results of Logistic Regression Equation**

	B	Sig.	Ha
ROA	0,625	0,009	Significant
DER	0,543	0,290	Not
CR	-5,475	0,000	Significant
Consta	1,667		

Source: Primary data processed

### Logistic Regression Equation

The results of the logistic regression equation can be seen in table 4. Based on table 4, the logistic regression equation can be obtained as follows:

$$FV = 1.667 + 0.625 \text{ ROA} + 0.543 \text{ DER} - 5.475 \text{ CR}$$

### Discussion of Research Results

Research is conducted to determine the effect of Profitability, Capital Structure and Liquidity on the potential value of the company. The discussions for each hypothesis are described as follows:

#### Effect of Profitability on the Value of the Company

The results of this study support (Widarjo & Setiawan, 2009) which states that profitability negatively affects financial distress. The research reveals that companies that are effective and efficient in managing their assets can have an impact on reducing costs incurred by the company. The company has a high profit that allows the company to avoid financial difficulties.

Companies with a high level of profitability can be said to have a lot of profit. The profit is used as retained earnings which later by the company's management is used as capital to run the company's operations. Conditions are different by companies that have low

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levels of profitability. The profit owned by the company to run its operations is small then the company is required to increase outside capital such as debt. For the use of debt that causes the increase in bankruptcy costs owned by the company. This caused the company's financial distress to increase.

### **Effect of Capital Structure on Company Value**

The absence of influence between the Debt Equity Ratio on the potential value of the company indicates that the large or small debt equity ratio of the company will not have an influence in the possibility of the company's corporate value. This is because even though the company has large internal capital or retained earnings, the risk of the Company's Value can still occur. If the use or allocation of internal is not appropriate, it will have an impact on the losses experienced by the company. Similarly, companies with small internal capital ownership do not necessarily experience the possibility of corporate value. This is because companies that have the right strategy in allocating internal funds will be able to increase their profits. Therefore, in this case the Debt Equity Ratio has no effect on the potential occurrence of The Company's Value.

### **Effect of Liquidity on The Financial Value of the Company**

According to (Febriyani & Srimindarti, 2010), liquidity is one of the important factors that determine the condition of the company. If the company is faced with financial difficulties in paying its debts, tangible assets or fixed assets owned by the company can act as collateral in providing guarantees to outside parties who provide loans.

The results of this study are in accordance with the results of research conducted by (Cristie & Fuad, 2015). Companies that are able to manage their assets in a structured manner will suppress the probability of Company Value. In addition, companies that maintain asset investments in the form of tangible assets are less prone to experiencing Company Value. This is due to the company's greater ability to generate product volume and generate more sales revenue. Thus, the company continues to experience profits. This finding is in accordance with Trade Off Theory which revealed that companies that have more Quick Ratio and Cash Ratio are relatively safer and at little risk than companies that have more Current Ratio (Cristie & Fuad, 2015).

## **CONCLUSION**

This research aims to examine the influence of profitability, capital structure, and liquidity on the value of the company. The samples used in this study were transportation companies listed on the Indonesia Stock Exchange in the period 2017 - 2020. Based on the sample criteria that have been determined, 70 transportation companies were obtained during the period 2017-2020. The variables used in this study are Price to Book Value (PBV) as bound variables, while Return On Asset (ROA), Debt to Equity Ratio (DER) and Current Ratio (CR) as free variables. Based on the results of the analysis used with multiple linear regression analysis techniques, it can be concluded as follows:

1. Profitability projected by Return on Asset (ROA) partially has a significant positive influence on the value of the company.
2. The capital structure proxied by debt to equity ratio (DER) partially has no significant effect on the value of the company.
3. Liquidity proxied with Current Ratio (CR) partially has no significant effect on the value of the company.

## SUGGESTION

Based on the results of the research that has been done and the limitations of the study, the researchers provide advice for all parties who use the results of this study as a reference. Among them are:

### 1. For the Company

As a matter of consideration of company managers in increasing the value of the company. One way to increase the value of the company, the company must be able to increase its profitability in equity management and increase the growth of its assets.

### 2. For Investors

Investors who want to invest in transportation companies are expected to see information on profitability, liquidity and asset growth that can be considered in making investment decisions in order to maximize profits and minimize risk.

### 3. For creditors

Creditors are expected to be able to see information on the level of its capital structure and liquidity as it relates to short-term debt and long-term debt. Information about capital structure and liquidity can be used as a consideration for creditors in deciding to provide loans to a company.

### 1. For the next researcher

- A. Researchers should then be able to add other variables that have an influence on the value of companies that have not been used in this study.
- B. Researchers can also add other proxies, such as the value of the company projected with Return on Equity (ROE), Long Term Debt Equity Ratio (LtDtER) and asset growth (AG) and so on.
- C. Researchers are further expected to add the latest period in observations used in the study in order to get more updated and accurate results.

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