What Affects The Value of The Company

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Abstract. The study's objective is to determine how firm value is affected by Abilities, liquidity, and leverage in Indonesian Stock Exchange-listed real estate and property companies between 2016 and 2021.This study's participants are Stock Exchange-listed real estate and property companies.Indonesia between the years 2016 and 2021. Purposive sampling is defined as a way of sampling in this study.With the assistance of statistical software Eviews version 12, panel data regression analysis and a classical assumption test were utilized in this study. Abilities and leverage have a strong impact influence on whereas liquidity firm value is not affected, according to this study's findings.Firm value is affected by Abilities, liquidity, and leverage simultaneously.

Keywords: Abilities, Liquidity, Leverage, Company Value.

1. Introduction

Housing and settlement sector is a very important sector and has a very large impact on the development and turnover of the national economy because this sector can absorb many sources of labor and has a long multiplier effect. The main issue related to property and real estate sector companies has a very high risk because the operation of this sector uses fixed assets in the form of buildings and land, while the main source of funds or financing for this sector is generally obtained from banks. credit. Although these assets can be used to pay off debt, they cannot be converted into a certain time. In Indonesia, property investment has good prospects because population growth in Indonesia, especially urban areas is very rapid, so the need for property (both land and buildings) will increase. Maximizing the score of the company is one way for the survival of the firm in the long term. The benchmark that is often used to measure company value is Value Book Price, which can be interpreted as the result of a comparison between stock prices and book values. Higher the value book price indicates Higher the level of Shareholder welfare which is the company's main goal [1].

There are 82 companies in the real estate and real estate sector acquired from the Indonesia Stock Exchange for the period from 2016 to 2021, and 41 real estate companies are active or still in existence during the period from 2016 to 2021. Of these 41 companies, 7 are companies that do not release financing data . It is complete according to research needs during the period from 2016 to 2021, and there are 21 companies that experienced losses during the period from 2016 to 2021. And 13 companies that made profits during the period from 2016 to 2021. However, only 11 companies distributed profits in the period from 2016 to 2021 . That period. 2016 to 2021. 2021.

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It can be seen from the preceding data that the average PBV of companies in the real estate and property sectors that are listed on the IDX from 2016 to 2021 have decreased.. This decline was triggered by several factors, marked by the shadow of inflation hitting the global economy in those years, resulting in a decline in the real estate and property sector's public interest amid global economic uncertainty. Based on the results of the estimation of the Family's Money Vulneranility Index (FVI) or the Household Financial Vulnerability Index which is equipped with the preparation of Financial Margin (FM), it is recognized that the level of household 2017 has seen a decrease in vulnerability. As a result there is an increasing trend of Non-Performing Loans in the household sector as a The concern is that the risk of financial vulnerability faced by households in the long term will increase proportionally, especially for Indonesia, the household debt-to-income ratio increased the most which also has an impact on the flow of selling, buying or renting property. In the Global Financial Stability Review (GSFR) published in October 2017, there was a rise in the debt-to-GDP ratio among households for developing countries during 2011 – 2016 from 9.92% to 10.04% [2].

Then according to the Indonesian people, 2018 is the year of politics, investors and business people in the construction, sectors of real estate and property. Choosing to wait and see in running their business, so many people hold back on buying assets in the form of land and buildings to see first the stability of the country after the 2019 election. However, in 2018, Bank Indonesia in 2018 relaxed Loan to Value (LTV) or the value of coverage. (FTV) for KPR after considering several things. The LTV/FTV relaxation includes three main principle, including lowering the LTV/FTV ratio of the first credit facility, easing the pivot facility and easing payment terms. In general, the relaxation of the LTV/FTV KPR policy carried out still takes into account the aspects of prudence and risk mitigation. Therefore, only banks with a gross non-performing loan ratio and net non-performing loan ratio below 5% are eligible for the easing[2]. Judging from the phenomenon of the rise and fall of the company's value in property and real estate sector companies in 2020 - 2016, the author has an assessment that Abilities, liquidity and leverage have an effect on determining firm value.

The authors identify a number of issues based on the background, including the question of whether companies that deal in real estate and property and are on the Indonesia Stock Exchange's firm value can be affected in part and simultaneously by Abilities, liquidity, and leverage.

According to agency theory, shareholders act as administration and leadership acts as agents.Shareholders appoint management as a party to represent their interests.. Agency theory emerged after the phenomenon of the separation of company ownership from management. The separation of management and ownership of a company is so that professional staff can manage it so that owners can maximize profits at the lowest possible cost. [3]. Presentation of financial statements aims to present information relating to the financial standing, management's performance, and shifts in a company's financial standing and other appropriate or relevant information that has benefits for users of the financial information as evaluation and comparison material to see the financial impact arising from economic decisions. to be or have been taken. And also to assess and predict the company in the future.

According to [4] Abilities and the ability to generate profits are other words for abilities. The characteristics of abilities itself vary across industries. Abilities is also related to the stage in the product life cycle. High abilities attracts other players to enter the business. With the increasing number of players in the industry, competition occurs which can result in the overall level of abilities in the industry decreasing. The purpose of this ratio is to assess how well management is managing the business. in addition to determining the company's capacity to generate profits throughout the selected period. The abilities ratio is a number that indicates a company's capacity to generate profits from all of its capabilities and resources, including sales activities, asset use, and capital use. Abilities ratios, also known as abilities ratios, are a method for determining the degree to which management performance is effective.The ability of management to maximize the company's profit will demonstrate good performance.Because return on net income on equity (ROE) can measure the company's capacity to generate net profit after taxes based on company capital, this study uses return on net income on equity (ROE) as a proxy for a variety of abilities ratios.to determine the company's return on net income on equity (ROE) by comparing its total equity to its after-tax income.

According to [5] A ratio called the liquidity ratio can be used to determine a company's capacity to fulfill short-term obligations that will soon mature.A company is considered to be liquid if it is able to fulfill its short-term obligations at maturity.On the other hand, an illiquid company is one that does not have the ability to fulfill its short-term obligations at maturity.The business needs to have a good amount of cash or other assets that can also be converted into cash immediately in order to be able to keep the short-term agreement, which will soon come to an end. The liquidity ratio, also known as the working capital ratio or current asset ratio, is a measure of a company's liquidity. By comparing the total liquidity ratio, which shows the relationship between a company's current liabilities and its cash and other current assets, this working capital ratio is calculated [6].

According to [7] The leverage ratio is a comparison that looks at a company's ability to pay interest and other fixed costs as well as spending made in the form of debt and capital composition.To put it another way, leverage refers to the company's capacity to construct a funding structure, specifically the debt to capital ratio.Conforming to [8] The leverage ratio is a ratio that measures the amount of debt used to finance a company's assets.To put it another way, a ratio known as the solvency ratio or leverage comparison is useful for determining the number of of debt a company must take on to cover its assets.All from an expansive perspective, The organization's capacity to fulfill its obligations now and in the future is measured by the dissolvability proportion. From several leverage ratios, this research is proxied to the the ratio between debt and equity (DER), on the grounds that DER can measure the proportion of funds sourced from debt to finance company assets [9].

The company's primary objective is to increase its value.Conforming to [10], A company's value is a particular condition that it has reached as an illustration of the public's confidence in the company after it has gone through a series of activities over a number of years, since its inception until the present day.Conforming to [11], company level is very important because shareholders with more wealth will follow companies with high values.The company's value increases proportionally to the stock price; investors typically outsource management in order to achieve the company's value.Financial ratios can be used to evaluate a business's value. [12]. stock price ratio (PBV) is the financial ratio used in this investigation.The result of comparing stock prices to book values can be interpreted as stock price ratio (PBV). [13]. The company's primary objective is also reflected in the stock price ratio (PBV), a metric, is of shareholder wealth.The value that a company receives from the market management and organizational structure as it grows is measured by PBV. PBV is the stock price ratio value to share price [14].

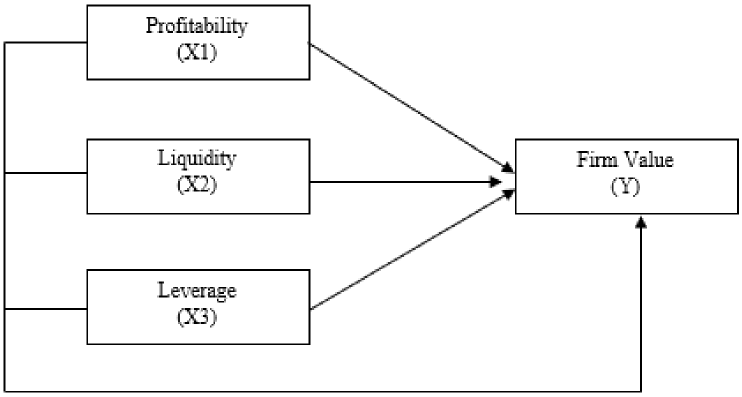

Fig. 1. Thinking Framework

Hypotesis:

H 1 : Abilities has affects to the value of the company
H 2 : Liquidity has affects to the firm value
H 3 : Leverage has affects to the firm value
H 4 : Abilities, Liquidity and Leverage have a simultaneous effect on firm value

2. Research Methods

The gadgets of this studies are assets and real estate agencies indexed on the Indonesia stock change in 2016-2021. The place of this research was taken through the link of the Indonesia Stock Exchange www.idx.co.id and the official websites of property and real estate companies listed on the Indonesia Stock Exchange in 2016-2021.

The financial statements of companies that are listed on the Indonesian stock exchange serve as the source of the observation data (IDX). The data includes annual reports and other required information, for the period 2016 to 2021, which are published on the official website of each company and through the official website of the Indonesia Stock Exchange (www.idx.com). This type of research data uses quantitative data because in this study it will relate to financial reports from different between the years 2016 and 2021companies that deal in real estate and property and are listed on the Indonesia Stock Exchange.

Table 1. Partial Test

Variable	t-Statistik	Prob.
ROE	1.409227	0.0007
CR	-0.004836	0.9348
DER	0.827041	0.0045

The conclusion that can be drawn from the preceding table is:

The t-statistic value obtained from the skills variable, which is represented by the return on net income on equity (ROE) in this study is 1.409227 with a abilities value of 0.0007. From the abilities value of 0.0007 which is smaller than the significance value of 0.05 (5%), the results of the H1 study are accepted, which means that abilities partially a significant impact on the value of a business as proxied by Stock price ratio (PBV).

In this study, the liquidity variable as proxied by the Current Ratio (CR) yielded a t-statistic value of -0.004836, with a abilities of 0.9348.The results of H2 accepted are Ho2 accepted and Ha2 rejected from the abilities value of 0.9348, which is greater than the value of significance 0.05 (5%), indicating that liquidity partially has no effect on firm value as proxied by stock price ratio (PBV).

This study's benefit variable, which is proxied by the the ratio between debt and equity (DER), has a t-statistic value of 0.827041 with a probability value of 0.0045, which indicates that it is greater than the significance value of 0.05 (5%). As a result, the results of hypothesis 3 are Ho3 rejected and Ha3 accepted, indicating that partial leverage has a significant effect on firm value as reflected by stock price ratio (PBV)..

A test that is carried out to determine how much influence the independent variables have on the dependent variable (either simultaneously or together) is known as the simultaneous test or the F test. If the probability value is greater than 0.05, the independent variable has no significant effect on the dependent variable simultaneously. On the other hand, if the probability value is lower than 0.05, the independent variable has a significant effect on the dependent variable simultaneously.

Table 2. Test Results

Test Statistics	F-Statistics	Prob.
F Test	7.768518	0.000175

Based on the test results in table 2, it can be concluded that the independent variables, namely return on net income on equity (ROE), Current Ratio (CR), and the ratio between debt and equity (DER) together significantly affect the dependent variable, which is the stock price ratio. (PBV). This is evidenced by the value of the F statistic and the probability of the F statistic in this study is 7.768518 with a probability of 0.000175. The probability value is smaller than the significance value of 0.05 (5%), so it can be concluded that the results of hypothesis 4 are Ho4 rejected and Ha4 accepted, which indicates that both the independent variables and the dependent variable have a significant impact simultaneously.

Coefficient of Determination Test (R2) The coefficient of determination test is used to measure a model's ability to explain the variables of the dependent variable.The independent can effectively explain the dependent variable.

Table 3. Determination (R^2)

Test Statistics	Adjusted R-squared
F Test	0.238033

Based on table 3, it can be seen that the adjusted r-squared figure is 0.238033 or 23.80%, which means that PBV is influenced by abilities, liquidity and leverage by 23.80% and the remaining 76.20% is explained by other independent variables not included in this study.

3. Result

It is possible to draw the conclusion that H1 is accepted based on the outcomes of the tests that have been carried out.The firm value, which is based on Stock price ratio (PBV), is influenced by the abilities variable, which is represented by return on net income on equity (ROE).This indicates that each return on net income on equity (ROE) has the potential to significantly raise the Stock price ratio (PBV).This study's findings are consistent with previous research by [15], [16], [17]. And [18] who said that return on net income on equity (ROE) had a positive and significant effect on Stock price ratio (PBV). Based on the above evidenced at PT. Jaya Real Property Tbk. (JRPT) that an increase in return on net income on equity (ROE) is followed by an increase in Stock price ratio (PBV) and vice versa, a decrease in return on net income on equity (ROE) decreases firm value. The value of the company will increase along with the increase in profit which in the end abilities will affect the value of the [18]. ROE is a ratio that shows the rate of return obtained by the owner or shareholder from their investment in the company [19]. This means that the increase in net income has been able to give investors confidence to think realistically.

Based on the findings of the tests presented in table 1, it is known that H2 is rejected. Liquidity variable which is proxied by Current Ratio (CR) has no effect on firm value which is proxied by Stock price ratio (PBV). This result is in line with the research of [20] and [21] who said that the Current Ratio (CR) had a negative but not significant effect on the Stock price ratio (PBV). This is proven at PT. Jababeka Industrial Estate Tbk. (KIJA) an increase in the Current Ratio (CR) will have a negative impact on firm value. This negative effect is caused by the Current Ratio (CR), which is the ratio between current assets and current liabilities. If the current assets consist of cash, accounts receivable, this higher inventory means there are idle funds in the company, which results in the company not being able to optimally utilize its current assets so that it cannot prosper shareholders [22].

Following the findings of the tests carried out in the table 3, it is known that H3 is accepted. Leverage variable which is proxied by the ratio between debt and equity (DER) has an effect on firm value which is proxied by Stock price ratio (PBV). According to [23] the higher the value of the the ratio between debt and equity (DER) will be able to show the capital structure of a company that will use debt more than its own capital. Leverage is the company's ability to fulfill its obligations, which is a method for the business to function properly.The proportion that actions the degree of purpose of obligation to the organization's capital is the Obligation To Value Proportion (DER)[18].

Stock price ratio (PBV) is affected simultaneously by return on net income on equity (ROE), Current Ratio (CR), and the ratio between debt and equity (DER), as shown in table 2.This could imply that H4 has been accepted. Stock price ratio (PBV) will be positively impacted if a company's return on net income on equity (ROE), Current Ratio (CR), and the ratio between debt and equity (DER) contain accurate information.

A company with a high return on net income on equity (ROE) or abilities indicates that it has good prospects for attracting investors to participate in the rising demand for shares.Investors are more optimistic about a company's prospects in the future if its abilities grows more rapidly [22]. This indicates that investors have been able to think realistically as a result of the increase in net income.

Firm value will suffer greatly from an increase in liquidity or Current Ratio (CR).The Current Ratio (CR), which compares current assets and liabilities, is the cause of this negative effect.If the company's inventory, which includes cash, accounts receivable, and other current assets, is higher than normal, this indicates that the company has insufficient funds available for optimal utilization of its current assets, which prevents the company from benefiting shareholders.In point of fact, the company must be able to prosper its shareholders in order to increase its value [22].

According to signal theory, the increase in leverage demonstrates How does management see the future of the business to investors.The existence of debt also demonstrates the optimism of management in making investments, so it is hoped that the company's future prospects will be brighter.Investors who believe the company will continue to generate cash flow welcome a rising debt ratio. [24].

4. Discussion

It may be concluded from the data analysis, hypothesis testing, and discussion that the abilities variable, as represented by return on net income on equity (ROE), has an impact on the company value as shown by Price Valuation (PBV) (ROE). The amount of profit earned directly correlates with an increase in the company's worth; on the other hand, a drop in profit directly correlates with a fall in the company's value.

Liquidity current ratio, which is a proxy for firm value, has no impact on Price Valuation (PBV) (CR). This adverse consequence arises from the fact that rising current assets indicate idle money within the organization, which prevents that organization from prospering shareholders to their fullest potential.

Leverage, impact on the value of the business, as indicated by the debt-to-equity ratio., which is expressed in price valuation (PBV) (DER). Debt is another sign of management's optimism when it comes to investing, which suggests that the company's future prospects will be better. With the premise that the company's future cash flow would be maintained, a greater value of the Debt Equity Ratio (DER) will be able to offer a good signal for investors.

The simultaneous beneficial effects of return on net income on equity (ROE), Current Ratio (CR), and the ratio between debt and equity (DER) on a company's value are all considerable. If a company's return on net income on equity (ROE), Current Ratio (CR), and the ratio between debt and equity (DER) are right, the Value Book Price will benefit.

5. Conclusion

The company must maintain financial performance, in particular productivity as proxied by Return On Value (ROE), if it needs to be increased again because ROE has succeeded in convincing investors that the investment has been running as expected. Then the Company must pay more attention to liquidity performance based on the Current Ratio as a proxy (CR) in order to reduce the chance of failing to pay current liabilities, this maintains the perspective of investors. The company must also optimally utilize its current assets in order to prosper the shareholders. Then the company must optimize the benefit as represented with debit to the ratio equity (DER) to generate profits, because debt in the eyes of investors is not a burden but a motivation to generate profits, consequently, a favorable reputation among investors. In addition, the company must pay more attention to abilities which is proxied based on Current Ratio (CR), Debit To the Ratio Equity (DER), and back on Equity (ROE) to generate profits and be able to utilize current assets properly and efficiently so that company performance becomes more optimal. Furthermore, It should be able to include variables, as well as expand the sample of companies so that more data can be obtained with large data variations.

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