

The Effect of Liquidity and Profitability on Company Value (In Food and Beverage Sector Companies Listed on the IDX IN 2020–2024)

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Abstract

This study aims to determine the influence of liquidity and profitability on the value of companies in the food and beverage sector listed on the IDX in 2020–2024. The research method used is quantitative. The research population is food and beverage sector companies listed on the Indonesia Stock Exchange with an observation period of 2020–2024 totaling 10 companies and a sample of 50 sample data. This researcher uses documentation techniques and the data source is secondary data, namely data on liquidity, profitability, and company value in food and beverage sector companies listed on the IDX in 2020–2024. The researcher used the normality test, linearity test, autocorrelation test, heteroscedasticity test, multicollinearity test, t-test using the SPSS Version 20 program. The results show that there is a significant influence of Current Ratio (CR) and Return on Assets (ROA) on Company Value (NP). The implication of the results of the research for companies is that companies must continue to maintain good liquidity and profitability to increase the company's value. The company's management must pay attention to financial factors such as liquidity and profitability, even in unstable economic conditions.

Keywords: Current Ratio (CR); Return on Assets (ROA); Company Value (NP).

INTRODUCTION

Pambudi and Ahmad (2022) stated that the value of a company is a reflection of the stock price. A decline in the stock price leads to a decline in the value of the company, thereby reducing the wealth of shareholders. Conversely, higher stock prices lead to higher company values, thereby increasing shareholder wealth. Therefore, the value of the company is very important for the shareholders. The issue of company value can manifest as a decrease in the company's value or fluctuations in the company's value. (Afghanistan et al., 2023; Andriani & Sihombing, 2021; S&P Purwohandoko, 2022; Pratiwi et al., 2022; Rowena, 2017)

A company's decline in value can be caused by a variety of factors, such as low stock prices, declining financial performance, inappropriate capital structure, inappropriate ownership structure, and inappropriate company size. According to Gunardi et al. (2022), company value is a condition in which a company has gained public trust through its operations since its inception.

The value of a company can be defined as the selling price based on the agreement that the buyer can pay. In addition, the value of a company can be affected by liquidity and profitability, both of which have a complex relationship. In general, high profitability tends to increase the value of a company, while high liquidity may not always have a positive impact and may even negatively impact the value of the company. According to Yuliana (2023), profitability (ROA) and liquidity (CR) over company value (PBV) simultaneously have a significant effect on the value of coal mining companies listed on the Indonesia Stock Exchange for the 2017-2021 period. (Aisyah & Wahyuni, 2020;

Alimah & Shoshone, 2024; São Paulo & Herijawati, 2023; São Paulo & Giovanni, 2021)

According to Iman et al. (2021), liquidity and profitability have a positive and significant effect on the value of the company. Meanwhile, research by Ambarwati & Vitaningrum (2021) found that liquidity has no effect on company value, while profitability. The two studies differ in their findings: The study of Iman et al. (2021) showed that liquidity and profitability have a positive effect on company value, while Ambarwati & Vitaningrum (2021) found that liquidity has no effect on company value, while profitability. In this case, the researchers sought to show that liquidity and profitability affect a company's value. Therefore, they sought to add further evidence to the research by Ambarwati & Vitaningrum (2021) and Iman et al. (2021).

The previous research discussed data on the Influence of Liquidity and Profitability on Company Value (In the Food and Beverage Sector of Companies Listed on the IDX in 2017-2021) so that the novelty of this study is to examine data from 2020-2024 which was chosen because of its relevance to current economic conditions. This is strengthened by the results of a study by Asrifah, C. (2024), which states that profitability and liquidity have a positive effect on the value of companies in the clothing and luxury goods subsector listed on the Indonesia Stock Exchange. The difference between this study and the research by Asrifah, C. (2024) is that the samples are different so this is new in this study.

(Gultom et al., 2013) stated that factors that can affect a company's value are liquidity and profitability. Liquidity is a company's ability to meet obligations or debts that must be met immediately. Liquidity is also a company's ability to meet obligations that must be paid immediately with the company's current assets. The company's ability to pay off its debts or liabilities is one factor that can affect the value of the company.

A company's value is said to be good if the company is able to pay off all its obligations smoothly, and profitability is the company's ability to generate profits from operational activities. The profits generated by the company will be distributed to shareholders in the form of dividends. In addition, a company's profits can be used to improve operational performance, thereby increasing the company's value. Liquidity reflects a company's ability to meet short-term obligations, while profitability indicates a company's efficiency in generating profits.

Both contribute to investors' perception of a company's value, which is reflected in the stock price and market value. Based on the problems mentioned above, the researcher's hypothesis is: 1) There is a significant influence of the Current Ratio (CR) on the company value (NP) of food and beverage companies listed on the Indonesia Stock Exchange (IDX) between 2020 and 2024, and 2) The significant effect of Return on Assets (ROA) on the company value (NP) of food and beverage companies listed on the IDX between 2020 and 2024.

Based on these research questions, the benefits of this research include: For companies, it can provide insight for company management in making strategic decisions related to liquidity and profitability management to increase company value. In addition,

for investors, it can be a reference to assess the company's performance and make better investment decisions based on liquidity and profitability analysis. For academics, it can add to knowledge in the field of accounting and finance and serve as a reference for further research on the factors that affect a company's value. In addition, for regulators, it can provide useful information to understand market dynamics and company performance in the food and beverage sector, as well as in formulating policies that support the growth of the sector.

RESEARCH METHOD

The research method used is quantitative. The research population is 10 food and beverage companies listed on the Indonesia Stock Exchange with an observation period of 2020-2024, totaling 10 companies and a sample of 50 sample data. This researcher uses documentation techniques and the data source is secondary data, namely data on liquidity, profitability, and company value in food and beverage companies listed on the IDX in 2020-2024. The researcher used a normality test, a linearity test, an autocorrelation test, a heteroscedasticity test, a multicollinearity test, and a t test using the SPSS Version 20 program.

RESULTS AND DISCUSSION

Data Description

Based on the data calculation, the average Return on Asset (ROA) data is 1028.8400, the median is 676.0000, the standard deviation is 1247.58280, the smallest value is 3.00, and the largest value is 3843.00. Furthermore, the average Flow Ratio (CR) data is 21534.3040, the median is 318.1000, the standard deviation is 28650.78445, the smallest value is 107.00, and the largest value is 86378.00. Furthermore, the average Company Value (NP) data is 202.9200, the median is 204.5000, the standard deviation is 130.24010, the smallest value is 2.00, and the largest value is 419.00.

Data Requirements Test

Normality Test

Based on the results of the normality test above, all significant values are >0.05 , namely Return on Assets (ROA) has a significant value of 0.076, Current Ratio (CR) 0.054, and Company Value (NP) 0.089. Therefore, it is stated that the data has a normal distribution or is taken from a normal population.

Linearity Test

Results of the Linearity Test on the Effect of Current Ratio (CR) on Company Value (NP)

Based on the calculation results, a sig value of $0.066 > 0.05$ was obtained, so it was stated that the relationship between the Current Ratio (CR) and Company Value (NP) variables was linear.

Linearity Test of the Effect of Return on Assets (ROA) on Company Value (NP)

Based on the calculation results, a sig value of 0.056 was obtained, so it was stated that the relationship between the Return on Asset (ROA) and Company Value (NP) variables was linear.

Autocorrelation Test

Based on the results of the autocorrelation test calculation, the DW value is 1,100. This means that the DW value is between -2 and 2, so it is assumed that there is no autocorrelation, meaning that the residue in one period is not affected by the residue in the previous period.

Heteroscedastisity Test

Based on the calculations of the Heteroscedasticity test, the points were randomly distributed without a clear pattern, so there was no indication of heteroscedasticity.

Multicollinearity Test

Based on the results of the calculation of the multicollinearity test, the VIF value ($1.193 < 10$) means that there is no significant multicollinearity.

Hypothesis Testing

Hypothesis Testing the Influence of Current Ratio (CR) on Company Value (NP)

Based on the results of the hypothesis test, a significant value of $0.009 < 0.05$ was obtained. The hypothesis is accepted, namely the significant influence of the Current Ratio (CR) on Company Value (NP) in food and beverage companies listed on the IDX in 2020–2024.

Hypothesis Testing the Effect of Return on Assets (ROA) on Company Value (NP)

Based on the results of the hypothesis test, a significant value of $0.000 < 0.05$ was obtained. The hypothesis is accepted, namely the significant influence of Return on Assets (ROA) on Company Value (NP) in food and beverage companies listed on the IDX in 2020–2024.

The Effect of Current Ratio (CR) on Company Value (NP)

The calculation results show a significant value of $0.009 < 0.05$, showing the significant influence of the Current Ratio (CR) to Company Value (NP) for food and beverage companies listed on the Indonesia Stock Exchange (IDX) in 2020–2024. Current ratios have varying effects on a company's value, with some studies showing a positive effect, while others showing no significant effect. In general, a higher current ratio, which indicates a company's ability to pay short-term liabilities, can be considered a positive signal for investors and creditors, which can increase the value of the company. The effect of the current ratio on the value of the company varies.

A higher current ratio generally indicates a company's better ability to pay short-term liabilities, which can be a positive signal for investors. However, a company's value is also influenced by a variety of other factors, so no single size can directly determine a company's value. The researchers' research findings are supported by the research of Iman

et al. (2021), which found that the Current Ratio (CR) affects the value of the company (NP), and the research by Novianti (2024), which found that liquidity significantly affects the value of the company. Meanwhile, research by Nuswandari et al. (2019) found that liquidity has a significant negative effect on company value.

The Effect of Return on Assets (ROA) on Company Value (NP)

The calculation results show a significant value of $0.000 < 0.05$, showing the significant influence of Return on Assets (ROA) on Company Value (NP) in food and beverage companies listed on the Indonesia Stock Exchange (IDX) in 2020–2024. Return on Assets (ROA) has a significant positive effect on Company Value (NP). This shows that the efficiency of the company in utilizing its assets to generate profits is viewed positively by investors and contributes to the increase in the company's value. A high and increasing ROA indicates a good performance of the company, which can increase the stock price and investor returns. A high ROA indicates that a company is able to generate greater profits from its assets. It demonstrates the efficiency of management in managing assets and generating revenue.

In general, a good ROA has a positive effect on the company's value. High ROA indicates the company's efficient performance and ability to generate greater profits, which can increase investor confidence and drive increased company value. The researcher's research findings are supported by the research of Iman et al. (2021), who found that Return on Assets (ROA) affects the value of the company (NP), and Novianti (2024) found that profitability significantly affects the value of the company. These findings contradict the research of Putra and Sunarto (2021) and Nuswandari et al. (2019), which found that profitability has no effect on company value.

Conclusion

Based on the discussion above, the researcher concludes that: There is a significant influence of the Current Ratio (CR) on the Company Value (NP) of food and beverage companies listed on the IDX in 2020–2024. The significant effect of Return on Assets (ROA) on the Company Value (NP) of food and beverage companies listed on the IDX in 2020–2024. The researchers' recommendations based on the above conclusions are: Companies need to maintain a balance between liquidity (CR) and profitability (ROA) to increase the company's value. Good liquidity indicates the ability to pay short-term debt, while high profitability indicates the ability to generate profits. The limitation of this study is that the number of samples used is still small.

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