International Journal of Application on Economics and Business (IJAEB)
Volume 2, Issue 1, 2024. ISSN: 2987-1972

THE INFLUENCE OF CAPITAL STRUCTURE, PROFITABILITY AND LIQUIDITY ON THE VALUE OF COMPANIES LISTED ON THE INDONESIAN STOCK EXCHANGE

Glenn William[1], Agustin Ekadjaja[2*]

[1,2] Faculty of Economics and Business, Universitas Tarumanagara, Jakarta, Indonesia*
Email: agustine@fe.untar.ac.id

*Corresponding Author

Submitted: 30-01-2024, Revised: 09-02-2024, Accepted: 17-02-2024

ABSTRACT

This research aims to obtain empirical evidence about the influence of capital structure, profitability and liquidity on the value of non-cyclical consumer goods companies listed on the Indonesia Stock Exchange for the 2020-2022 period. The total sample for this research was 78 non-cyclical consumer goods companies selected using the purposive sampling method. This research data was analyzed using multiple linear regression analysis techniques processed with SPSS (Statistical Product and Service Solutions) software. The results of this research show that capital structure, liquidity and profitability have a significant positive influence on company value.

Ke words: *capital structure, profitability, liquidity, company value.*

1. INTRODUCTION

Investors' perceptions of the level of success of a company are reflected in the company's value. Investors certainly want promising results for them. Investors use a benchmark to measure the corporate value of a company, namely the price book value. Price book value is a comparison between share price and book value. The high price book value makes investors feel calm about their income in the long term because the prosperity of a company is reflected by a high PBV. According to Mudjijah, et al (2019) show that capital structure has a significant positive effect on company value (PBV). Research by Suranto & Walandouw (2017) and Makkulau et al., (2018) shows that capital structure has an insignificant positive effect. Research conducted by Tumangkeng & Mildawati (2018) shows that capital structure has no effect on company value. In research by Marangu and Jagongo (2014) and Nawaiseh (2017) profitability (ROA) has a significant positive effect on company value. Menaje's (2012) research results found that the profitability variable (ROA) had a negative effect on company value. Kabajeh et.al. (2012) stated that ROA has a positive effect on share prices. And in Silvana and Rocky's (2013) research, the influence of profitability (ROA) did not have a significant effect on company value. In previous research, Asiri (2015) showed that liquidity (CR) had a significant positive effect on company value. Research by Mahendra et al. (2012), found that liquidity has a significant positive effect on firm value. These results are in line with research by Prisiliarompas (2013) and Rustam (2013). What is different in the research of Tui et.al. (2017) which states that the effect of liquidity (CR) is not significant on company value. Other research by Aggarwal and Padhan (2017) shows a significant negative effect of liquidity on company value. In Wulandari's (2015) research, liquidity (CR) has a negative but not significant effect on company value. These results are in line with research by Susilawati (2014), Nurhayati (2013) and Nugroho (2012).

Modigliani and Miller (1958) argue that if there are no intermediary costs, no taxes, no bankruptcy costs, capital structure does not affect firm value. Investors can borrow at the same interest rate as the company and all investors have the same information as management. about

corporate investments. future opportunities. It is assumed that in a perfect capital market there is no asymmetric information, so managers work in the interests of shareholders and companies can be grouped into the same risk category based on commercial risk. Then, in the early 1960s, Modigliani and Miller included taxes in their analysis and concluded that the value of companies with debt was greater than the value of companies without debt. With efforts to integrate various factors and eliminate each different market imperfection, two new financial theories have emerged from opposing capital structure theories, namely trade-off theory and pecking order theory.

Trade-off theory is a theory that explains the relationship between capital structure and company value. This theory assumes that companies seek external funding in the form of debt because tax protection increases company value (Ibrahimy and Aidi, 2021). Brigham and Houston (2019) briefly explain the trade-off theory, namely that interest payments arising from foreign debt financing are a tax deduction, so that the debt burden becomes cheaper compared to equity, both ordinary shares and preferred shares.

Pecking order theory is a theory which states that the goal of a company is to maximize the welfare of its shareholders. This theory also explains that companies have a hierarchy in choosing funding decisions regarding their capital structure by considering several factors such as the cheapest financing and lowest risk (Alam & Kurniasih, 2020).

Agency theory is a theory that describes agency relationships and the problems they cause. Agency theory was originally related to the issue of company ownership through the purchase of shares. Shareholders are parties who provide the facilities and capital needed to run a business, while representatives are other parties who have sufficient motivation to assume responsibility for running a business and are given conditions to fulfill their interests well as shareholders (Arlita and Sujandari, 2019). Agency theory in financial management discusses the existence of agency relationships, especially relationships that involve the separation of ownership and management carried out by managers. Agency theory explains that agency relationships can cause conflict if the groups involved have different goals, especially conflicts of individual interest (agency conflict).

Signaling theory explains that the sender (owner of information) provides a signal in the form of information that reflects the status of a company and is useful for the recipient (investor). The signaling theory hypothesis is that business managers have more accurate information about their company than investors who do not know this information. This will give rise to information asymmetry between interested parties. Asymmetric information is a situation where private information only belongs to the investor who only receives the information.

Company value is a value that reflects how much investors can afford to pay for a company. Company value is the dependent variable in this research which is proxied by Price to Book Value (PBV) and can be measured using a comparison between book value and market value at the end of the period.

The formula for calculating PBV is as follows:

$$Price\ Book\ Value\ (PBV): \frac{Market\ value}{Book\ value}$$

Information
Market value: market price (closing price)
Book value: book value per share

Capital structure is a comparison between short-term debt and long-term debt with the company's own capital which is reflected on the liabilities side of the balance sheet (Radjamin & Sudana, 2014). The index used for capital structure in this research is a ratio scale, namely

The formula for calculating DER is as follows:

$$Debt\ To\ Equity\ (DER) : \frac{Total\ debt}{Total\ equity}$$

Information
Total debt: total debt
Total equity: total equity

Profitability is the company's ability to gain profits in relation to sales, total assets and equity (Sartono, 2014: 57). Therefore, long-term investors will be very interested in this profitability analysis. Profitability shows the company's ability to generate profits from the assets used and provides supporting evidence of the company's ability to generate profits and how effectively the company manages its business assets. The profitability index used in this research uses a ratio scale, namely Return on Assets (ROA).

The formula for calculating ROA is as follows:

$$Return\ On\ Assets\ (ROA) : \frac{Net\ income}{Average\ assets}$$

Information
Net income: net profit after tax
Average assets: average total assets

Liquidity shows the ability to pay short-term financial obligations on time (Subramanyan and Wild, 2009:223). The higher the level of liquidity of a company, the higher the certainty of turning it into cash. The profitability index used in this research uses a ratio scale, namely

The formula for calculating CR is as follows:

$$Current\ Ratio\ (CR) : \frac{Current\ assets}{Current\ liabilities}$$

Information
Current assets: current assets
Current liabilities: current liabilities

Capital structure refers to the comparison of a company's needs with long-term or short-term funding sources from parties inside and outside the company. Meanwhile, trade-off theory explains how business actors try to achieve maximum results by considering the costs incurred so that there is a balance between profits and sacrifices. The relationship with capital structure is that if the position of the capital structure is below the optimal point then every debt will increase the value of the company, whereas if the position of the capital structure is above the optimal point then every debt will increase the value of the company. the value of the company. company (Hery, 2016). A good capital structure is reflected in the increase in company value. Active management provides a good capital structure so that it has the effect of increasing company value. The balance between the tax benefits of reliance on long-term debt and the costs associated with bankruptcy reflects the optimal capital structure because costs and benefits are interdependent. Pinto and Quadras (2016) explain that capital structure decisions

are important for every organization because of the need to maximize revenue and these decisions affect the company's ability to face the competitive environment.

Profitability based on return on assets (ROA) is an important measure for determining company value. High company profits reflect an increase in company value. The company's weak future prospects are reflected in the low level of profits. Signaling theory explains that every company wants to give a positive signal to external parties, in this case investors or creditors. Therefore, it can be concluded that with a high profitability value, the company has good prospects because it will bring a good signal to investors to increase the value of the company.

Liquidity refers to the extent of a company's ability to meet financial obligations that must be fulfilled immediately. A company's liquidity shows its ability to pay short-term financial obligations on time. A company's liquidity is expressed by the size of its current assets, namely assets that are easily converted into cash, including cash, securities, receivables and inventory. Business people want high profits from sales because the greater the commercial sales, the higher the profits obtained. High profits make the company value high and prosperous. Business actors are required to increase their work efficiency to achieve the goal of generating profits. The more liquid a company is in paying its short-term debt, the more investor confidence will increase, thereby increasing the company's value.

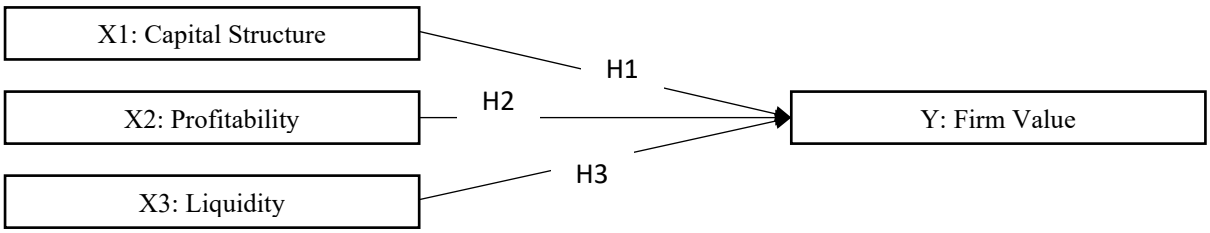

Figure 1. Research Model

Research Hypothesis. The hypothesis in this research is as follows:
a. H1: Capital structure has a negative effect on company value.
b. H2: Profitability has a positive effect on company value.
c. H3: Liquidity has a positive effect on company value.

2. RESEARCH METHODS

The research design used in this research is a descriptive research design combined with quantitative research methods.

Table 1. Variable

No.	Variable	Indicator	*Measurement Formula*	Scale
1	Firm Value	*Price to Book Value (PBV)*	$\frac{\text{Market Value}}{\text{Book Value}}$	Rasio
2	Capital Structure	*Debt to Equity Ratio (DER)*	$\frac{\text{Total Debt}}{\text{Total Equity}}$	Rasio
3	Profitability	*Return on Assets (ROA)*	$\frac{\text{Net Income}}{\text{Average Assets}}$	Rasio
4	Liquidity	*Current Ratio (CR)*	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	Rasio

This research uses two types of variables, namely dependent variables and independent variables. Capital structure is the dependent variable in this research. The independent variables studied are capital structure, profitability and liquidity. This research uses secondary data

obtained from non-cyclical consumer goods companies listed on the official website of the Indonesia Stock Exchange (www.idx.co.id) during the 2020-2022 period. The sampling technique used in this research is a non-probability sampling technique in the form of purposive sampling. The aim of using purposive sampling technique is to obtain a sample that represents the population.

The criteria used in selecting the research sample are as follows:
1. non-cyclical consumer goods companies that are consistently listed on the Indonesia Stock Exchange during 2020-2022,
2. non-cyclical consumer goods companies that conduct IPOs during 2020-2022,
3. non-cyclical consumer goods companies that have suspended for 1 year,
4. non-cyclical consumer goods companies are delisting.

According to Ghozali and Ratmono (2017), descriptive statistics are statistical data used to describe data that has been collected to obtain information or explanations that are useful for the decision making process by analyzing maximum values, minimum values, average values, median values, and values. deviation. In this research, data analysis was assisted with SPSS (Statistical Product and Service Solutions) software.

According to Ghozali and Ratmono (2017), descriptive statistics are statistical data used to describe data that has been collected to obtain information or explanations that are useful for the decision-making process by analyzing maximum values, minimum values, average values, median values, and values. deviation. In this research, data analysis was assisted with SPSS (Statistical Product and Service Solutions) software. The research model that reflects the research hypothesis is as follows:

$$\boldsymbol{Y : a + \beta 1 X 1 + \beta 2 X 2 + \beta 3 X 3 + \varepsilon}$$

Information
Y: Company Value
α: Constant
β1- β3: Regression Coefficients
X1: Capital Structure
X2: Profitability
X3: Liquidity
ε: error

According to Ghozali (2013:98), the F test is used to show whether all the independent variables included in the model have a joint or simultaneous influence on the dependent variable. In this study, a significance level of 0.05 or 5% was used. F test decision making can be seen from the probability value or p-value. If the probability value (F-statistic) is smaller than 0.05, then this means that the dependent variable is significantly influenced by the independent variables. Vice versa, if the probability value (F-statistic) is greater than 0.05, this means that the dependent variable is not significantly influenced by the independent variables in the simultaneous regression model in the simultaneous regression equation model.

According to Ghozali (2016:98) the t (partial) statistical test basically shows how far the influence of an explanatory or independent variable individually is in explaining variations in the dependent variable. In this study, a significance level of 0.05 or 5% was used. T test decision making can be seen from the probability value or p-value. If the p-value is smaller than 0.05, then it means that the independent variable partially has a significant effect on the

dependent variable, whereas if the p-value is greater than 0.05, then the decision is that the independent variable partially has no significant effect on the dependent variable.

The normality test is usually carried out to determine whether in a regression model whether the independent variable or dependent variable has a normal or abnormal distribution. To determine the normality of data, a normality test will usually be carried out using the Kolmogorov-Smirnov Test. The significance level used in this research is 5%. So, if the value of Asymp. less than 0.05.

The heteroscedasticity test is used to find out whether the residual value of an observation has the same or different value. The confidence level used in this research is 95% with an error rate of 5%. The independent variable has a probability value greater than 0.05, so it can be said that a regression model is free from heteroscedasticity problems (Ghozali, 2018

According to Ghozali (2018), the multicollinearity test is usually carried out to find out whether there is a correlation between the independent variable and the dependent variable in a regression model. This test is carried out if the number of independent variables is more than one. A good regression model is a model that does not have correlation or relationship between independent variables. The multicollinearity test is seen from the tolerance value and variance inflation factor (VIF) value. The test results can be said to have multicollinearity if the tolerance value for each independent variable is less than equal to 0.10 and the VIF is more than equal to 10. The test results are said to not have multicollinearity if the tolerance value for each independent variable is more than equal to 0.10 and the VIF is less than equal to 10.

Autocorrelation testing is a test to find out whether in a linear regression model there is a relationship (correlation) between confounding errors in period t and the previous period (Ghozali, 2018). To determine whether there is an autocorrelation problem, the Durbin-Watson test (DW test) is carried out.

3. RESULTS AND DISCUSSIONS

The normality test is one part of the classical assumption test. The purpose of carrying out a normality test is to determine whether the distribution of independent variables and independent variables is normal or not. Positively distributed residual values reflect a good regression model in this test. This research uses the Kolmogoroc-Smirnov test to carry out the normality test. The following are the results of the normality test:

Table 2. Normality Test Results One-Sample Kolmogorov-Smirnov

		Unstandardized Residual
N		234
Normal	Mean	0.0000000
	Std. Deviation	4.31224604
Most	Absolute	0.052
	Positive	0.052
	Negative	-0.039
Test		0.052
Asymp.		0.200

a. Test distribution is Normal.
b. Calculated from data.
c. Lilliefors Significance Correction
d. This is a lower bound of the true significance.

From the test results in table 4.4 above, it can be seen that asymp. for 2020-2022, which is 0.200, where this result shows that the asymp. greater than the 5% significance level (α = 0.05). So, it can be said that the understated residual value for the 2020-2022 period is normally distributed. The multicollinearity test is carried out with the aim of testing whether there is a correlation between the independent variables (independent variables) in a regression model (Ghozali, 2018). A good regression model should be reflected in the absence of correlation between independent variables (independent variables).

Table 3. Multicollinearity Test Results

Modal				Standardized Coefficients Beta	t	sig	Collinearity Statistics Tolerance	VIF
1	(Constant)	-2.309	0.326		-6.259	0.000		
	X1 Capital Structure	63.373	2.077	0.874	30.507	0.000	0.641	1.559
	X2 Profitability	0.096	0.016	0.162	6.032	0.000	0.728	1.374
	X3 Liquidity	0.907	0.043	0.524	0.524	0.000	0.860	1.163

a. Dependent Variable : Y Firm value

Multicollinearity can be seen from the tolerance and VIF (Variance Inflation Factor) values. If the tolerance value for each independent variable is ≤ 0.10 and VIF ≥ 10, then the test results have multicollinearity. If the tolerance value for each independent variable is ≥ 0.10 and VIF ≤ 10, then the test results do not contain multicollinearity. It can be concluded that there is no multicollinearity in the test above.

The heteroscedasticity test aims to test a regression model. This test is to see whether from one observation to another there is an inequality in the variance of the residuals (Ghozali, 2018). A regression model in which heteroscedasticity does not occur can be said to be a good regression model. This research uses Spearman's Rho as a heteroscedasticity test. From test results table 4.5, it can be concluded that capital structure (DER) has a significance value of 0.083. Profitability (ROA) has a significance value of 0.372. Liquidity (CR) has a significance value of 0.515. From these results it can be concluded that the significance value of the variable is above 0.05, which means that there is no heteroscedasticity problem in this variable so it is suitable for use in this research.

The autocorrelation test is carried out with the aim of testing whether there is a correlation between confounding errors in period t and disturbance errors in the previous period (t-1) in the linear regression model. The occurrence of correlation means that there is autocorrelation (Ghozali, 2018). This study uses the Dubrin-Watson test for autocorrelation testing.

Table 4. Autocorrelation Test Results

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0.938	0.879	0.877	4.340278267	1.850

a. Predictors: (Constant), X3 Liquidity, X2 Profitability, X1 Capital Structure
b. Dependent Variable: Y Firm Value

From the results of the data processing above, it can be seen that the Dubrin-Watson (DW) value is 1,850. The DW table value with a significance level of 5% with a sample size (n) of 78 and a number of independent variables (k) = 3, it can be seen that the dU value is 1.80154. From this explanation it can be concluded that the DW value is greater than the dU value and smaller than the 4-dU value, namely 2.19846. This explains that there is no autocorrelation.

Multiple linear regression analysis aims to find out how much influence the independent variable has on the dependent variable (Ghozali, 2018). This test is carried out when testing more than one independent variable. This research uses a significance level of 5% or 0.05 to indicate the level of errors made. The following are the results of the multiple linear regression test:

Table 5. Results of Multiple Linear Regression Analysis

	Modal			Standardized Coefficients Beta	t	sig	Collinearity Statistics Tolerance	VIF
1	(Constant)	-2.309	0.326		-6.259	0.000		
	X1 Capital Structure	63.373	2.077	0.874	30.507	0.000	0.641	1.559
	X2 Profitability	0.096	0.016	0.162	6.032	0.000	0.728	1.374
	X3 Liquidity	0.907	0.043	0.524	0.524	0.000	0.860	1.163

a. Dependent Variable: Y Firm Value

From the test results, the first regression equation model can be created, namely:

PBV: -82.309 – 63.373DER + 0.096ROA + 0.9007CR + ε

Based on the multiple linear regression model above, the regression coefficient value of capital structure is 63,373 and the profitability value is 0.000. This shows that the capital structure has a positive regression value and the significance value is smaller than 0.05, which shows that the capital structure influences the value of companies with the non-cyclical consumer goods sub-sector listed on the Indonesia Stock Exchange (BEI) in the 2020-2022 period.

Based on the multiple linear regression model above, profitability regression (ROA) shows a coefficient value of 0.096 and a profitability value of 0.000, because the probability value is less than 0.05, so it can be seen that profitability has an effect on company value in non-cyclical consumer goods sub-sector companies. listed on the Indonesian Stock Exchange (BEI) in the 2020-2022 period.

Based on the multiple linear regression model above, the liquidity regression (CR) shows a coefficient value of 0.907 and a profitability value of 0.000, because the probability value is less than 0.05, from which it can be seen that liquidity influences the value of companies in the consumer goods sub-sector non-cyclicals listed on the Indonesia Stock Exchange (BEI) in the 2020-2022 period because the probability value is more than 0.05.

Table 6. F Test Results $\boldsymbol{ANOVA^a}$

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	31470.802	3	10490.267	556.867	0.000
	Residual	4332.744	230	18.838		
	Total	35803.546	233			

a. Dependent Variable : Y Firm Value
b. Predictors: (Constant), X3 Liquidity, X2 Profitability, X1 Capital Structure

Based on the results of the F test in table 4.9 above, it can be seen that the F probability is 0.000. The independent variable is said to have a significant effect simultaneously on the dependent variable if the probability value is smaller than 0.05. So it can be said that H1 is accepted and the regression model in this research can be used.

The Individual Parameter Significant Test (t test) was carried out with the aim of determining the magnitude of the influence of each independent variable (X1-X3) on the dependent variable (Y) with a significance level in this test of 5%.

Based on the research that has been carried out, the test results can be explained in detail as follows:

Based on the results of 4.8, it can be seen that the coefficient value of the capital structure (DER) is 63,373, which means that the capital structure has a positive direction towards company value. The significance value of capital structure (DER) is also smaller than 0.05, namely 0.000, which means that capital structure is significant to company value. From this explanation, it can be concluded that capital structure has a significant positive effect on company value.

Based on results 4.8, it can be seen that the coefficient value for profitability (ROA) is 0.096, which means that profitability has a positive direction towards company value. The significance value of profitability (ROA) is also smaller than 0.05, namely 0.000, which means that profitability is significant to company value. From this explanation, it can be concluded that profitability has a significant positive effect on company value.

Based on results 4.8, it can be seen that the coefficient value for liquidity (CR) is 0.907, which means that liquidity has a positive direction towards company value. The significance value of liquidity (CR) is also greater than 0.05, namely 0.557, which means that liquidity is significant to company value. From this explanation, it can be concluded that liquidity has a significant positive effect on company value.

4. CONSLUCIONS AND SUGGESSTION

Based on the limitations mentioned, there are several suggestions that can be given to further research as follows: a. It would be better for future research to use independent variables outside this research such as asset structure and moderating variables such as growth opportunity, b. It is recommended that future research use a research period longer than three years, and c. It would be better if further research is not limited to companies in the non-cyclical consumer goods sub-sector, but rather expanded by adding companies from other sectors, such as the manufacturing sector and the property sector.

It is hoped that this research can provide more information and references to consider for further research regarding company value. It is hoped that the results of this research will provide additional information that can be used by company management to understand the factors that influence company value, especially capital structure, profitability and company liquidity, so that the company can develop more effectively. The next hope is that this research can also increase investors' knowledge regarding company value and can be used as a basis for consideration in making investment decisions so that investors can achieve profits in line with their expectations.

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