
Impact of Profitability and Liquidity on Firm Value in the Food and Beverage Sub-Sector Listed on the Indonesia Stock Exchange (2018-2022)

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ABSTRACT

This study aims to determine the effect of profitability and liquidity on the value of food and beverage sub-sector companies listed on the IDX in 2018-2022. This research is a quantitative study. The population of this study consisted of 15 companies using the purposive sampling method, the sample used was only 10 companies with details of 10 x 5 = 50 samples. Multiple linear regression analysis was used to analyze the effect of profitability and liquidity on company value using SPSS 25 software. The test results showed that profitability had a positive and significant effect on company value. Liquidity had a negative and significant effect on company value.

Keywords: profitability, liquidity, firm value.

INTRODUCTION

The increasingly tight competition in the food and beverage industry in Indonesia encourages companies in the sector to continue to develop their businesses in order to gain greater profits. In this effort, it is important for companies to improve the quality of their value in order to attract investors. One of the factors that influences a company's value is the profitability ratio, which is the main goal of a company because it influences investor interest. Another factor is the liquidity ratio, which reflects the company's ability to meet its short-term obligations. These two factors are closely monitored because they directly affect investors' assessment of the company's value.

Several previous studies have produced mixed findings regarding the factors that influence firm value. For example, research by Putra and Lestari (2016) and Lubis et al. (2017) showed that firm size, profitability, and liquidity have a positive and significant effect on firm value. However, findings from other researchers such as Oktrima (2017) and Apriada and Suardhika (2016) showed different results, stating that profitability has no effect or even has a negative effect

on firm value. This encourages the need for further research to better understand the factors that influence firm value.

This study focuses and limits the problem of profitability, liquidity and firm value variables. This study also limits the research subjects to food and beverage sub-sector companies listed on the Indonesia Stock Exchange with an observation period of 2018 - 2022. From this background, the author will review the effect of profitability and liquidity on firm value in food and beverage sub-sector companies listed on the IDX in 2018-2022.

METHOD

The research was conducted by taking data through the official website of the Indonesia Stock Exchange (IDX), namely www.idx.com. The object of research used in this study is the food and beverage sector companies listed on the IDX. The type of research used in this study is quantitative research, namely the data used is casual explanatory research by testing the influence of independent variables on the dependent variable. There are 2 research variables, namely, 2 independent variables and 1 dependent. The first independent variable is Profitability

(ROA) X1, the second independent variable is Liquidity (CR) X2. And one dependent variable is Company Value with the symbol Y. The population of this study are all companies included in the food and beverage sector listed on the IDX. The sample in this study was 15 food and beverage companies listed on the Indonesia Stock Exchange. The sample in this study was 10 companies for 5 years. The total sample used was 50 samples. The sampling technique for this study used the purposive sampling method. This study uses

secondary data from financial reports listed on the Indonesian Stock Exchange (IDX). This secondary data will be analyzed using Statistical Product and Service Solutions (SPSS). The data analysis methods used are classical assumption test, multiple linear regression analysis, t-test (partial), F-test (simultaneous) and coefficient of determination.

RESEARCH RESULT

1. Multiple Linear Regression Analysis

Table 1. Multiple Linear Regression Test Results

Coefficients ^a					
Model		Unstandardized Coefficients		Standardized Coefficients	Sig.
		B	Std. Error	Beta	
1	(Constant)	616,546	149,524		4,123
	Return on Assets (ROA)	5,056	2,123	0,323	2,382
	Current Ratio (CR)	-1,572	0,684	-0,312	2,299

a. Dependent Variable: Price to Book Value (PBV)

Source: SPSS 25 Output

$$Y = 616.546 + 5.056X_1 - 1.572X_2.$$

$\alpha = 616.546$ is the constant value of the regression equation which is positive.

$\beta_1 = 5.056$ shows a positive influence between the Profitability variable and Company Value, which means that if Profitability increases by 1%, the Company Value will increase by 5.056.

$\beta_2 = -1.572$ shows a negative influence between the Liquidity variable and Company Value, which means that if Liquidity increases by 1%, the Company Value will decrease by 1.572.

2. Partial Test (t-Test)

Table 2. t-Test Results

Coefficients ^a					
Model		Unstandardized Coefficients		Standardized Coefficients	Sig.
		B	Std. Error	Beta	
1	(Constant)	616,546	149,524		4,123
	Return on Assets (ROA)	5,056	2,123	0,323	2,382
	Current Ratio (CR)	-1,572	0,684	-0,312	2,299

a. Dependent Variable: Price to Book Value (PBV)

Source: SPSS 25 Output

The significance value of t variable Profitability on Company Value is 0.021 with t count 2.382 > t table 2.012 and significance value 0.021 < α 0.05 which indicates that H_0 is accepted and H_a is rejected, meaning that partially there is a

significant influence on the Profitability variable on Company Value. The significance value of t variable Liquidity on Company Value is 0.026 with t count 2.299 > t table 2.012 and significance value 0.026 < α 0.05 which indicates that H_0 is accepted

and H_a is rejected, this means that partially there is a significant influence on the Liquidity variable on Company Value.

3. F Test (Simultaneous)

Table 3. F Test Results

ANOVA ^a						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	2327752.434	2	1163876.217	4.626	0.015 ^b
	Residual	11824608.945	47	251587.424		
	Total	14152361.379	49			
a. Dependent Variable: Price to Book Value (PBV)						
b. Predictors: (Constant), Current Ratio (CR), Return on Assets (ROA)						

Source: SPSS 25 Output

Based on the table above, the significance value is 0.015^b. The results of the F test with a sig level. (α) = 5%, (dk) = nk-1 = 50-2-1 = 47 = 3.200. The Ftable value is 3.200, then Fcount 4.626 > Ftable 3.200 and the significance of F 0.015^b < α 0.05 then H_0 is rejected and H_a is accepted,

which means that simultaneously there is a significant influence of Profitability (X_1), Liquidity (X_2) on Company Value (Y) in food and beverage sector companies listed on the IDX in 2018 - 2022.

4. Coefficient of Determination (R^2)

Table 4. Results of the Determination Coefficient (R^2)

Model Summary ^b				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.391 ^a	0.153	0.117	504.94146
a. Predictors: (Constant), Current Ratio (CR), Return on Assets (ROA)				
b. Dependent Variable: Price to Book Value (PBV)				

Source: SPSS 25 Output

Based on the table above, the R Square value is 0.153 or 15.3%, which means that the profitability variable with the return on assets ratio (X_1) and liquidity with the current ratio (X_2) together affect the company value variable with the price to book value ratio (Y) of 15.3%. While the remaining 84.7% is influenced by other variables that are not studied. The R Square value of 0.153 means that the influence of the profitability and liquidity variables on company value is getting weaker.

DISCUSSION

1. The results of multiple linear regression analysis show that Profitability has a positive effect on Firm Value, while Liquidity has a negative effect. Based on the regression equation obtained, if

Profitability increases by 1%, the Firm Value will increase by 5.056. Conversely, a 1% increase in Liquidity actually causes the Firm Value to decrease by 1.572. This indicates that companies with high profitability levels tend to have better firm values, while liquidity that is too high can reduce investment attractiveness because it indicates excess funds that are not optimally utilized to increase firm value.

2. The partial test results (t-test) strengthen the findings by showing that Profitability has a significant effect on Company Value, as indicated by the t-value of 2.382 > t-table 2.012 with a significance level of 0.021 < 0.05. This means that the higher the Profitability, the higher the Company Value.

Conversely, Liquidity is also proven to have a significant effect, but in a negative direction, as indicated by $t\text{-value of } 2.299 > t\text{-table } 2.012$ with a significance level of $0.026 < 0.05$. This indicates that companies with excessively high levels of Liquidity may face the risk of inefficient fund allocation, which ultimately has a negative impact on Company Value.

3. Simultaneously, the F test results show that Profitability and Liquidity together have a significant effect on Company Value, with an F count of $4.626 > F\text{ table } 3.200$ and a significance of $0.015 < 0.05$. However, based on the R Square value of 0.153, the influence of these two variables on Company Value is only 15.3%, while 84.7% is influenced by other factors not examined in this study. This indicates that there are other factors that are more dominant in determining Company Value in the food and beverage sector, such as capital structure, dividend policy, or macroeconomic conditions that need to be taken into account in further research.

CONCLUSION

Based on the results of data analysis and discussion, it can be concluded that Profitability has a positive and significant effect on Company Value, as indicated by $t\text{ count } 2.382 > t\text{ table } 2.012$ with a significance of $0.021 < 0.05$, which means that increasing Profitability will increase Company Value. Conversely, Liquidity has a negative effect on Company Value, as evidenced by $t\text{ count } 2.299 > t\text{ table } 2.012$ and a significance of $0.026 < 0.05$, indicating that increasing Liquidity can actually decrease Company Value. Simultaneously, Profitability and Liquidity have a significant effect on Company Value, as indicated by $F\text{ count } 4.626 > F\text{ table } 3.200$ and a significance of $0.015 < 0.05$, which means that both variables together affect Company Value in food and beverage sub-sector companies listed on the Indonesia Stock Exchange for the

period 2018-2022. Therefore, companies need to increase Profitability while maintaining balance in Liquidity management so as not to have a negative impact on Company Value. In addition, further research is recommended to add other variables and increase samples in order to obtain more accurate and comprehensive results.

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