

## EFFECT OF LIQUIDITY TO VALUE COMPANIES ON CORPORATE FOOD AND BEVERAGES THE LISTED ON THE STOCK EXCHANGE INDONESIA

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**Abstract-** This study aims to analyze the effect of liquidity on firm value. The research method used is descriptive quantitative method. The population in this study were food and beverage companies listed on the Indonesia Stock Exchange for the period 2016-2019, while the sampling technique using purposive sampling method was obtained as many as 5 companies. The statistical test used is the t test. Based on the results of the study, it was concluded that liquidity had no effect on firm value.

**Keywords:** *liquidity, firm value.*

### I. INTRODUCTION

Business competition in the era of globalization during this period is very tight and cannot be separated from the influence of developments in the political, economic, social and technological advances. The company is expected to be able to adapt and be able to read the situation by empowering its management functions. Companies that are able to compete and excel, of course, must have good financial performance to be able to maintain the continuity of company operations, where company value can measure financial performance. Firm value affects investors' perceptions because the company's financial performance is reflected by firm value. The market is made to believe about the current state of the company or the prospects for companies in the future with high company value (Wijaya & Sedana, 2015). Investors will be interested in investing when the company value is high because it affects the company's high stock price.

Based on the Annual Report presented in Table 1, it shows that there is an average acquisition of price to book value (PBV) in the food and beverages sector which has fluctuated during that period with a value of 33.75% in 2016, 27.17% in 2017, 28.32 in 2019 and 26.84% in 2019.

**Table 1. Data of Company Value in the Food and Beverage Sub-Sector on the IDX 2016 – 2019 Period**

No.	Code	Company Name	Price Book Value (PBV) (%)			
			2016	2017	2018	2019
1.	AISA	PT Tiga Pilar Sejahtera Food Tbk	0,07	-0,22	-0,64	-0,31
2.	FAST	PT Fast Food Indonesia Tbk	0,82	0,90	0,93	0,65
3.	MYOR	PT Mayora Indah Tbk	17,03	16,28	14,58	16,90
4.	INDF	PT Indofood Sukses Makmur Tbk	63,15	69,84	76,31	77,90
5.	ULTJ	PT Ultrajaya Milk Industri & Trading Company Tbk	26,44	28,06	30,61	29,13
6	STTP	PT Siantar Top Tbk	27,96	22,83	33,51	36,44
7.	ICBP	PT Indofood CBP Sukses Makmur Tbk	5,41	4,92	1,55	0,41
8.	ALTO	PT Tri Banyan Tirta Tbk	66,64	49,34	44,16	43,64
9.	MLBI	PT Multi Bintang Indonesia Tbk	30,28	27,77	28,86	0,35
10.	CEKA	PT Wilmar Cahaya Indonesia Tbk	94,00	96,90	98,66	113,85
11.	PSDN	PT Prasadha Aneka Niaga Tbk	159,54	81,24	87,85	79,87
12.	ROTI	PT Nippon Indosari Corporindo Tbk	5,61	2,29	2,08	1,92
13.	SKBM	PT Sekar Bumi Tbk	4,17	1,68	0,53	1,43

14.	SKLT	PT Sekar Laut Tbk	0,72	2,47	3,05	0,34
15.	DLTA	PT Delta Djakarta Tbk	4,37	3,21	2,76	0,02
		Average	<b>33,75</b>	<b>27,17</b>	<b>28,32</b>	<b>26,84</b>

Source: Processed data. 2020

The fluctuating price to book value (PBV) results in a bad company value which will reduce investor confidence. The value of this company is a reflection of the public's trust in the company as a condition that has been achieved, seen from the company's activities starting from the company's establishment to the company's current condition (Noerirawan 2012). One of the good company values will be reflected in the level of liquidity because a high level of liquidity indicates that the company is in good shape, can meet short-term obligations, there are lots of funds available for the company to pay dividends and finance its operations and investments, thus liquidity is very necessary because it can increase the company's value to be good. In line with research by Du et al. (2016) and Rompas (2013) who concluded that liquidity has an influence on firm value.

This description makes the author interested in examining the effect of liquidity on firm value in food and beverages listed on the Indonesian stock exchange.

## II. LITERATURE REVIEW

### 2.1 Liquidity

#### 2.1.1 Definition of Liquidity

According to Handono (2009), liquidity is a company's capability in meeting short-term debt on time, including paying off long-term debt due in the year concerned.

Stephen Ross et al. (2015) states that the well-known and most widely used type of liquidity ratio is the current ratio.

According to Martono and Agus (2010), the liquidity ratio is an indicator of a company's capability to pay off short-term debt when it matures by utilizing current activities.

The liquidity stage of the company will reflect the company to immediately fulfill its financial obligations. The power to pay of the company concerned is based on the number of payment instruments owned by the company at a certain time. Companies that have the power to pay do not necessarily have the ability to pay.

#### 2.1.2 Current Ratio

According to Sutrisno (2009), the current ratio is the ratio between the assets available in the company and short-term debt. Meanwhile, according to Athanasius (2012), the current ratio is the most common way to review the level of company liquidity. The company is considered to be increasingly able to pay off its current obligations along with the higher current ratio.

Meanwhile, Munawir (2007) states that the definition of the current ratio is as follows: "Current ratio is the ratio between total current assets and current debt. This ratio shows that the value of current assets (which can immediately be turned into money) is several times debt. short-term".

According to Hery (2017), a company that has a small current ratio indicates that the company has little current assets to meet its short-term debt. However, if a company has a high current ratio, it is not certain that the company is in good condition.

Current Ratio is useful in measuring company liquidity. It is assumed that all current assets can actually be used to pay and also to represent paid instruments.

### 2.2 Company Value

#### 2.2.1 Definition of Company Value

According to Hemastuti (2014), firm value can be described as investors' perceptions of the company, this is often associated with the same price.

High corporate value is considered attractive because by showing the prosperity of shareholders, it automatically becomes the desire of the company owners. The company's value for a manager is a measure of the work performance

achieved by him. The increase in company performance is indicated by the increased company value, this will encourage investors to invest in the company, then the company's stock price will increase.

### 2.2.2 Price to Book Value (PBV)

According to Zulbiadi Latief (2018), PBV is a ratio to assess the fair price of a share by calculating the latest share price value on the book value of the company's most recent financial statements.

PBV ratio analysis is an analysis to find the relationship between the stock price and the book value of each share (The Strategic CFO - financial advisory and consulting firm).

Price to Book Value is a measure that functions to see whether shares in a company can be said to be expensive or cheap. The Price to Book Value itself is obtained from dividing the price per share of the company by the book value.

According to Ang (1997) and Novitasari (2013), Price to Book Value (PBV) is used to measure the performance of the stock market price against its book value using the market ratio. This ratio shows how far a company is able to realize the company's value against the amount of capital investment.

## III. METHODS

This research method uses descriptive quantitative methods, namely using a secondary data analysis approach (Sugiyono, 2016).

The population taken for this study is the Food and Beverages companies and the like which are listed on the Indonesia Stock Exchange from 2016 - 2019, totaling 15 companies. The technique used for sampling using purposive sampling method obtained as many as 5 companies.

## IV. RESULTS AND DISCUSSION

### 4.1 Normality Test

Kolmogorov-Smirnov Test		Unstandardized Residual
N		5
Normal Parameters <sup>a,b</sup>	Mean	.0000000
	Std. Deviation	27.39272573
Most Extreme Differences	Absolute	.174
	Positive	.169
	Negative	-.174
Test Statistic		.174
Asymp. Sig. (2-tailed)		.200 <sup>c,d</sup>

The results of the normality test obtained a number of 0,200 > 0,05 Ho was accepted, then the data is normally distributed.

### 4.2 Heteroskedasticity Test

Coefficients <sup>a</sup>					
		Unstandardized Coefficients		Standardized Coefficients	
Model		B	Std. Error	Beta	t
1	(Constant)	-8.527E-15	36.152		.000
	LIKUIDITAS	.000	12.196	.000	1.000

Reject Ho if the significant value (Sig.) < 0,05

Accept Ho if the significant value (Sig.) > 0,05

The results of the heteroscedasticity test showed that a number of  $1 > 0.05$  Ho was accepted, so it can be concluded that heteroscedasticity did not occur in this research data.

### 4.3 Autocorrelation Test

#### Model Summary<sup>b</sup>

Model	R	R.Square	Std. Error of the		Estimate	Durbin-Watson
			Adjusted R Square			
1	.321 <sup>a</sup>	.103	-.196	31.63040	2.627	

Predictors: (Constant): LIQUIDITY

Dependent Variable: COMPANY VALUE

Hypothesis:

Ho:  $\rho = 0$  (no autocorrelation)

Ho: There is  $\rho \neq 0$  (autocorrelation occurs)

Conclusion:

The dU value is sought in the Watson durbin table value distribution based on k (1) and N (5) with a significance of 5%

$dU (1,4002) < 4-dU (2,5998) < \text{Durbin Watson} (2,627)$ .

There are symptoms of autocorrelation, because the Durbin Watson value is more than (4-dU).

Criteria:

(DW),  $\alpha = 5\%$

Reject Ho If DW Value is less than dL or DW is greater (4 - dL).

Accept Ho If the value of du is less than DW is less than (4 - du).

If dL is less than DW is less than du or (4 - du) is less than DW is less than (4 - dL) then it will not produce a definite conclusion.

### 4.4 Effect of Liquidity on Company Value

Research using the t test obtained:

#### Model Summary<sup>b</sup>

Model	R	R.Square	Std. Error of the		Estimate
			Adjusted R Square		
1	.321 <sup>a</sup>	.103	-.196	31.63040	

Predictors: (Constant), LIQUIDITY

ANOVA<sup>a</sup>

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	343,939	1	343.939	.344	.599 <sup>b</sup>
	Residual	3001.446	3	1000.482		
	Total	3345.385	4			

Dependent Variable: COMPANY VALUE

Predictors: (Constant), LIQUIDITY

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients		t	Sig.
		B	Std. Error	Beta	t		
1	(Constant)	51.711	36.152			1.430	.248
	LIQUIDITY	-7.151	12.196	-.321	-.586		.599

Dependent Variable: COMPANY VALUE

T table =  $t(\alpha / 2; n-k-1) = t(0.025; 3) = 0.0083$

The Sig. for the effect of X on Y is equal to 0.828 > 0.05 and the value of t count -0.236 < t table 0.0083, so it can be concluded that liquidity has no effect on firm value.

This description is in line with research conducted by Lulu (2018) which concluded that liquidity has no effect on firm value as well as the results of research by Winarto (2015), Wijanti and Sedana (2013) also stated that liquidity has a significant negative effect on firm value.

**V. CONCLUSION**

The results of the study explained that liquidity had no effect on firm value.

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