ANALYSIS OF THE IMPACT OF PROFITABILITY RATIO AND SOLVABILITY RATIO OF THE FOOD & BEVERAGE INDUSTRY VALUE LISTED ON INDONESIA STOCK EXCHANGE 2014-2018

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ABSTRACT

In general, the purpose of every company, especially companies engaged in food and beverages listed on the stock market is to maximize the value generated by the company. A company can be said to have good value if the profit of the company is also good. The higher the value of a company, the greater the profits to be received by the owner of the company. The purpose of this study is to examine the impact of Return On Assets, Return On Equity and Debt to Equity Ratio in influencing company value. The technique used in sampling is purposive sampling from three companies that have been listed on the Indonesia Stock Exchange for the 2014-2018 period. The analysis used is Multiple Linear Regression in which the testing process using SPSS 23 software. The results of this study indicate that the three variables, namely Return On Asset, Return On Equity and Debt to Equity Ratio simultaneously have no significant effect on firm value. While partially these three variables have insignificant influence on the value of the company where in this case the Price Book Value variable.

Keyword : Return On Assets, Return On Equity, Debt to Equity Ratio, Price Book Value

INTRODUCTION

Globalization has led to increasingly fierce business competition. Therefore, the company strives to continuously improve performance which is reflected in the value of the company. Competition in the manufacturing industry units, especially food and beverages, makes each of these companies increasingly improve work results so that the company's goals can still be achieved. One of the company's goals is to maximize shareholder trust through maximizing the value of the company. Information on financial statements is expected to provide benefits to investors so that they are able to classify or predict company performance and be able to predict how the company has prospects in the future. Therefore, financial reports are expected to be delivered correctly so that it is useful for every party that needs it, especially for those who will later use it as consideration in decision making.

LITERATURE REVIEW

Return On Assets

This ratio analyzes the extent to which investments have been made whether able to provide a return on profits as expected or not, Fahmi (2011:137). And the investment is actually the same as the company's assets that are invested or placed. Return On Assets is the ratio of net income to total assets to measure returns on total assets after interest and taxes, Brigham and Houston (2015:148)

ROA is an indicator of the ability of a business unit to obtain a return on a number of assets owned by the business unit. Return On Asset measures the operating performance that shows the extent to which assets are allocated. This ratio measures how effective the organization is in utilizing existing resources to generate profits.

Return On Asset is an instrument measuring the overall ability of the company to generate profitability with the total amount of assets available in the company. This ratio is used to see the level of overall company operating efficiency, so the higher this ratio, the better a company.

Return On Equity

Return on Equity is a ratio of net income to ordinary equity that measures the rate of return on investment of ordinary shareholders, Brigham and Houston (2015:149). Return on Equity is a financial analysis instrument to measure the level of profitability. This ratio measures the ability of a company to produce a level of profit based on certain capital. This ratio is a measure of profitability that is seen from the perspective of investors. One of the main reasons why a company operates is to make profits that benefit investors, a measure of the success of achieving this is the Return on Equity figure has been achieved. The greater the value reflects the company's ability to generate high returns for investors.

According to Mursidah (2011:46) in Fahrizal (2013:15) Return on Equity is a ratio that is very important for company owners or other terms The Common Stockholder, this is because this ratio describes the rate of return generated by management from the capital provided by the owner of the company. ROE shows the level of profitability that will be enjoyed by investors. The growth of the ratio shows the company's prospects are getting better where this is due to the potential increase in profits to be gained by the company, so that it will increase shareholder confidence and will facilitate management in attracting capital in the form of shares.

This ratio is useful as a basis for knowing the level of management efficiency in carrying out its capital, the higher this ratio shows the more efficient and effective the company is in using its equity, and ultimately shareholder confidence in the capital invested in the company is much better and is able to have a positive impact on its share price in the market.

Financial statements are one source of financial information on the capital market that is made by management to account for the results of the company's operations for a certain period to the company's owners. Company value is able to give an idea of how good or bad management is in managing its assets, this can be seen from the measurement of financial performance produced. A company will try to maximize the value of its company. An increase in company value is usually marked by rising share prices in the market. Company performance can be seen from the appearance of increased financial statements. So the condition and financial position will change. With changes in financial position, this will affect the company's stock price. The company's stock price reflects the value of a company, if the company achieves good performance it will be more attractive to investors. Achievements achieved by the company, can be seen from the published financial statements. Financial reports are designed to help the users of the report to identify the relationship of variables from the financial statements. With the company's financial statements can obtain data to calculate profitability ratios.

One of the benchmarks used to measure company performance is the profitability ratio. Profitability ratios are ratios used to measure management effectiveness based on returns from investment sales and the company's ability to generate profits which will be the basis for dividend distribution. The most commonly used ratio to measure profitability is Return on Assets and Return on Equity and one of the leverage ratios is Debt To Equity Ratio. Profits that are worth sharing among shareholders are profits after the company fulfills all of its fixed obligations, namely interest expenses and taxes. Because dividends are taken *from the net profits derived by the company, these profits will affect the amount of the Dividend Payout Ratio. The greater the profits, the greater the company's ability to pay dividends.*

To increase the value of the company, a company must be supported by strong funding sources to meet the funding needs of the company. The fulfillment of these funds can come from internal sources of the company or external sources of the company. But in general companies tend to use their own capital for permanent capital, while foreign capital is only allocated as a supplement if the funds needed are not sufficient. The allocation of own capital will be the responsibility of the overall risk of the company and is a guarantee for creditors. The foreign capital is capital that comes from creditors where it is also a debt for the company concerned. There are several ways to calculate the value of the company one of which is to use Price to Book Value analysis. Price to Book Value is the ratio between the share price and the net asset value per share of a company. The purpose of this study was to examine the effect of Return On Assets, Return On Equity and Debt To Equity Ratio on the value of food and beverage companies listed on the Indonesia Stock Exchange (IDX) in 2014-2018.

Debt To Equity Ratio

Debt to Equity Ratio according to Darsono and Ashari (2010:54) is one of the Leverage Ratios or Solvency Ratios. The solvency ratio is a measure to determine the company's ability to pay long-term obligations if the company is liquidated. This ratio is also called the leverage ratio (Leverage), which is assessing the company's limits in borrowing money.

According to Kasmir (2014:157) in his literacy states that Debt to Equity Ratio is a ratio as an instrument to assess debt with owned capital. This ratio is calculated by comparing all debt including current debt with all equity. This ratio is also used as a tool to find out the amount of funds that have been provided by the borrower with the owner of the company. In other words, this ratio has a function to find out how every rupiah of its own capital is used as collateral for debt

According to Fahmi (2011:128) regarding Debt to Equity Ratio also by Joel G. Siegel and Jak K. Shim defines it as a measure used in analyzing financial statements to find out the amount of collateral provided for borrowers. In matters relating to this ratio there is no limit on what is a safe value for a company, but for the conservative usually more than 66% or a ratio of 2/3 is considered to have risk. This type of ratio is a measure that is able to compare between the amount of debt both long-term debt and short-term debt against all the equity owned by the company.

Corporate Value

Company value is the assumption of shareholders on the level of success of the company related to the share price. According to Andinata in Ika (2013: 45) the value of a company is a value that reflects how much price an investor is willing to pay for a company. High stock prices make the value of the company is also high. Maximizing the value of the company is very important for a company, because maximizing the value of the company also maximizes the prosperity of shareholders which is the company's main goal. Company value is generally indicated from the price to book value. According to Bringham and Houston (2011: 152), PBV is a comparison between the stock price and the book value of the company. Where the book value of the company (book value share) is a comparison of common stock equity with the number of shares outstanding.

According to Nurlela and Islahuddin in Munawaroh (2014:5) explained that enterprise value (EV) or also known as firm value (company value) is an important concept for *investors, because it is an indicator for the market to assess the company as a whole. Basically the goal of financial management is to maximize the value of the company. However, behind this goal there is still a conflict between the owner of the company with the provider of funds as a creditor. If the company runs smoothly, the value of the company's shares will increase, while the value of the company's debt in the form of bonds is not affected at all. So it can be concluded that the value of share ownership can be an appropriate index to measure the level of effectiveness of the company.*

The purpose of maximizing stock prices does not mean that managers must seek to increase the value of shares at the expense of bondholders. A company is said to have good value if the company's performance is also good. The value of a company can be reflected in the price of its shares. If the value of the shares is high, it can be said that the value of the company is also good. Because the company's main goal is to increase the value of the company through increasing the prosperity of the owners or shareholders.

Based on the background of the problem and theoretical rationale, the conceptual framework of this study can be described as follows:

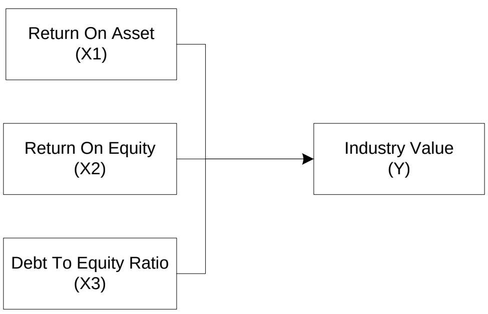

Figure 1. Conceptual Framework

Based on the problems raised by the supporting theories above that have strengthened the problem, a hypothetical or provisional hypothesis is proposed, including:

H1: ROA, ROE and DER partially have a significant influence on the value of food and beverage companies listed on the Indonesia Stock Exchange for the period 2014-2018.

H2: ROA, ROE and DER simultaneously have a significant influence on the value of food and beverage companies listed on the Indonesia Stock Exchange for the period 2014-2018

RESEARCH METHODS

Procedure and sample

Judging from the characteristics of the problem, this research is categorized in quantitative research. According to Sugiyono (2015:08) Quantitative research is research based on positivism philosophy, used to examine specific populations and samples, data collection using research instruments, quantitative / statistical data analysis, with the aim of testing hypotheses that have been established.

According to Usman and Akbar (2014:42) explain the population is all the values of both the calculation and measurement results, both quantitative and qualitative, rather than certain characteristics regarding a group of objects that are complete and clear. The sampling technique in this study was purposive sampling. The sample taken by the author in this study is the statement of financial position and income statement on the financial statements as well as the financial summary and summary of shares in the annual report of the three food and beverage companies from 2014 to the period.

Measurement instruments

To answer the problem formulation and to test the proposed hypothesis, the data obtained will then be processed according to the needs of the analysis. For the purposes of discussion, the data is processed and *presented based on the principles of descriptive statistics, while for the purposes of analysis and testing of hypotheses used multiple regression analysis to determine the relationship between the dependent and independent variables.*

ROA (Return On Asset) (X1) is the ratio between profit after tax and the number of assets owned by the company. The ROA (X1) formula is:

$$\mathrm{ROA} = \frac{\mathrm{EAT}}{\mathrm{Total\ Asset}}$$

ROE (Return On Equity) (X2) is the ratio between profit after tax (EAT) with the amount of equity owned by a company. The ROE (X2) formula is:

$$\mathrm{ROE} = \frac{\mathrm{EAT}}{\mathrm{Total\ Ekuitas}}$$

DER (Debt To Equity Ratio) (X3) is a comparison between the total debt held by a company and the company's total equity. The DER formula (X3) is:

$$\mathrm{DER} = \frac{\mathrm{Total\ Hutang}}{\mathrm{Total\ ekuitas}}$$

The value of the company illustrates how good or bad management is in managing its wealth and is also a reflection of the number of shares outstanding, share price, total liability and also the number of assets. One way to find out the value of a company is to calculate Price To Book Value. PBV is a comparison between the share price and the value of the stock book. Following is the formula for calculating PBV:

$$\mathrm{PBV} = \frac{\mathrm{Market\ Price\ Per\ Share}}{\mathrm{Total\ Capital\ /\ Shares\ Outstanding}}$$

$$\mathrm{PBV} = \frac{\mathrm{Market\ Price\ Per\ Share}}{\mathrm{Book\ Value\ Per\ Share}}$$

Testing classic assumptions

The classic assumption test is used to ensure that the regression model is feasible to use. The classic assumption test includes normality test, multicollinearity test, heterokes-dastistias test and autocorrelation test. Normality test aims to determine whether the variable has a normal data distribution or not. To find out the data is normal or not, one of them can be known by using the Kolmogorov-Smirnov approach. The calculation results show that the significance or probability value is sig> 0.05 then the research data is categorized as Normal distribution.

This multicollinearity test is conducted to find out that there is no very strong relationship or no perfect linear relationship occurs or it can also be said that the independent variables are not interrelated. Based on calculations, the results show that the VIF value on the ROA and ROE variables are greater than 10, meaning that these variables indicate the presence of multicollinearity symptoms. While the DER variable has a VIF value of 2.967 which is smaller than 10 which means that the variable shows no symptoms of multicollinearity.

Heteroskedastity test aims to test whether in the multiple linear regression model there is an inequality of variance and residuals of an observation to other observations. The calculation results show that the significance or probability value is sig> 0.05, so the multiple linear regression model does not occur heteroscedastity.

Auto correlation is the correlation that occurs between observers located in a row, usually occurring in time series data. From the calculation results it can be seen that the DW value is 2.040 then it can be concluded that the data are not affected by autocorrelation symptoms because the value is in the range of 1.65 <DW <2.35

Analysis

After testing the classical assumption test and from the results the data used meets the requirements, then the analysis can be continued with multiple linear regression tests. The results of multiple linear regression testing using SPSS 23.0 (statistical program for social science) can be seen in the following table:

Table 1. Coefficient of Multiple Linear Regression

Coefficients[a]

Model		Unstandardized Coefficients	
		B	Std. Error
1	(Constant)	.548	1.028
	ROA	.203	.221
	ROE	.057	.119
	DER	2.056	1.024

a. Dependent Variable: PBV

Source: SPSS Output

Based on this research, the multiple linear regression equation can be stated as follows:

Y = a + b1 X1 + b2 X2 + b3 X3

Y = 0.548 + 0.203 X1+ 0.057 X2 + 2.056 X3

Test T (Partial Testing)

Based on table it is known that the Return On Asset variable has a significance value of 0.378> 0.05 which means Return On Assets has no significant effect on the value of food and beverage companies listed on the Indonesia Stock Exchange for the 2014-2018 period. The Return On Equity variable has a significance value of 0.641> 0.05. It states that Return On Equity has no significant effect on the firm's value. Debt to Equity Ratio variable has a significance value of 0.070> 0.05 this means that Debt to Equity Ratio has no significant effect on the value of food and beverage companies listed on the Indonesia Stock Exchange for the 2014-2018 period.

Table 2. T test table

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.548	1.028		.533	.605
	ROA	.203	.221	.503	.919	.378
	ROE	.057	.119	.266	.480	.641
	DER	2.056	1.024	.484	2.008	.070

a. Dependent Variable: PBV

Source: SPSS Output

F Test (Simultaneous Testing)

F test is a test conducted to determine the effect of the independent variables together on the dependent variable. Based on the calculation of the significance value is 0.001 <0.05 so it can be concluded that there is an influence of Return On Assets (X1), Return On Equity (X2) and Debt to Equity Ratio (X3) to the value of the company in food and beverage companies listed on the Indonesia Stock Exchange for the 2014-2018 period

Discussion

Effect of ROA, ROE and DER simultaneously on firm value

Based on the test results, it was found that ROA, ROE and DERn simultaneously affect the value of the company (Price to Book Value) with an F-calculated value of 13,387 with a significance value of 0.001 smaller than 0.050. Thus the Return On Asset and Return On Equity and Debt to Equity Ratio variables simultaneously have a significant effect on firm value (Price to Book Value).

This can indicate that the value of ROA, ROE and DER can be used by investors to determine which direction of investment the company will choose, of course by paying attention to each value of the three variables without calculating the other ratios. So that it will facilitate and speed up potential investors to invest their funds by looking at the analysis of the three ratios in the Annual Report that has been listed in the financial statements or financial summary reports that have been published by each company.

The effect of Partial ROA, ROE and DER on firm value

Based on the test results found that Return On Assets partially affect the value of the company (Price to Book Value) with a significance value of 0.378 greater than 0.05. Thus it was concluded that the Return On Asset variable had no significant effect on firm value (Price to Book Value).

This shows that the presentation of the Return On Asset ratio in food and beverage companies listed on the Indonesia Stock Exchange is still not enough to meet the financial summary *reports contained in the annual Annual Report that is published. Because it is still not enough to just look at one of these profitability ratios, namely Return On Assets, potential investors and investors who want to invest their capital can easily predict the value of the company.*

The higher the value of Return On Assets, the better the value of the company and vice versa the lower this ratio, the less the value of the company because if this ratio is low, it can be said that the company can indicate the possibilities of low sales volume, inefficiency in production, buying or marketing.

Based on the test results found that Return On Equity partially has an insignificant influence on the value of the company (Price to Book Value) with a significance value of 0.641 greater than 0.050. Thus it is concluded that the Return On Equity variable has no significant effect on firm value (Price to Book Value).

This shows that if the company is able to produce high Return On Equity values as in the company PT. Mayora, the company's value will be higher too. this is because Return On Equity has a positive influence on the value of food and beverage companies listed on the Indonesia Stock Exchange. Therefore by looking at the value of Return On Equity, potential investors will quickly and easily determine the choice in which the funds will be invested. The higher the value of Return On Equity, it can reflect the company's ability to generate high profits for shareholders, besides that the higher ROE means the more efficient and effective the company is using its equity.

Based on the test results found that the Debt to Equtiy Ratio partially has an insignificant effect on the value of the company (Price to Book Value) with a significance value of 0.070 greater than 0.050. Thus it was concluded that the Debt to Equity Ratio variable had no significant effect on firm value (Price to Book Value).

This shows if the value of Debt to Equity Ration has increased or decreased then the value of the company will not have a significant effect. Apart from that, if a company has a high DER value, it is not certain that the company has a high value, because if the DER value of a company is high, then the company can be sure to have a high amount of debt, and if a large amount of debt is long-term debt , it can affect company liquidity if the debt is unable to be paid by the company. For this reason, the value of the Debt to Equity Ratio cannot be used as a reference to see the value of the company.

CONCLUSIONS

Based on data obtained by researchers and analyzed, based on the results of the analysis in the previous chapter, conclusions can be drawn as follows:

1. *Partially, changes in ROA, ROE and DER have no significant effect on the value of the company in food and beverage companies listed on the Indonesia Stock Exchange for the period 2014-2018.*
2. *Simultaneously changes in ROA, ROE and DER have a significant effect on the value of the company in food and beverage companies listed on the Indonesia Stock Exchange for the period 2014-2018*

SUGGESTIONS

Based on research conducted by researchers in terms of the influence of ROA, ROE and DER on the value of food and beverage companies listed on the Indonesia Stock Exchange (BEI) in 2014-2018. Some suggestions proposed by researchers are as follows:

1. *In the calculation of ROA, ROE and DER, it is expected that issuers calculate according to the figures presented in the published financial statements, to avoid the difference between the calculation presented with the actual recalculation in accordance with the components*

that have been presented in the financial statement.

2. *For food and beverage companies that have not registered their shares on the stock market, it is expected that if they are able to go public, they will immediately register their shares on the stock market so that competition is even more competitive.*
3. *For further research, researchers should add the number of variables and the number of research samples.*

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