Analysis Of Financial Performance Affecting Corporate Value

R. Ait Novatiani [1], R. Enkeu Agiati[2]

[1]Widyatama University - Bandung
[2]Polytechnic Of Social Welfare – Bandung
[1]ait.novatiani@widyatama.ac.id, [2]agiatienkeu@yahoo.co*m*

Abstract: Firm value is the investor's perception of the company's success rate which is often associated with stock prices, where high stock prices make the company value high. Factors that can affect firm value are financial performance where the better the financial performance of a company, the better the company value, which consequently the level of investor confidence in the company will be better.The research data sample was obtained by purposive sampling method, amounting to 26 property companies listed on the Indonesia Stock Exchange. The results showed that liquidity had an effect on firm value and profitability had an effect on firm value.

Keywords*:* Liquidity, Profitability and Company Value

1.   Introduction

Firm value is one of the factors considered by investors in investing their funds in a company. Firm value is the investor's perception of the company's success rate which is often associated with stock prices, where high stock prices make the company value high. High company value will make the market believe and not only in the company's performance but also in the company's future prospects (Retno, Reny and Denies, 2012).

According to BEI statistical data (www.idx.co.id) several BUMN companies listed on the IDX experienced a decline in company value, this can be seen in table 1.1.

Table 1.1
Average Price Book Value of BUMN Companies

Number	Company Code	2013	2014	2015
1	GIAA	0,90000	1,13000	0,63000
2	INAF	0,81000	1,98000	0,93000
3	KRAS	0,63000	0,67000	0,18000
4	ANTM	0,82000	0,84000	0,56000

Source: Indonesia Stock Exchange (www.idx.co.id)

From table 1.1 it can be explained that a decrease in firm value can bring negative perceptions from investors to the company, because it shows that the company's performance has decreased. Decreasing company value will have an impact on investors' decisions not to invest in a company.

The impact of the decline in company value causes the company to experience difficulties in obtaining external funding from investors and can hinder the company's operations due to unmet funding needs. From the data obtained, it can be seen that the price book value of the companies GIAA, INAF, KRAS, and ANTM is below the average price book value of BUMN companies in 2015. This can make GIAA, INAF, KRAS, and ANTM companies not trustworthy. from investors and ultimately do not get external funding from investors. Harjito (2014) states that the greater the price book value ratio, the higher the investors will assess the company.

There are several factors that can affect company value, namely liquidity and profitability. Liquidity and profitability are used to measure the financial performance of a company, this is in line with the research of Sutrisno (2016) and Nurhayati (2013) which states that liquidity and profitability affect firm value. The higher the liquidity of a company, the more funds the company can use to pay dividends, finance operations and investments. High profitability will indicate a good company prospect, which will lead to an increase in demand for shares and will affect stock prices.

Research by Mahendra, Artini, & Suarjaya (2012) states that firm value is influenced by financial performance. Financial performance is a condition or reflection of the company's ability to manage and allocate its resources (Rahardjo and Murdani, 2016). A company must be able to maintain and improve its financial performance so that the company's share price can be maintained and remains attractive to investors (Mahendra,

Artini, and Suarjaya, 2012; Dunga & Mafini, 2019). Thus, the better the financial performance of a company, the better the company value, which as a result, the level of investor confidence in the company will be better.

The purpose of this study was to analyze the effect of liquidity on firm value and the effect of profitability on firm value.

2. Theoretical basis
2.1.1 Definition of Financial Performance

According to Wau, Syarifuddin, and Herwanto (2017) financial performance is an estimate of the achievement or success of implementing the company plan in carrying out the company's mission and vision.

2.1.2 Financial Performance Elements

Harjito (2014) states that financial performance is measured using:

a. Liquidity, namely the strength of a company in settling or paying its maturing debts using current assets. The liquidity ratio used in this study is the current ratio

b. Profitability, namely the strength of a company in obtaining profits. The profitability ratio used in this study is return on equity

2.1.3 Definition of Company Value

Firm value is the response of investors in assessing the level of success of the company and is often associated with stock prices (Harjito, 2014).

2.1.4 Corporate Value Elements

In general, price book value is often used as a measuring tool in calculating company value

3. Research methods

3.1 Population and Research Sample

Property companies listed on the Indonesia Stock Exchange from 2012-2016 constitute the population. The purposive sampling method used in the sampling technique is the sample drawn by using considerations totaling 26 companies.

3.2 Data source

Secondary data is a source of data obtained from property companies listed on the Indonesia Stock Exchange by taking financial reports from 2012-2016. The data is obtained from the official website of the Indonesia Stock Exchange (www.idx.co.id), yahoo finance, indopremiere securities.

3.3 Classic assumption test

The classic assumption tests used are:
1. Normality test is to find out whether the data is normally distributed or not

2. Multicollinearity test, which is a test used to determine the existence of a relationship between some or all of the variables that explain the regression model

3. Autocorrelation test, which is to determine the correlation between the disturbance variables so that the estimator is no longer efficient both in the small sample model and in the large sample.

4. Heteroscedasticity test, which is a test performed to assess whether there is an inequality of variants of the residuals for all observations in the linear regression model.

4. Research results and discussion

4.1 Classic assumption test

1. Normality Test
Based on the test results, it shows that the data used in the study are normally distributed.

2. Multicollinearity Test
The test results explain that the data is free from autocorrelation symptoms (there is no autocorrelation problem).

3. Autocorrelation test
The test that has been done explains that there is no multicollinearity for each variable.

4. Heteroscedasticity Test
The test results show that the regression model is free from heteroscedasticity problems

4.2 The Effect of Liquidity on Firm Value

Research shows that liquidity has an influence on firm value with a regression coefficient of 0.289. The regression coefficient shows that every increase in the value of 1 unit of the current ratio will cause an increase in the price book value of 0.289 units. At the 5% significance level the current ratio variable has a significant effect, this is indicated by the liquidity value of 0.025 or less than 0.05.

Hypothesis testing results and it can be explained that the level of a company's ability to meet its short-term obligations has an influence on firm value or in other words that liquidity has an influence on firm value. The higher the liquidity ratio, the greater the company's ability to meet its short-term obligations and will give investors a positive perception.

The company's financial condition is in good condition because the company has the funds to fulfill its obligations. These perceptions or opinions of investors can increase the demand for company shares and can have an effect on increasing the company's price book value. This is in line with research conducted by Sutrisno (2016) and Nurhayati (2013) which states that liquidity and profitability affect firm value. Research by Mahendra, Artini, & Suarjaya (2012), Rahardjo and Murdani, (2016) which states that firm value is equally affected by financial performance.

4.3 Effect of Profitability on Firm Value

Research that has been done shows that profitability has an influence on firm value with a regression coefficient of 0.684. The regression coefficient shows that each increase in the value of 1 unit of return on equity will cause an increase in the price book value of 0.684 units. At the 5% significance level, the return on equity variable has a significant effect, this is indicated by the profitability value of 0,000 or less than 0.05.

Hypothesis testing that has been done is successful and it can be explained that the level of a company's ability to generate profits has an influence on firm value in other words that profitability has an influence on firm value. The higher the profit the company gets, the market will give the perception that the company is working well and can increase the demand for the company's shares which will have a direct impact on the increase in stock prices. An increase in stock prices will also have a direct impact on price book value.

This is consistent with research conducted by Sutrisno (2016) and Nurhayati (2013) which states that liquidity and profitability affect firm value. Research by Mahendra, Artini, & Suarjaya (2012), Rahardjo and Murdani, (2016) which states that firm value is influenced by financial performance.

5. Conclusion

The conclusions in this study are:
1. Liquidity affects firm value
2. Profitability has an effect on firm value

References
1. Arikunto, Suharsimi. (2013). *Prosedur Penelitian*. Jakarta: PT. Rineka Cipta
2. Barker et al. (2002). *Research Methods in Clinical Psychology*. John Wiley & Sons Ltd. England

3. Dunga, H., & Mafini, C. (2019). SOCIO-ECONOMIC FACTORS INFLUENCING THE EDUCATION OF THE GIRL CHILD IN ZOMBA, MALAWI. The International Journal of Social Sciences and Humanity Studies, 11(2), 20-38.

4. Edison, Acep. (2016). *Analisis Regresi dan Jalur dengan Program SPSS*. Bandung: Mentari

5. gal 19 September 2017.

6. Ghozali, I. (2013). *Aplikasi Analisis Multivariate Dengan Program SPSS 21.* Semarang: BP UNDIP.

7. Harjito, D. Agus dan Martono 2014, Manajemen Keuangan, Edisi 2, Yogjakarta, Ekonesia.

8. Hussain, H.I., Kamarudin, F., Mohamad Anwar, N.A., Nassir, A.M., Sufian, F., Mang Tan, K. (2020), Impact of Country's Governance Dimensions on Bank Revenue Efficiency: Overview on Middle East, Southeast Asia, and South Asia Countries, *Transformations in Business & Economics*, 19 (1), 191-228.

9. Irianto, Agus. (2004). *Statistik Konsep Dasar dan Aplikasinya.* Jakarta: Kencana.

10. Junaidi. (2010). *Tabel F dan Tabel T*. (http://junaidichaniago.wordpress.com).

11. Mahendra Dj, Alfredo, L.G.S. Artini, A.A.G Suarjaya, 2012, Pengaruh Kinerja Keuangan Terhadap Nilai Perusahaan Pada Perusahaan Manufaktur Di Bursa Efek Indonesia, Jurnal Manajemen, Strategi Bisnis, dan Kewirausahaan, 6(2), 130-138

12. Noor, Juliansyah. (2011). *Metodologi Penelitian: Skripsi, Tesis, Disertasi & Karya Ilmiah*. Jakarta: Kencana

13. Nurhayati, Mafizatun, 2013, Profitabilitas, Likuiditas, Dan Ukuran Peruahaan Pengaruhnya Terhadap Kebijakan Deviden Dan Nilai Perusahaan Sector Non Jasa, Jurnal Keuangan dan Bisnis, 5(2), 144-153.

14. Rahardjo, Budi Tri dan R. Murdani, 2016, Pengaruh Kinerja Keuangan dan Pengungkapan Corporate Social Responsibility Terhadap Nilai Perusahaan (Studi pada Perusahaan BUMN yang Terdaftar di BEI tahun 2010-2014), Jurnal Akuntansi dan Bisnis Krisnadwipayana, 3(1), 1-9.

15. Retno M, Reny Dyah dan Priantinah, Denies. 2012. "*Pengaruh Good Corporate Governance Dan Pengungkapan Corporate Social Responsibility Terhadap Nilai Perusahaan (Studi Empiris Pada Perusahaan yang Terdaftar di Bursa Efek Indonesia Periode 2007-2010)*". Jurnal Nominal. Vol I. No I.

16. Sudjana. (2005). *Metode Statistika.* Bandung: Tartinto.

17. Sugiyono. (2014). *Metode Penelitian Kuantitatif Kualitatif dan R&D.* Bandung:Alfabeta.

18. Sutrisno, 2016, Struktur Modal: Faktor yang Mempengaruhi dan Pengaruhnya pada Nilai Perusahaan, Siasat Bisnis, 20(1), 79-89.

19. Wau, Redaktur, A. Syarifuddin, R. Herwanto, 2017, Analisis Perbandingan Ecocnomic Value Added (Eva) dan Return On Investment (Roi) dalam Menilai Kinerja Keuangan Sub Sektor Farmasi yang Terdaftar di Bursa Efek Indonesia, Journal Of Business Studies, 2(1), 99-110.

20. Zulganef. (2008). *Metode Penelitian Sosial dan Bisnis.* Bandung: Graha Ilmu.