

THE INFLUENCE OF PROFITABILITY, LIQUIDITY AND SOLVENCY ON FIRM VALUE

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Abstract: Firm value is a condition that has been achieved by a company as a reflection of public trust since its inception. Several factors can affect firm value, including profitability, liquidity and solvency. Profitability must be an important concern because to continue its life a company must be in a favorable condition. Liquidity is the ability of a company to try to meet its obligations to pay its short-term debt within a certain period of time. If the calculation shows that the company's liquidity is high, then the company's performance in fulfilling its short-term obligations is getting better. Solvency is the company's ability to pay all of its debts upon liquidation. This study aims to examine the effect of profitability, liquidity and solvency on firm value (a case study on the banking sector listed on the Indonesia Stock Exchange for the period 2019-2021). This study analyzes secondary data from the financial statements of banking sector companies listed on the Indonesia Stock Exchange for the 2019-2021 period. The search variables were tested using the SPSS version 26.00 application. The results showed that profitability partially had a positive and significant effect on firm value. Liquidity partially has a positive and significant effect on firm value. Solvency has a positive and significant effect on the value and profitability of the company, liquidity and solvency have a positive and significant effect on firm value simultaneously.

Kata Kunci: Profitability, Liquidity, Solvency and Firm Value.

Introduction

Currently, the growing business sector in Indonesia is very diverse, both businesses engaged in goods and services. However, with the COVID-19 pandemic which has dealt a major blow to the world economy, Indonesia is no exception. Otoritas Jasa Keuangan (OJK) dalam in its Financial Stability Review stated that there was a slowdown in the economic activity of financial service institutions due to the Covid-19 pandemic which would significantly affect the ability of the real sector to meet its obligations to financial institutions which could increase credit risk and pressure on increased funding needs as a result handling the impact of the pandemic that increases liquidity risk. The ratio of non-performing loans (gross NPL) in June 2020 increased to 3.11 percent. This shows the continuing trend of increasing credit risk since the beginning of 2020. Based on credit types, the highest NPL is in working capital loans of 3.96 percent (Otoritas Jasa Keuangan, 2020).

The problem in this study is also based on the uncertainty of the results of previous research (research gap) related to firm value which is influenced by profitability, liquidity and solvency. In research conducted Apriana (2019) Cokroadhisurya (2021), Tio dan Putra Prima (2022), shows the results that profitability (ROA) has a positive effect on firm value. However, research conducted by Fatima (2017) shows that profitability (ROA) has no significant effect on firm value. Silvia (2018) finding that liquidity has a significant positive effect on firm value is also supported by research conducted by Halimah dan Komariah (2017) states that LDR has a significant effect on firm value. However, research conducted by Yuskiy (2019) shows the results that LDR has no significant effect on firm value. Furthermore, in the research conducted by Fatima (2017), Silvia (2018), Utomo R (2021), Idris (2021) shows solvency results have a positive effect on firm value. However, different research results were found Komala et al. (2021), which shows solvency results have a negative effect on firm value.

Method

The type of research used is quantitative research with a descriptive approach. The study was conducted on the Indonesia Stock Exchange by going to the official website of the Indonesia Stock Exchange, www.idx.co.id according to the title of the study, i.e. the effect of profitability, liquidity and solvency on firm value in the banking sector listed on the Indonesian Stock Exchange in 2019-2021. The survey was conducted from February 2022 to July 2022. The population surveyed in this survey consisted of Indonesian listed banking

companies, for a total of 47 companies. In this study, the sample that met the criteria consisted of 43 companies for a total of 129 observations. The independent variables of this study are profitability (ROA), liquidity (LDR) and solvency (DER). The data collection technique used is the documentation and method of data collection in this study using secondary data in the form of financial statements of publicly traded banking companies in Indonesia. For data analysis techniques using descriptive statistical analysis, classical hypothesis test in the form of normality test, multicollinearity test, autocorrelation test and heteroskedasticity test, multiple regression analysis, partial test (t-statistical test), simultaneous test (test F) and coefficient of determination (R²).

Result and Discussion

- Descriptive Statistics**

Table 1
Descriptive Statistics

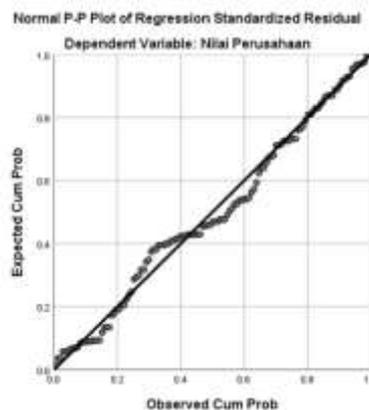
Variable	N	Minimum	Maximum	Mean	Std. Deviation
ROA	129	-0.600980	3.740390	0.13213860	0.110923852
LDR	129	0.110529	104.292716	2.62545642	0.007992099
DER	129	0.192875	16.078579	5.22979800	0.985657539
Firm Value	129	0.035772	63.422543	3.23225954	0.048152397
Valid N (listwise)	129				

Source: Processed secondary data, 2022

From the table above, the data set for each valid variable is 129. For the ROA variable, the minimum value is -0.60980, the maximum value is 3.740390, the mean is 0.13213860, and the standard deviation value is 0.110923852. The liquidity variable (LDR) has a minimum value of 0.110529, a maximum value of 104.292716, a mean of 2.62545642 and a standard deviation of 0.007992099. The solvency variable (DER) has a minimum value of 0.192875, a maximum value of 16.078579, a mean value of 5.22979800 and a standard deviation of 0.985657539. The firm value (Y) variable have a minimum value of 0.035772, a maximum value of 63.422543, a mean of 3.23225954, and a standard deviation of 0.048152397. Each variable has a mean greater than the standard value, so when there is little variation in the data, the distribution of values is evenly distributed.

- Classic Assumption Test**

Picture 1
Normality Test



Source: Processed secondary data, 2022

Based on the above image, it can be seen that the data is distributed around the diagonal line and follows the direction of the diagonal line or histogram, so it shows a normal distribution pattern, so the regression model meets the hypothesis of normality.

**Table 2
Multicollinearity Test**

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	ROA	0.383	2.609
	LDR	0.548	1.824
	DER	0.361	2.773

Source: Processed secondary data, 2022

It can be seen from the above table that the allowable value of variable profitability (ROA) (X1) is 0.383, variable liquidity (LDR) (X2) is 0.548 and variable solvency (DER) is 0.361. For its part, the value of the variable return VIF coefficient (ROA) (X1) is 2.609, the variable liquidity (LDR) (X2) is 1.824 and the variable solvency (DER) is 2.773, which is less than 10 We can thus conclude that all independent variables in this study are free from signs of multicollinearity.

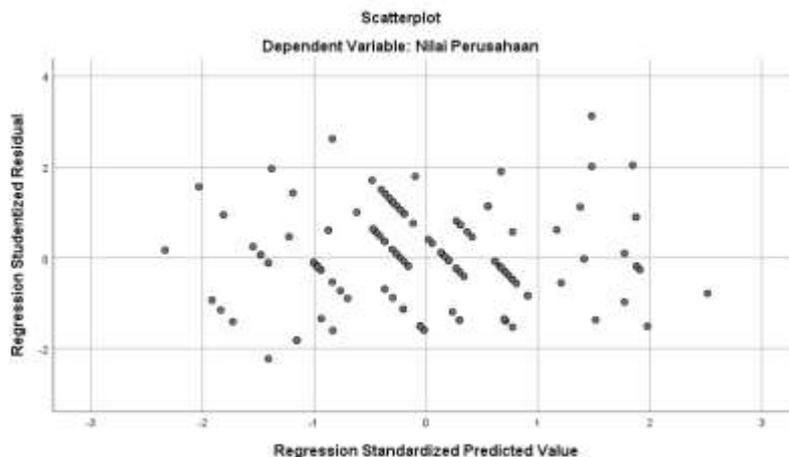
**Table 3
Autocorrelation Test**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0.933 ^a	0.870	0.867	0.95946	1.786

Source: Processed secondary data, 2022

It can be seen from the above table, the Durbin Watson value is 1.786 which means that if the Durbin Watson number is between -2 to +2, it means that there is no autocorrelation.

**Picture 2
Heteroscedasticity Test**



Source: Processed secondary data, 2022

Based on the picture above, it can be seen that the points spread randomly, do not form a certain and clear pattern, and are spread both above and below the number 0 on the Y axis. This means that there are no symptoms of heteroscedasticity in the regression model so the regression model is feasible. used.

• **Multiple Linear Regression Model Test**

Table 4
Analysis Results of Multiple Linear Regression Test

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	0.311	0.099		3.134	0.002
	ROA	0.622	0.083	0.391	7.505	0.000
	LDR	0.084	0.031	0.116	2.668	0.009
	DER	0.610	0.064	0.512	9.525	0.000

Source: Processed secondary data, 2022

The equation of the multiple linear regression model in this study is:

$$Y = 0,311 + 0,622x_1 + 0,084x_2 + 0,610x_3 + e$$

Based on the B value above, it shows positive results. A positive constant value indicates a unidirectional effect and a positive ROA, LDR and DER beta value indicates a positive and unidirectional influence between ROA, LDR and DER on Firm Value. This means that if ROA, LDR and DER have increased by one unit, it will increase the Firm Value.

• **t Test**

Table 5
t Test Analysis Results

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	0.311	0.099		3.134	0.002
	ROA	0.622	0.083	0.391	7.505	0.000
	LDR	0.084	0.031	0.116	2.668	0.009
	DER	0.610	0.064	0.512	9.525	0.000

Source: Processed secondary data, 2022

The ROA t-test of significance shows that the count value is $t_1 = 7.505$, the array value is $t = 1.657$, and the sig level value is 0.000. This means that the proposed hypothesis is accepted since the value of t_1 -count = $7.505 > t$ -table = 1.657 and the sig value of $0.000 < 0.05$. It can be concluded that the profitability (ROA) has a positive and significant effect on the value of the firm (Y).

In the t-LDR significance test, the t_2 count = 2.668, the t-table value = 1.657, and the signal level value is 0.009. This means that the proposed hypothesis is accepted because t_2 -count = $2.668 > t$ -table = 1.657 and sig $0.009 < 0.05$. From this we can conclude that liquidity (LDR) has a positive and significant impact on the value of the firm (Y).

In the DER t significance test, it shows that the count value $t_3 = 9.525$, the table value $t = 1.657$ and the sig level value is 0.000. This means that the proposed hypothesis is accepted, since the value of t_3 -count = $9.525 > t$ -table = 1.657 and the sig value of $0.000 < 0.05$. Therefore we can conclude that solvency (DER) has a positive and significant effect on the value of the firm (Y).

- **F Test**

Table 6
F Test Analysis Results

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	768.620	3	256.207	278.316	0.000 ^b
Residual	115.070	125	0.921		
Total	883.690	128			

Source: Processed secondary data, 2022

Based on the results of the analysis, it looks like the count value is $F=278.316$, the table value is $F=2.68$, and the visualization value is 0.000. This means that the proposed hypothesis is accepted because $F\text{-score} = 278.316 > F\text{-tab} = 2.68$ and the sig value is $0.000 < 0.05$. Therefore, it can be concluded that profitability (ROA), liquidity (LDR) and solvency (DER) have a positive and significant effect on firm value (Y).

- **Coefficient of Determination Test (R²)**

Table 7
Coefficient of Determination Test Results

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0.933 ^a	0.870	0.867	0.95946	1.786

Source: Processed secondary data, 2022

From the table above, the adjusted R-squared value is 0.867. Therefore, the magnitude of the coefficient of determination is 86.7%, which means that the contribution between profitability (ROA) (X1), liquidity (LDR) (X2) and solvency (DER) (X3) to firm value (Y) is 86.7 % (percent). While the remaining 13.3% are influenced by other factors not analyzed in this study.

Conclusion

Based on the results of the multiple regression model test and the discussion described in the previous chapter, the following can be concluded:

- Profitability (ROA) has a positive and partially significant impact on firm value (PBV) in the Banking Sector Listed on the Indonesia Stock Exchange for the period 2019-2021. This means that as profitability (ROA) increases, the value of the company also increases.
- Liquidity (LDR) has a positive and partially significant impact on firm value (PBV) in the Banking Sector Listed on the Indonesia Stock Exchange for the period 2019-2021. This means that if liquidity (LDR) increases, the firm value also increases.
- Solvency (DER) has a positive and partially significant impact on firm value (PBV) in the Banking Sector Listed on the Indonesia Stock Exchange for the period 2019-2021. This means that if the solvency (DER) increases, the firm value also increases.
- Profitability (ROA), liquidity (LDR) and solvency (DER) have a positive and significant effect simultaneously on firm value (PBV) in the Banking Sector Listed on the Indonesia Stock Exchange for the 2019-2021 Period. This means that if profitability (ROA), liquidity (LDR) and solvency (DER) increase, the firm value also increases.

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