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Effect of Profitability, Current Ratio, Total Asset Turnover, and Debt To Equity Ratio on Property and Real Estate Companies Listed on the Indonesia Stock Exchange Period 2017 – 2021

Zaidanil Kamil¹, R. Gatot Heru Pranjoto²

^{1,2} Management Department, Universitas Trunojoyo Madura

ARTICLE INFORMATION

Abstract

Keywords:

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This study aims to examine the effect of factors Return On Equity, Current Ratio, Total Assets Turnover, Debt To Equity Ratio. The population in this study are all property dan real estate companies listed on the Indonesia Stock Exchange for the period 2017-2021. The sampling technique used purposive sampling and obtained 10 companies that became the research sample. The analytical technique used in this research is multiple linear regression analysis. The results of this study indicate that Return On Equity, Current Ratio, Total Asset Turnover, Debt To Equity Ratio together have a significant effect on the price book value with an R Square of 62.6%. While individually, Return On Equity has a negative and insignificant effect on price book value, while Debt to Equity Ratio and Current Ratio have a positive and significant effect on price book value.

✉ Corresponden Author *

R. Gatot Heru Pranjoto

Email:

Gatot_pranjoto@yahoo.com

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INTRODUCTION

Business competition is increasingly fierce due to increasing economic growth and the development of science which is currently increasingly rapid. Due to this competition, companies are trying to remain in a stable position and be able to compete with other companies in order to be able to increase their value through all the activities they undertake. To increase the value of this company, a financial manager must be able to implement the right business strategy and apply finances well in order to get effective and efficient results.

Company value is a very important factor for a company. Companies that have good company value and good financial performance will no longer hesitate for

investors to buy shares in that company. Company value is influenced by the size of the profitability generated by the company. The higher the level obtained by the company, the higher the company's ability to pay dividends. In this research, the profitability ratio uses the Return On Equity (ROE) calculation indicator as a measuring tool to determine whether the company is making a profit. Return On Equity (ROE) is a profitability ratio that shows the company's ability to generate profits from every rupiah of assets used. According to Wardhany (2019), profitability has a significant positive effect on company value, so if ROE increases then the company value will also increase. This indicates that companies that have a good level of profitability have a positive impact on company value.

Firm value can also be affected by liquidity. Current Ratio is one measure of liquidity which is the company's ability to fulfill its short-term obligations. If the company is able to control this, the company will increase the company's value. In this case, liquidity is calculated using the Current Ratio (CR). The choice of Current Ratio (CR) calculation in this research is used to determine the level of the company's ability to fulfill its short-term obligations using current assets.

Total Assets Turnover (TATO) is the ratio that will be used to measure the level of effectiveness of the use of all assets in generating sales to the company. Khairunnisa (2019) states that TATO has an effect on company value. The higher the TATO, the more effective the management of all assets owned by the company in obtaining sales results. Total Assets Turnover measures the turnover ability of all assets owned by the company. According to Hanafi (2016: 159) states that total asset turnover reflects the company's ability to generate sales from certain investments.

The next factor that affects the value of the company is the Debt To Equity Ratio (DER). Debt To Equity Ratio is the ratio used to compare the amount of debt and equity used by the company. The amount of debt that is too high to be used as company capital will be a negative value for investors towards the company, because in every debt value there is risk and responsibility for the company.

Following are the share prices of Property and Real Estate companies listed on the Indonesia Stock Exchange for the 2017-2021 period, which have been presented in picture 1 as follows:



Picture 1.

Based on picture 1, it shows that the share price index movement in the Property and Real Estate sub-sector is quite high, ranging from 2,810 – 5,198. However, the movement of the stock price index for the 2017 – 2021 period experienced a decline. This shows that property and real estate companies have experienced a decline for 5 years, the share price index in 2017 was 5,198, in 2018 it decreased to 3,612, until at the end of 2019 and 2021 the share price index experienced a decline due to the Covid-19 outbreak.

RESEARCH METHODS

The objects used in this research are Property and Real Estate Companies listed on the Indonesia Stock Exchange for the 2017-2021 period. This company has a population of 65 companies. From the sampling results, there were 10 companies that met the criteria. In this study the sampling technique used the purposive sampling method, which is a method of taking samples deliberately and adjusted to the sample requirements needed by the researcher, and has reflected the population.

RESULT

Ttest

T-test generally tests a hypothesis whether each independent or independent variable has an influence on the dependent variable or the dependent variable. The results of this T test can be seen in the following table:

Model		T	Sig.
1	(Constant)	-0.924	0.361
	Return On Equity	3.425	0.001
	Current Ratio	-1.772	0.083
	Total Asset Turnover	3.456	0.001
	Debt to Equity Ratio	0.95	0.347

Based on the results of the T test it can be explained as follows:

The ROE variable in the T test has a calculated t-value of 3,425 with a significance value of $0.001 < 0.05$, which means that ROE has a significant effect on PBV. The CR variable in the T test has a calculated t-value of -1.772 and the probability value obtained is greater than 0.05, namely 0.083. So it can be concluded that partially Current Ratio has no significant effect on Price Book Value. The TATO variable in the T test has a calculated t-value of 3,456 with a significance value of $0.001 < 0.05$, which means that TATO has a significant effect on PBV. The DER variable in the T test has a calculated t-value of 950 with a significance value of $0.347 < 0.05$, which means that DER has a positive and insignificant effect on PBV.

DISCUSSION

The Effect of Return on Equity on Price Book Value

Based on the results of the T test, it can be seen that return on equity has a coefficient of 3,425 and a significance level of $0.001 < 0.05$. The value of the positive

ROE coefficient explains that if there is an increase in ROE by one unit, it will have an impact on increasing the Price Book Value by 3,425. Conversely, if there is a decrease in Return On Equity by one unit, it will have a decrease in the Price Book Value of 3,425 assuming other variables have a fixed value. In the hypothesis (H1) there is an effect of Return On Equity on Price Book Value in Property and Real Estate companies listed on the Indonesian stock exchange.

The results of this test show that ROE has a significant positive effect on company value. The company value that is affected by Return On Equity in Property and Real Estate companies listed on the Indonesian stock exchange for the 2017-2021 period can be seen from the average value of Return On Equity each year. Shows a unidirectional relationship so that the Return On Equity value has a significant positive effect on Price Book Value. The results of this study are in line with the research results of Wardhany (2019) and Pambuko Naryo (2013) in their research which revealed that Return On Equity (ROE) has a positive and significant effect on firm value, whereas according to Kahfi (2018) ROE has no effect on firm value.

Effect of Current Ratio on Price Book Value

Based on the results of the t test, the current ratio has a coefficient of -1,772 and a significance level of $0.083 > 0.05$. The negative value of the Current Ratio coefficient explains that if there is an increase in the Current Ratio by one unit, it will have an impact on increasing the Price Book Value by -1,772. On the other hand, if the Current Ratio decreases by one unit, this will result in a decrease in the Price Book Value of -1,772, assuming the other ratios are constant. Hypothesis (H2), there is an influence of the current ratio on the price book value of Property and Real Estate companies listed on the Indonesian stock exchange, while the research results show that the Current Ratio has no significant effect on company value. The results of this research are supported by the theory put forward by Kasmir (2013: 135) that if the current ratio is low it can be said that the company lacks capital to pay debts. If the results of measuring the liquidity ratio are high, it is not necessarily considered good. This could happen because cash is not used as well as possible.

The Effect of Total Assets Turnover on Price Book Value

Based on the results of the t test, total assets turnover has a coefficient of 3,456 and a significance level of $0.001 > 0.05$. The positive value of the Total Assets Turnover coefficient explains that if there is an increase in Total Assets Turnover by one unit, it will have an impact on increasing the Price Book Value by 3,456 assuming other ratios are fixed. Conversely, if there is a decrease in Total Assets Turnover by one unit, it will have an impact on the Price Book Value of 3,456 assuming other ratios are of fixed value. In the hypothesis (H3) there is an effect of Total Assets Turnover on Firm Value in Property and Real Estate Companies listed on the Indonesia Stock Exchange.

From the results above, it can be seen that Total Assets Turnover has a significant positive effect on Price Book Value, meaning that the company has not optimally utilized its assets efficiently in supporting its sales activities to increase profits. An increase in the Total Assets Turnover value can increase the Price Book Value. The higher the Total Assets Turnover value, the higher the company's ability to manage company assets to obtain sales. The cause of the Total Asset Turnover ratio does not have a significant effect on company value, because sales results experience an increase or growth instability. Based on TATO research data, the sample companies show a small comparison between sales and total assets, where there are several companies that have high assets but the level of sales generated is low. It turns out that effective company activities do not necessarily increase company profits or

income, so that it is less of a consideration for investors in investment decisions. The results of this study are in line with the results of research conducted by khairunnisa (2019) and kahfi (2018) which state that Total Assets Turnover (TATO) has a significant effect on company value.

The Influence of Debt To Equity Ratio on Price Book Value

Based on the results of the t test, the Debt To Equity Ratio has a coefficient of 950 and a significance level of $0.347 < 0.05$. The positive Debt to Equity Ratio coefficient value explains that if there is an increase in the debt to equity ratio by one unit, it will result in an increase in the Price Book Value of 950. Conversely, if there is an increase in the Price Book Value of 950, a decrease in DER by one unit will result in a decrease in Price Book Value is 950 assuming other variables have fixed values. In the hypothesis (H4) there is an effect of the Debt to Equity Ratio on the price book value of Property and Real Estate companies listed on the Indonesia Stock Exchange. Meanwhile, the research results show that the Debt to Equity Ratio has a positive and insignificant effect on Price Book Value.

The higher the DER ratio, the company has high growth prospects. High long-term debt can put pressure on owned capital and reflects that the company has opportunities to grow. This is considered good by investors because the company is considered to have good prospects in the future. The use of debt is maximized until it is optimal so that there is a balance between the interest costs on the debt and the profits obtained. If it exceeds the optimal point, it will reduce the value of the company because there is no balance between costs and profits.

The results of this research are not in line with the research results of Wardhany (2019) and Khairunnisa (2019) which state that DER has a positive effect on company value. While the results of Putri's research (2014) state that DER has no effect on firm value.

CONCLUSION

Return On Equity has a significant effect on Price Book Value and has a positive relationship, with a coefficient of 3,425 and a significance value of 0.001. The results obtained show that Return On Equity has a significant positive effect on the Price Book Value of Property and Real Estate companies listed on the Indonesia Stock Exchange in 2017-2021. Current Ratio does not have a significant effect on Price Book Value and has a negative relationship, with a coefficient of -1.772 and a significance value of 0.083. The Current Ratio results do not have a significant positive effect on the Price Book Value of Property and Real Estate companies listed on the Indonesia Stock Exchange in 2017-2021.

Total Assets Turnover has a significant effect on Price Book Value and has a positive relationship, with a coefficient of 3,456 and a significance value of 0.001. The results of Total Asset Turnover have a significant positive effect on Price Book Value of Property and Real Estate companies listed on the Indonesia Stock Exchange in 2017-2021.

Debt to Equity Ratio does not have a significant effect on Price Book Value and has a positive relationship, with a coefficient of 950 and a significance value of 0.347. The results obtained show that the Debt to Equity Ratio has a positive and insignificant effect on the Price Book Value of Property and Real Estate companies listed on the Indonesia Stock Exchange in 2017-2021.

The calculated F value is 18,821 with an F profitability of 0,000 <0.05. The profitability value F is smaller than the predetermined significance level, namely 0.05. Simultaneously, the variables Return On Equity, Current Ratio, Total Assets Turnover, and Debt to Equity Ratio have a significant effect on the Price Book Value of Property and Real Estate companies listed on the Indonesia Stock Exchange in 2017-2021.

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