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The Influence of Quick Ratio, Return on Asset, Debt to Equity Ratio, and Total Asset Turnover on Company Value

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ABSTRACT

This study aims to determine the effect of Quick Ratio, Return On Assets, Debt to Equity Ratio, and Total Asset Turnover on Company Value in the automotive sub-sector listed on the Indonesia Stock Exchange for 2018 - 2022. The sample for this study was 16 automotive sub-sector companies listed on the Indonesia Stock Exchange for the 2018-2022 period. This research was conducted using the panel data regression method assisted by the Eviews 10 program and Microsoft Excel 2016. The results showed that the Quick Ratio and Total Asset Turnover partially but not significantly affected Firm Value. Meanwhile, the return on assets and debt-to-equity ratio significantly affect the firm's value. Simultaneously, the quick ratio, return on assets, debt-to-equity ratio, and total asset turnover significantly affect firm value.

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1. INTRODUCTION

The Indonesian economy is currently creating increasingly rapid competition between domestic and foreign companies, so every company must be able to compete well and creatively to avoid bankruptcy (Ghofir & Yusuf, 2020; Sahban & SE, 2018). With increasingly rapid competition, technological developments enable individuals to carry out financial transactions with other parties wherever they are. The rapid growth in Indonesia and current world developments are based on a modern economic system (Linawati, 2018; Maharsi, 2000; Widanengsih et al., 2022).

Companies can maintain business continuity and survive for a long period. So, developments can be seen from the increasing number of companies in Indonesia in manufacturing companies, one of which is the automotive sub-sector. The higher consumer demand, the more business actors enter the automotive sub-sector (Aryawiguna, 2022). In order to increase competitiveness and maintain business continuity, companies need company values so that other companies can see them (Juhandi et al., 2022; Lestari, 2018; M Allo, 2021).

Increasing company value can also be implemented through the role of financial management. The role of financial management itself is carried out by making financial decisions that will affect the financial system and impact company value. Financial management works by completing the right decisions for the company (Anwar, 2019; Delima, 2023; Yusuf, 2020). When a company is open or has offered shares to the public, its value is defined as an investor's perception of the company. Investors can use company value to view company performance in the coming period. Investors will gain profits if the company's share price is high. Company value can not only be described by a company's share price. Measuring a company's high value can be done in various ways, and one measuring tool that can be used is price-to-book value (Mujiono & Hakim, 2021).

If the price to book value is higher, the greater the level of prosperity of shareholders, so the company is said to have achieved one of its goals. Price-to-book value is very important for investors to determine investment strategies in the capital market because, through price-to-book value, investors can predict overvalued and undervalued shares. Price to book value describes how much the market appreciates the book value of a company's shares. Companies running well generally have a price-to-book value ratio above one, which reflects that the market value of shares is greater than their book value. Based on the website dataindonesia.id (2023), the automotive industry's performance will jump 10.67% in 2022. The Central Statistics Agency noted that the automotive industry's gross domestic product (GDP) at constant prices (ADHK) will be IDR 207.79 trillion in 2022. This value increased by 10.67% compared to the previous year of IDR 187.75 trillion. The automotive industry had plummeted due to the Covid-19 pandemic in 2020. However, this condition has reversed since 2021 and will continue in 2022. The price-to-book value condition for automotive sub-sector started in 2018 when the average PBV value was 1.723. Then, in 2019, it decreased by 1,343. Then, in 2020, it decreased again by 1,210. Then, in 2021, it decreased again by 1,098. Then, in 2022, it will decrease again by 1,092. The data above shows that the average company value has decreased, so researchers see a serious and interesting phenomenon to learn more about.

The first factor that influences the company's price-to-book value is the quick ratio, according to Kusnabawito et al (2021), the quick ratio ratio has a significant positive effect on Company Value (PBV), which states that the higher the quick ratio level of current assets owned by the company, the greater the company value. The results of this research show that the quick ratio affects company value, which means that the better the company's level of paying off its obligations, the more it influences the public's assessment, especially investors, to give confidence to the company to invest capital. According to Nauli et al (2021), it is concluded that the quick ratio has no effect and is not significant on company value in manufacturing companies.

The return on assets is another factor that influences company value (price to book value) besides the quick ratio. According to Hallauw dan Widyawati (2021), in this research, the return on assets significantly influences the company value received. return on assets has a significant influence on the received company value. Financial performance measures the company's performance in obtaining profits and also market value. Good performance will affect increasing company value. In this research, financial performance is measured using return on assets. Return on assets is a ratio that measures the level of effectiveness of a company in generating profits by utilizing the assets owned by the company. According to Mujiono and Hakim (2021), the return on assets does not affect company value because it only sometimes means companies manage their assets, increasing net profit value. If the value of net profit does not change, the value of return on assets will decrease or have a lower level. This illustrates that the company's ability to earn profits needs to be improved so it has less influence on the value of the company. The more companies produce low profits, the more investor confidence to invest in companies decreases.

The debt to equity factor that influences company value apart from the quick ratio and return on assets is the debt to equity ratio. According to Steven et al (2021), partially and significantly influences company value in automotive and component sub-sector companies listed on the Indonesia Stock Exchange, which states that the debt to equity ratio (DER) has a positive and significant influence on company value. The debt-to-equity ratio factor that influences company value (price to book value), according to Putra et al (2021), is one measure of how far the company has loans to creditors. If the ratio value is higher, the greater the company will receive funds from outside. Conversely, if the ratio value is lower, the less the company will receive funds from outside. Said companies with low DER will have a small risk of loss when the economic situation experiences a downturn. However, when economic conditions improve, the opportunity to make a profit is also low.

The total assets turnover factors influence company value (private to book value), apart from the quick ratio return on assets and debt to equity ratio. Elisa & Amanah (2021) revealed that total assets turnover does not influence the company value. This shows that effective company activities do not necessarily increase company profits or revenues; besides that, the sales data of the companies used in the sample shows a small comparison between total sales and total assets. The activities carried out by the company effectively should be given more attention by investors. The total assets turnover factor influences company value (price to book value), according to Swastika & Agustin A (2021), to measure the company's level of effectiveness in managing the assets owned by the company. Asset management is an important factor in determining the level of return. Asset management is also important in investment activities because it will educate investors to invest long-term and eliminate cancellations or changes in investments caused by financial conditions. A fast turnover of total assets is a positive signal for the market because it illustrates the level of company effectiveness in managing assets. So that it can attract investors to invest their capital; conditions like this can cause an increase in share prices, which can then increase the company's value so that activities greatly influence the company's value.

Results of research carried out Kusnabawito et al. (2021),tThe quick ratio has a significant positive effect on Company Value (PBV), which states that the higher the quick ratio level of current assets owned by the company, the greater the company value. The results of research conducted by Hallauw and Widyawati (2021)stated that return on assets significantly influences the company value received. The research results of Steven et al. (2021) Show that the Equity Ratio significantly influences company value. The results of research conducted by Swastika & Agustin A (2021) show that total asset turnover significantly positively affects company value.

2. RESEARCH METHOD

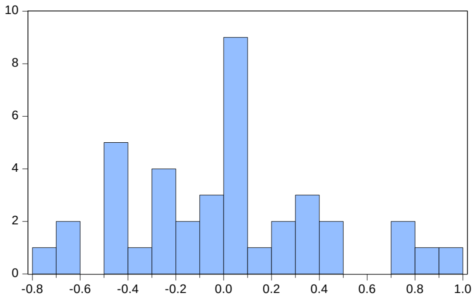
The research population used in this research is Automotive sub-sector companies listed on the Indonesia Stock Exchange in 2018-2022. In this research, the technique used is purposive sampling. The purposive sampling technique is a technique for determining samples using certain criteria (Sugiyono, 2017). The criteria used as research samples were automotive sub-sector companies listed on the Indonesia Stock Exchange for the 2018-2022 period, companies that did not publish complete, audited and published financial reports during the 2018-2022 period and companies that were not included in the sample in $ foreign currency .

3. RESULTS AND DISCUSSIONS

Classic Assumption Test

The classical assumption tests used consist of normality tests, multicollinearity tests, autocorrelation tests, and heteroscedasticity tests.

1. Normality test



Series: Standardized Residuals	
Sample 2018 2022	
Observations 39	
Mean	1.13e-17
Median	0.006238
Maximum	0.993561
Minimum	-0.769013
Std. Dev.	0.420091
Skewness	0.390140
Kurtosis	2.826667
Jarque-Bera	1.038182
Probability	0.595061

Source: Eviews 10 Output Results, 2023

Figure 1. Normality test

Figure 1. It is known that the probability value is 0.595061. This means this value is greater than the significance level, namely 0.05. So, this regression model has a normal distribution.

2. Multicollinearity Test

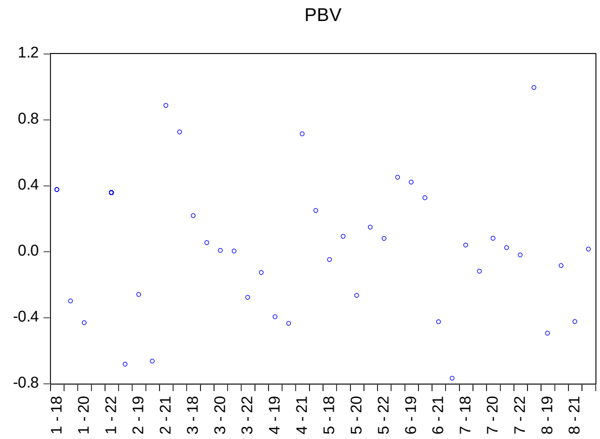
Table 1. Multicollinearity Test

	PBV	QR	ROA	DER	TATTOO
PBV	1,000000	0.021732	0.679254	-0.181460	0.487826
QR	0.021732	1,000000	0.440495	-0.803986	-0.169647
ROA	0.679254	0.440495	1,000000	-0.570394	0.363745
DER	-0.181460	-0.803986	-0.570394	1,000000	-0.008873
TATTOO	0.487826	-0.169647	0.363745	-0.008873	1,000000

Source: Eviews 10 output.

Based on Table 1, the correlation coefficient results are above 0.80. This means that the regression model used does not have multicollinearity problems.

3. Heteroscedasticity Test



Source: Eviews 10 Output Results, 2023

Figure 2. Heteroscedasticity Test

Based on Figure 3, it can be concluded that the distribution of points does not form a certain pattern, and the points are distributed randomly on the scatterplot, so it can be concluded that heteroscedasticity does not occur or is free from heteroscedasticity problems.

4. Autocorrelation Test

Table 2. Autocorrelation Test

Cross-section fixed (dummy variables)			
R-squared	0.771416	Mean dependent var	-0.205000
Adjusted R-squared	0.678289	SD dependent var	0.878659
SE of regression	0.498371	Akaike info criterion	1.692718
Sum squared resid	6.706102	Schwarz criterion	2.204583
Log likelihood	-21.00800	Hannan-Quinn Criter.	1.876371
F-statistic	8.283492	Durbin-Watson stat	1.640435
Prob(F-statistic)	0.000004		

Source: Eviews 10 Output Results, 2023

From the results of Table 2, the Durbin Watson Stat value is 1.640435. This value is in the position 1.54 – 2.46, so this regression model is said to have no autocorrelation.

B. Panel Data Regression Analysis

Table 3. Panel Data Regression Analysis

Variables	Coefficient	Std. Error	t-Statistics	Prob.
C	0.405102	0.462596	0.875713	0.3889
QR	0.036910	0.207150	0.178180	0.8599
ROA	0.278542	0.117138	2.377890	0.0248
DER	-0.510099	0.213251	-2.392018	0.0240
TATTOO	0.164549	0.427156	0.385221	0.7031

Source: Eviews 10 Output Results, 2023

A simple linear regression equation can be concluded as follows:

1. The constant value has a positive value of 0.405102, meaning that the independent variables, namely quick ratio, return on assets, debt to equity ratio, and total asset turnover, have a value of 0. The company's value will still produce the current ratio, return on assets, and debt-to-equity ratio. , and total asset turnover of 0.405102.
2. The quick ratio regression coefficient is 0.036910. This means that if other variables have a fixed value and the quick ratio value increases by 1 unit, the company value will increase by 0.036910.
3. The return on asset regression coefficient is 0.278542. This means that if other variables have a fixed value and the value of return on assets increases by 1 unit, the company value will increase by 0.278542.
4. The debt-to-equity ratio regression coefficient is –0.510099. This means that if other variables have a fixed value and the debt-to-equity ratio increases by 1 unit, the company value will decrease by 0.510099.
5. The regression coefficient for total asset turnover is 0.164549. This means that if other variables have
6. fixed value and the total asset turnover value increases by 1 unit, the company value will increase by 0.164549.

C. Hypothesis testing

Table 4. Hypothesis testing

Variables	Coefficient	Std. Error	t-Statistics	Prob.
C	0.405102	0.462596	0.875713	0.3889
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TATTOO	0.164549	0.427156	0.385221	0.7031

Source: Eviews 10 Output Results, 2023

Based on Table 4, the research results can be seen as follows:

1. Hypothesis testing of quick ratio variables
   The quick ratio variable shows that the calculated t value is 0.178180 < 1.690 t table. The probability value for the quick ratio variable is 0.8599 > 0.05. This means that the quick ratio has no significant effect on company value.
2. Hypothesis testing of the return on assets variable
   The return on assets variable shows that the calculated t value is 2.377890 > 1.690 t table. The probability value for the return on asset variable is 0.0248 < 0.05. This means that return on assets has a significant positive effect on company value.
3. Hypothesis testing of the debt-to-equity ratio variable.

The debt to equity ratio variable shows that the calculated t value is -2.392018 > -1.690 t table. The probability value for the return on asset variable is 0.0240 < 0.05. This means that the debt-to-equity ratio significantly negatively affects company value.

4. Hypothesis testing of the total asset turnover variable.
   The total asset turnover variable shows that the calculated t value is 0.385221 < 1.690 t table. The probability value for the total asset turnover variable is 0.7031 > 0.05. This means that total asset turnover does not significantly affect company value.

Table 5. F test

R-squared	0.771416	Mean dependent var	-0.205000
Adjusted R-squared	0.678289	SD dependent var	0.878659
SE of regression	0.498371	Akaike info criterion	1.692718
Sum squared resid	6.706102	Schwarz criterion	2.204583
Log likelihood	-21.00800	Hannan-Quinn Criter.	1.876371
F-statistic	8.283492	Durbin-Watson stat	1.640435
Prob(F-statistic)	0.000004		

Source: Eviews 10 Output Results. 2023

Based on Table 5 above, the F-statistic value of 8.283492 is greater than the F table of 2.65, and the probability value is 0.000004 < 0.05, which means simultaneously quick ratio, return on assets, debt to equity ratio, and total asset turnover has a significant effect on company value.

D. Interpretation of Research Results

1. The Influence of the Quick Ratio on Company Value
   This research indicates that the quick ratio has no effect on company value. This means that the better the company can pay off its obligations, the more investors will trust it to invest capital. However, in this case, inventory is considered to require a relatively longer time when converted into cash if the company needs funds quickly to pay its obligations compared to its current assets. So, it cannot increase company value. The results of this research align with research by Anisa et al. (2021), which states that the quick ratio has no significant effect on company value.
2. Influence Return On AssetsTowards Company Value
   The results of this research show that return on assets affects company value. A high ROA value shows that the company has used its assets well to generate large profits. In this way, investors will be interested in investing in the company so that share prices will increase, increasing stock returns. This shows that the company can use its assets to gain profits to increase investors' interest in investing. The results of this research align with those of Hallaw da Widyawati (2021), who found that return on assets influences company value.
3. The Influence of Debt to Equity Ratio on Company Value
   This research shows that the debt-to-equity ratio affects company value. The influence of the debt-to-equity ratio on company value can be interpreted as meaning that the high and low leverage of the company is caused by management performance but is also influenced by DER so that investors pay attention to it when making capital investment decisions. This shows that the DER value causes the level of company value. DER can reflect the level of partner obligations in paying off short-term and long-term debts. Hence, investors often suspect that a high DER can be detrimental to investors, but sometimes investors also think that a large DER indicates that the company is experiencing development. This difference in view is what produces the DER ratio. Need to improve at predicting company value. The results of this research align with the research conducted by Steven et al. (2021), who found that the debt-to-equity ratio influences company value.
4. Influence Total Asset TurnoverTowards Company Value
   This research indicates that total asset turnover does not affect company value. This shows that the company cannot use its assets to give investors confidence in the company because the company's share price on the capital market is predicted to decline accordingly. According to him,

a company's value will result in investors getting lower shares than their investment returns. The total asset turnover has no effect because the sample company data shows a small comparison between sales and total assets, where several companies have high assets but low sales levels. The results of this research align with those of Elisa and Amanah (2021), who found that total asset turnover does not affect company value.

5. The Influence of Quick Ratio, Return On Assets, Debt to Equity Ratio, and Total Asset Turnover on Company Value
   The results of this research show that the Quick Ratio, Return On Assets, debt-to-equity ratio, and Total Asset Turnover significantly affect Company Value. This means that a high level of liquidity reduces the company's failure to fulfil short-term financial obligations to creditors and vice versa. Companies with a high leverage ratio will have a greater risk of loss. The increasing amount of debt is also seen as a company that needs to be more careful with high debt levels, which can disrupt the company's ability to effectively use existing funds in funding operations or become a burden of loss if the company cannot pay high debts. High profitability reflects the company's ability to generate high profits for shareholders. A company's high profitability ratio will attract investors to invest their capital. A good company is a company that is very effective in using its assets to generate fairly high sales. Because the company's effectiveness in using its assets is what investors use as a reference for buying company shares. The results of this research are in line with the results of previous research conducted by Kusnabawito et al. (2021), which stated that the quick ratio had a significant effect on company value; Hallauw and Widyawati (2021) stated that return on assets had a significant effect on company value, Steven et al. (2021) stated that the debt to equity ratio has a significant effect on company value, and Swastika and Agustin (2021) state that total asset turnover has a significant effect on company value.

4. CONCLUSION

This research aims to empirically test the effect of the quick ratio, return on assets, debt-to-equity ratio, and total asset turnover on company value in automotive sub-sector companies listed on the Indonesia Stock Exchange for the 2018-2022 period. The research results show that in Paris, the return on assets and debt-to-equity ratio significantly affect company value. In contrast, the quick ratio and total asset turnover do not significantly affect company value. Simultaneously, the quick ratio, debt-to-equity ratio, and total asset turnover significantly affect company value. It is hoped that the results of this research will be useful for companies, especially those whose shares are listed on the Indonesia Stock Exchange, and for investors to consider when choosing a company to carry out investment activities so that the investment made is appropriate and profitable.

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