Financial performance of corporate values

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Abstract

The purpose of this research is to influence the Current Ratio, Debt to Equity Ratio, Return on Asset, and Price to earning Ratio variables to the company's value in the IDX-listed pharmaceutical Sub-sector company. The population used in this research is 10 pharmaceutical companies. And the sampling is 8 pharmaceutical companies. Sampling by Purposive sampling method with the prescribed criteria of researchers. The method used is a double regression analysis method. Based on the results of the test F, Current Ratio, Debt to Equity Ratio, Return on Asset, and Price to earning Ratio are influential together with the value of the company in the IDX-listed pharmaceutical Sub-sector company. Based on the results of the T test, the Current Ratio is negatively influential and insignificant to the company value. Debt to Equity Ratio has a positive and insignificant impact on the company's value. Return on Asset is negative and insignificant to the company's value.

Keywords: Company value; current ratio; debt to equity ratio; return on asset; price to earning ratio

INTRODUCTION

Current economic content is growing very rapidly and increasingly competence that requires companies to run business efforts effectively and efficiently. Capital market is an indicator of the economic progress of the country and support the economic development of the country. Investment activities of stock exchanges in Indonesia to date can be said to have experienced a rapid development, this is in line with the rapid development of business and economic life in Indonesia. The manufacturing sector is one of the business sectors that the development of business life and its economy is growing rapidly. The pharmaceutical sector is one of the manufacturing business sectors listed on the Indonesia Stock Exchange. Pharmaceutical companies or drug companies are commercial business companies that focus on researching, developing and distributing drugs, especially in terms of health. The pharmaceutical industry is a business entity that has the permission of the Minister of Health.

Before an investor decides to invest his funds in the capital market there is the most important activity that needs to be done, which is a careful assessment of the issuer by knowing the value of the company. In general the value of a company is a description of the company's condition, whether in good condition or not. The value of the company is defined as the price willing to be paid by prospective investors if a company will be sold. The value of the company is very important because with the high value of the company will be participated by the high prosperity of the shareholders. One indicator that can be used to measure the value of the company is to use the analysis of Tobin's Q or known as Tobin's Q ratio. The value of an enterprise can be known by looking at the magnitude of liquidity (CR), Leverage (DER), Profitability (ROA), and the investment decision (PER) of the company.

Liquidity is necessary to increase the value of the company, liquidity illustrates the ability of a company to meet its actual financial immediate is fulfilled. The value of the company can also be influenced by the small leverage produced by the company. This ratio is used to measure how far the company is financed by loan funds. Leverage can be understood as the estimator of the risks inherent to a company. And company value is determined also by the profitability of the company. In this study, the company's profitability was measured using the Return on Asset (ROA) ratio. Return on Asset (ROA) is selected to determine how much of the return on investment has been made by using all the assets owned by the company. Investment decisions are a managerial decision to allocate funds to a wide range of assets. Investment decisions can be measured with Price to Earning Ratio (PER). The higher price to Earning Ratio (PER) The higher the price PER share of a company. If price per share and growth rate of a company increases, then Price to Earning Ratio (PER) is also increased and will increase the value of the company.

Based on the background of the above problem, the author raises the title that will be discussed in this research is "influence of liquidity, Leverage, profitability, and decision on the value of the company in the registered pharmaceutical Sub-sector company In the Indonesia Stock Exchange ".

Literature review

Financial management

Sutrisno in Nurlia and Trifina (2018:1), financial management or often called spending can be interpreted as "all company activities related to the business of obtaining corporate funds at a cost of cheap and attempts to use and allocate such funds efficiently.

Financial statements

Moorcy and Sudjinan (2018:1), financial statements are the end result of the recording process and calculations that contain summaries of financial transactions during certain periods.

Financial ratios analysis

Moorcy and Sudjinan (2018:113), analysis of financial statements is comparing the numbers in financial statements to determine the financial position of a company and assess the performance of the management within a certain period.

Investment decision

Najmudin (2011:191), investment decision is also known as investment decision as a capital budgeting decision, not only about the acquisition of fixed assets, but also includes all decisions in which there are commitments on the relative funds Great at this time. The expected benefit of such a decision is the creation of additional funds accumulated during a certain period in the future that term is relatively long. Harmono (2014:57), the investment decision can be measured using the Price Earning Ratio (PER) ratio. PER is the price value per share sheet. The formula is as follows:

(market price Per Share)/(profit Per share sheet)×100% =...%

Corporate values

Harmono (2014:50), company value is the value of the company can be measured through the value of the stock price in the market, based on the formation of the company's It is said in real time because the market price formation is the meets of the stability points of demand strength and the stable points of price bidding power which in real The sellers (issuers) and investors, or often referred to as market equilibrium. The value of the company can be measured using the ratio of Tobin's Q. Margaretha (2014:19), the ratio of Q Tobin's (Tobin's Q ratio) is just like the ratio of market value to book value. Q Tobin's is the market value of the company assets divided by the cost of its successor. The formula is as follows: (market value of company assets)/(the cost of replacing company assets) =... Rp

Where:

Market value of company assets : Market Value + Company liabilities

Market Value : Stock price closing (year-end share price) X Total shares of the outstanding company

Company liabilities : Total Liability of the company

Asset Replacement Fee : Total Asset book value (Total assets)

Current ratio

The current ratio is a common measure of short-term solvency, the ability of a company to meet the debt when it matures. The formula for finding the current ratio can be used as follows:

$$CurrentRatio = \frac{CurrentAssets}{CurrentLiabilities} \text{ x } 100\%$$

Debt to equity ratio

It is also called a ratio that sees the company's debt comparison, which is derived from the total debt comparison divided by its own capital. The Debt To Equity Ratio (DER) illustrates how much the owner's capital can cover the debts to the creditors. The formula Adapaun is used as follows:

$$Debt\ Equity\ Ratio = \frac{\text{Total debt}}{\text{Total Capital}} \text{x } 100\%$$

Return on asset

This ratio sees the extent to which investments have been implanted to provide the return of profit as expected. Return On (ROA) shows the ability of the company by using all assets owned to generate profit after tax. As for the formula used as follows:

$$Debt\ Equity\ Ratio = \frac{\text{Earning before interest and tax}}{\text{Total Asset}} \text{x } 100\%$$

METHODS

Types of research and data sources

The data used in this research is secondary data i.e. data that refers to information gathered from existing sources of both internal and external data of the organization and data that can be accessed via the Internet, document tracing or Publication of information. The Data used in this study is the annual financial report of the company's sub-sector pharmaceutical period 31 December 2014 S/d 31 December 2018.

Population and samples

Sugiyono (2014:81), that the population is a generalization area consisting of objects or subjects that have specific quantities and characteristics set by research to be studied and certain characteristics that are transmitted by Research to learn and then withdraw to its conclusion. Sugiyono (2014:149), a sample is part of the number and karaktristic owned by the Population.

RESULTS AND DISCUSSION

Double linear regression test based on the results of the analysis presented in the table, the equation of the double linear regression is obtained as follows:

NP = 3845.815 – 2.880 CR + 2.652 DER – 3.739 ROA – 0.233 PER

Based on the above linear regression equation indicates that a constant of 3,845,815 means the magnitude of the company's value is 3,845,815 if the independent variable (free) is considered constant (worth 0). In the equation of the double linear regression above indicates that the Current Ratio (X1), Debt to Equity Ratio (X2), Return on Asset (X3) and the Price to Earning Ratio (X4) have a positive and negative influence on the company's value (Y). This means, if a positive regression coefficient means the relationship between X and Y is in line whereas if a negative regression coefficient means the relationship between X and Y changes the direction opposite.

The based on statistical analysis with the value of regression coefficient can be described asfollows:

The relationship between Current Ratio to company value is negative with regression coefficient value of-2,880, meaning that each increase of Current Ratio variable by one unit will affect decrease of company value The pharmaceutical sub-sector company listed on the Indonesia Stock Exchange amounted to 2,880 assuming Debt to Equity Ratio, Return on Asset and Price to Earning Ratio were fixed.

The relationship between DEBT to Equity Ratio to the company's value is positive with a regression coefficient value of 2,652, meaning that any Debt to Equity Ratio variable increase by one unit will affect the increase in the value of the The companies listed on the Indonesia Stock Exchange are 2,652 assuming that Current Ratio, Return on Asset and Price to Earning Ratio are fixed.

The relationship of Return on Asset to the company's value is negative with a regression coefficient value of-3,739, meaning that it is loyal.

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