

THE EFFECT OF PROFITABILITY, LIQUIDITY, AND LEVERAGE ON FIRM VALUE (EMPIRICAL STUDY OF MANUFACTURING COMPANIES LISTED ON THE INDONESIAN STOCK EXCHANGE FOR THE PERIOD 2019-2022)

PENGARUH PROFITABILITAS, LIKUIDITAS, DAN LEVERAGE TERHADAP NILAI PERUSAHAAN (STUDI EMPIRIS PERUSAHAAN MANUFAKTUR YANG TERDAFTAR DI BURSA EFEK INDONESIA PERIODE 2019-2022)

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ABSTRACT

This research to analyze and prove the effect of profitability, liquidity, and leverage on firm value. The research focuses in industrial sector manufacturing companies that are listed on the Indonesia Stock Exchange from 2019 to 2022 period. The sample of this research were chosen through the purposive sampling technique and resulting 11 sample companies. The data were analyzed using multiple linier regression and using SPSS software version 26. The result showed that profitability, liquidity, and leverage have a significant positive effect on firm value. This research underscores the importance of companies to maintain and increase profitability. High profitability indicates the company's ability to generate profits and use assets efficiently, ensure adequate availability of current assets, find the right balance between debt and equity to maximize firm value.

Keyword: Profitability, Liquidity, Leverage, Firm Value.

ABSTRAK

Penelitian ini bertujuan untuk menguji dan membuktikan pengaruh profitabilitas, likuiditas, dan leverage terhadap nilai perusahaan. Populasi dalam penelitian ini adalah perusahaan manufaktur sektor industri yang terdaftar di BEI 2019-2022. Teknik pemilihan sampel yang digunakan yaitu *purposive sampling* dan diperoleh 11 perusahaan. Analisis data penelitian menggunakan regresi linear berganda dengan menggunakan software SPSS versi 26. Hasil penelitian ini mendapati bahwa profitabilitas, likuiditas, dan leverage berpengaruh positif signifikan terhadap nilai perusahaan. Penelitian ini menggarisbawahi pentingnya perusahaan untuk mempertahankan dan meningkatkan profitabilitas. Profitabilitas yang tinggi menunjukkan kemampuan perusahaan dalam menghasilkan laba dan menggunakan aset secara efisien, memastikan ketersediaan aset lancar yang memadai, mencari keseimbangan yang tepat antara utang dan modal sendiri untuk memaksimalkan nilai perusahaan.

Kata Kunci: Profitabilitas, Likuiditas, Leverage, Nilai Perusahaan.

INTRODUCTION

This study aims to assess and demonstrate the ways in which leverage, profitability, and liquidity impact business value. The population of this research consisted of manufacturing enterprises in the industrial sector listed on the IDX between 2019 and 2022. Eleven firms were selected using the purposeful sampling approach. Using SPSS software version 26, a multiple linear regression analysis was performed on the research data. The results of the research indicate that profitability, liquidity, and leverage all have a favorable impact on firm value.

Investor confidence is bolstered by a high business valuation, which is a reflection of the firm's strong performance and future. Furthermore, it can make it easier for the business to obtain loan and equity financing. The manufacturing industry, which is struggling as a result of the COVID-19 epidemic and the decline in global demand, is one industry trying to boost its firm value.

Investing has a significant role in raising the value of the company. With the correct investment, a firm may raise its production capacity, sales, revenue, and profitability over time. Examples of such investments include those in new technology, product development, fixed assets, and market growth. As a result, investors will see the firm more favorably and see improved growth potential, which will raise the company's worth.

Profitability, liquidity, and leverage are some of the factors that impact a company's worth. High profitability may raise a company's worth since it sends a favorable signal about its future. A company's capacity to pay short-term debts is indicated by its good liquidity, which may also raise its worth. In the meanwhile, to optimize company value, the best possible leverage or capital structure is needed.

Over time, Indonesia's industrial

industry has grown at a rising rate. Given its position as one of the pillars of the national economy, the government believes that this industry deserves special attention even if it saw a 3.8% decline in 2019. The manufacturing sector was able to grow and see a growth in 2020 as a result of the efforts done. The capacity of the business to pay its urgent short-term debts is known as liquidity. To assess the company's liquidity, liquidity measures such the cash, quick, and current ratios are utilized. The stronger the company's ability to get funds to settle its outstanding debt, the higher the liquidity ratio. This gives potential investors a favorable impression of the company's financial management skills, boosting their confidence and desire to participate in the business.

In the second quarter of 2021, the manufacturing sector saw exceptionally strong growth of 7.07%, despite pressure from the COVID-19 epidemic that has affected Indonesia since 2020. In 2022, the manufacturing sector in Indonesia is expected to grow at a rate of above 50% in the Purchasing Managers' Index (PMI), indicating a favorable trend. The Manufacturing PMI increased to 50.9% in December 2022 from 50.3% in the previous month.

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The phenomena of variations in the impact of profitability, liquidity, and leverage on company value is demonstrated by the findings of other earlier research. For instance, whilst study by Zam-Zam et al. (2023) really claims that profitability has no influence on business value, Utami's research (2021) indicated

that profitability had a considerable positive effect on firm value. Variations in the economic conditions and uncertainties that firms encounter might lead to discrepancies in the results that investors perceive when evaluating a company's success.

Different phenomena can also be observed in the relationship between leverage and liquidity and business value. Dwipa & Yuliastuti (2020) discover liquidity has a positive influence on business value, contrary to Idris (2021) who claims liquidity has no discernible impact. While Dwipa & Yuliastuti (2020) discover that leverage really has a detrimental influence on business value, Oktaviarni (2019) claims that leverage has no discernible effect. This discrepancy in findings may be due to variations in the study period, firm size, industry sector, analytic techniques, or analysis methodology.

It is crucial to carry out more study because of the phenomena of differing findings from earlier studies about the impact of profitability, liquidity, and leverage on business value. The purpose of this study is to reevaluate how these three elements affect company value, particularly in Indonesian manufacturing enterprises. It is intended that this study can offer more precise empirical evidence on the variables influencing the value of manufacturing enterprises by utilizing the most recent data and taking into account the current economic conditions and uncertainties. It is anticipated that management of the firm will use the study's results as a guide for formulating future policies and strategic choices that will boost the value of the business.

Stakeholder Theory

According to the Stakeholder Theory, a company's purpose should not be limited to serving its own interests; rather, it should also serve pertinent stakeholders. The government, society, analysts, shareholders, creditors,

customers, suppliers, and other people having vested interests in the business may be considered among these stakeholders. As such, the company's survival and viability greatly depend on the backing these stakeholders offer.

The more demands and influence stakeholders have, the more the organization has to work to satisfy their expectations and adapt, according to the Stakeholder Theory. This suggests that the company's operational operations and its relationships with its stakeholders—including shareholders, creditors, customers, suppliers, the government, society, analysts, and other parties—cannot be divorced from one another. The support of stakeholders who have the power to manage or impact how the firm uses its financial resources is essential to the organization's commercial operations.

The Stakeholder Theory serves as the theoretical basis for this study since it clarifies how a company's stakeholders are essential to all of its operational activities. In essence, these stakeholders have the power to direct or affect how the company's financial resources are used. As a result, businesses must take stakeholders' interests into account while making decisions and carrying out operations.

Company Value

The public's confidence in a company's success and future prospects is reflected in its value, which is the result of operational procedures followed from the company's founding to the present. A high firm value is the main objective for owners since it indicates a high degree of shareholder prosperity. In research, business value is defined as the market value of shares, representing investors' estimate of the firm's equity. The company's worth and the rate of return on investment for shareholders both increase with a greater stock price. If there are strong investment prospects, the market price of the shares established by transactions will represent the true worth of the company's assets and will rise, sending

positive signals about future growth. Generally speaking, increasing business value is essential for fostering a favorable reputation and capturing the interest of potential investors.

A company's worth may be influenced by a number of things. Profitability, liquidity, leverage, growth potential, competitive edge, caliber of management, and industry prospects are a few important factors. To improve their value offer and attract investors, businesses must carefully manage and optimize these elements. To promote sustainable value creation and keep a competitive edge in the market, effective plans must be implemented with excellent execution.

Profitability

The capacity of a corporation to turn a profit from its activities is assessed using financial indicators called profitability ratios. These ratios show how well a business uses its money and assets to generate profits. In general, profitability ratios are used to show how well a business can manage its capital and assets to optimize profitability. As such, these ratios may be utilized as metrics to evaluate how well a business performs in producing profits from its operational activities.

The ability of a business to turn a profit is an important factor that attracts the interest of many parties, such as creditors, investors, and management. Sturdy profitability ratios demonstrate a business's capacity to maximize its resources in order to provide value and maintain expansion. These measures also shed light on a company's competitive stance in its industry, operational effectiveness, and financial health. Because of this, profitability ratios are recognized as essential measurements for assessing a business's overall performance and chances for future growth.

Liquidity

Financial measures called liquidity ratios assess a company's capacity to pay short-term debts when they fall due. These ratios show how rapidly cash can be generated from a company's current assets to pay down its current liabilities. The ability of the business to finance and settle its short-term commitments is reflected in the higher the liquidity ratio. This is essential to reduce the likelihood that the business would encounter financial difficulties as a result of failing to fulfill its responsibilities. Strong liquidity capabilities enable a business to continue operations and keep the confidence of stakeholders, including debtors.

Sustaining a company's financial health depends on having enough liquidity. Businesses with low liquidity may find it difficult to fulfill their short-term financial obligations, which might result in defaults, harm to their brand, and trouble getting new funding. On the other hand, businesses that own substantial liquidity holdings are more capable of enduring economic downturns, grasping investment prospects, and preserving a competitive advantage. Moreover, strong liquidity ratios can boost the trust of creditors, investors, and other stakeholders in the company's long-term prospects and financial stability by sending out favorable signals..

Leverage

Leverage is the use of assets or finances by a corporation to cover fixed expenditures. Operational and financial leverage are the two categories of leverage. Using assets with fixed costs in the hopes that income would be produced to pay for both fixed and variable expenses is known as operating leverage. Financial leverage, on the other hand, entails using money with fixed costs, which is anticipated to raise the return on funding per share.

Leverage management is critical because, while a large debt load can boost a company's worth since interest payments are tax deductible, it also raises the danger to the company's finances. Therefore,

businesses must weigh the advantages and disadvantages of utilizing leverage as effectively as possible. Leverage management techniques that work are crucial for optimizing a business's worth while preserving a manageable degree of risk. Businesses need to make sure that their levels of leverage are in line with their long-term financial stability, risk tolerance, and overall business objectives by carefully analyzing their capital structure.

Framework

According to Sugiyono (2019), a conceptual or thinking framework provides a temporary explanation of the phenomena that constitute the research problem. The thinking framework is constructed by interconnecting the research variables while considering a logical thought process to form a coherent framework. Referring to the conceptual foundation outlined for each variable under investigation, a diagram of the thinking framework can be depicted as follows:

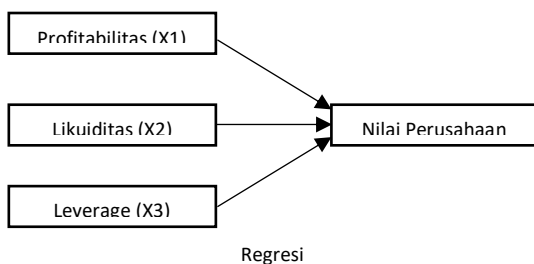


Image 1 Framework

Source: Processed data (2024)

Based on the description above and referring to previous research, the following hypothesis can be formulated:
H1: Profitability has a significant effect on firm value.

H2: Liquidity has a significant effect on firm value.

H3: Leverage has a significant effect on firm value.

METHODOLOGY

Data Collection Technique

Researchers gather, record, and analyze secondary data in the form of (annual reports) on each manufacturing company in the industrial sector that are released by the Indonesia Stock Exchange (IDX) via the official website (www.idx.co.id) for the years 2019–2022, according to documentary techniques.

Operational Definition and Variable Measurement

The causal relationship in this study is the relationship between cause and effect, which involves four variables, one endogenous variable and four exogenous variables. Exogenous variables are independent variables that affect endogenous variables, or variables that are affected by the variables used in this study. Firm value is an endogenous variable. According to Selfiyani (2021), the endogenous variables are leverage, liquidity, and profitability are exogenous factors.

Sampling Technique

Listed on the Indonesia Stock Exchange are the 63 industrial sector manufacturing businesses included in this study. Thirty-three of them do not turn a profit within the designated period, and nineteen of them fail to submit their financial accounts. 11 businesses so meet the requirements to be included in the study's sample. Data is taken and can be presented in the following table:

Table 1 Sampling Technique

Keterangan	Jumlah
Perusahaan manufaktur sektor industri yang terdaftar di bursa efek indonesia periode 2019-2022	63
Perusahaan manufaktur sektor industri yang tidak melaporkan laporan keuangan di bursa efek indonesia periode 2019-2022	(19)
Perusahaan manufaktur sektor industri yang mengalami kerugian atau tidak memperoleh laba secara berturut-turut pada tahun 2019-2022	(33)
Jumlah perusahaan manufaktur yang masuk dalam karakteristik sampel	11
Total sampel yang diuji (11 x 4 Tahun)	44

Source: Processed data (2024)

Based on the information presented in Table 1, the sample selection process in this

study used a purposive sampling approach based on a number of predetermined criteria. Through this approach, 11 corporate entities were obtained as research samples. The observation period of the sample lasted for 4 years. Thus, the total number of observation data units collected amounted to 44 entities.

Data Analysis Technique

Multiple regression analysis is the data processing method utilized in this study. The following multiple linear regression modal equation was used to cross-section data from manufacturing businesses listed on the Indonesia Stock Exchange for the 2019–2022 timeframe is:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \epsilon$$

Description:

Y	= Company Value
A	= constant
$\beta_1, \beta_2, \beta_3$	= regression coefficient
X1	= Profitability
X2	= Liquidity
X3	= Leverage
E	= Standard Error

RESULTS AND DISCUSSION

Descriptive Statistical Analysis

The variables in this study are processed in the descriptive statistics section and produce the minimum, maximum, average, and standard deviation values of each variable, as follows:

Table 2 Analysis Statistical Descriptive Result

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Profitabilitas	44	.000	.360	.08886	.083644
Leverage	44	.160	.670	.41068	.118074
Likuiditas	44	.750	4.160	1.93000	.697994
Nilai Perusahaan	44	.130	7.190	1.99727	1.932294
Valid N (listwise)	44				

Source: Processed data (2024)

Table 2 shows the 44 industrial sector manufacturing businesses listed on the Indonesia Stock Exchange (IDX) for the 2019–2022 period that provided the

data utilized in this study. The four research variables included in the data were firm valuation, profitability, liquidity, and leverage.

The following image is produced using the descriptive statistical analysis specified in Table 2: With an average of 0.08886 and a standard deviation of 0.083644, the profitability variable has the lowest value of 0.000 and the greatest value of 0.360. The Leverage Variable, on the other hand, has a standard deviation of 0.118074 and an average value of 0.41068, falling between 0.160 and 0.670. The Liquidity Variable has a standard deviation of 0.697994 and an average of 1.93000, with values ranging from 0.750 to 4.160. Lastly, the Company Value Variable exhibits a pretty big standard deviation of 1.932294, an average of 1.99727, and a maximum of 7.190.

Normality Test

The normality test aims to test whether the regression model has a normal distribution or not. The results of the normality test in this study can be seen in the following table:

Table 3 Normality Test Result

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		44
Normal Parameters ^{a,b}	Mean	.0000000
	Std. Deviation	1.18341030
Most Extreme Differences	Absolute	.105
	Positive	.105
	Negative	-.101
Test Statistic		.105
Asymp. Sig. (2-tailed)		.200 ^{c,d}
a. Test distribution is Normal.		
b. Calculated from data.		
c. Lilliefors Significance Correction.		
d. This is a lower bound of the true significance.		

Source: Processed data (2024)

Table 3 shows that the significance value in this study is greater than 0.05, which is 0.200, which means that the variables in this study are normally distributed.

Classical Assumption Test

This test aims to verify that the data used is free from autocorrelation,

multicollinearity, and heteroscedasticity problems. After passing this series of tests, the data can be processed further using the multiple linear regression analysis method (Ghozali, 2021).

Multicollinearity Test

To find the correlation between the independent variables in the regression model, a multicollinearity test is run. Based on tolerance levels and the Variance Inflation Factor (VIF), multicollinearity is determined to be present or absent. Multicollinearity exists if tolerance is less than 0.10 or if VIF is more than 10. On the other hand, multicollinearity does not exist if tolerance > 0.10 or VIF < 10. (Ghozali, 2021).

Table 4 Multicollinearity Test Result

Coefficients ^a								
		Unstandardized Coefficients		Standardized Coefficients		Collinearity Statistics		
Model		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	-4.794	1.002		-4.786	.000		
	Profitabilitas	14.772	2.505	.639	5.897	.000	.798	1.254
	Leverage	9.487	1.707	.580	5.558	.000	.862	1.160
	Likuiditas	.820	.289	.296	2.837	.007	.860	1.163

a. Dependent Variable: Nilai Perusahaan

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Source: Processed data (2024)

Table 4 presents the results of the Multicollinearity test, which indicate that each variable's data yields a tolerance value more than 0.10 and a Variance Inflation Factor (VIF) less than 10. This indicates that the variables in this study do not exhibit multicollinearity.

Heteroscedasticity Test

The purpose of the heteroscedasticity test is to determine if there is variance inequality between the residuals of different observations in the regression model. It is referred to as homoscedasticity if the residual variance is constant from one observation to the next, and heteroscedasticity if it varies. A regression model that exhibits homoscedasticity and lacks

heteroscedasticity is considered excellent (Ghozali, 2021: 178). In order to assess heteroscedasticity, this study employs a plot graph. It does this by examining the scatterplot graph for the presence or absence of specific patterns. Here is a photo of the plot graph used in this investigation:

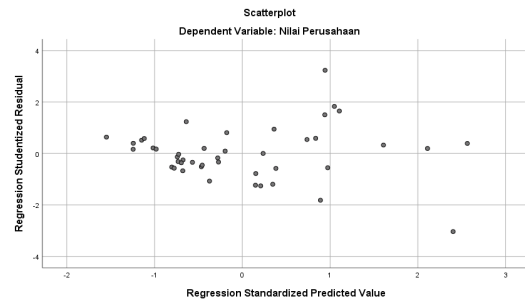


Image 2 Heteroscedasticity Test Result

Source: Processed data (2024)

Based on Figure 2, it can be observed that the data is broadly spread in each location and does not create a specific pattern and does not collect at one spot but is uniformly scattered, indicating that the data does not exist heteroscedasticity.

Autocorrelation Test

The purpose of the autocorrelation test is to determine whether confounding errors in the linear regression model are correlated. A regression equation is not a good predictor if it has autocorrelation; autocorrelation is a sign of a flawed equation. The Durbin-Watson test is one of the tools used in this study to measure the presence of an autocorrelation issue (Ghozali, 2021: 162). The basis for deciding whether or not there is autocorrelation is as follows:

Source: Processed data (2024)

Table 5 Autocorelation Test Result

Model Summary ^b										
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				Sig. F	Durbin-Watson
					R Square Change	F Change	df1	df2		
1	.676 ^a	.457	.415	1.26150	.457	10.939	3	39	.000	1.681

a. Predictors: (Constant), Likuiditas, Profitabilitas, Leverage

b. Dependent Variable: Nilai Perusahaan

The Durbin-Watson (DW) score is 1.681 based on the Durbin-Watson test findings shown in Table 5. The critical values of dU and dL with 44 observations (N) and 3 independent variables (K) are 1.6647 and 1.3749, respectively. Given that the DW value falls between dU and 4-dU, it can be said that the employed regression model does not exhibit any positive or negative autocorrelation. The assumption of no autocorrelation is satisfied as this shows that the residuals in a period are not correlated with the residuals in the prior period.

Multiple Linear Regression Test

The purpose of multiple linear regression tests is to determine if the company value, the dependent variable, is impacted by the independent variables, profitability, liquidity, and leverage. The multiple linear regression test findings for this investigation are as follows:

Table 7 Linear Regression Test Result

Coefficients ^a							
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error				Tolerance	VIF
1 (Constant)	-4.794	1.002		-4.786	.000		
Profitabilitas	14.772	2.505	.639	5.897	.000	.798	1.254
Leverage	9.487	1.707	.580	5.558	.000	.862	1.160
Likuiditas	.820	.289	.296	2.837	.007	.860	1.163

a. Dependent Variable: Nilai Perusahaan

Source: Data Processed (2024)

Table 13's test results demonstrate that the equation model regresi used in this investigation is as follows:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e$$

$$Y = 4,794 + 14,772X_1 + 9,487X_2 + 0,820X_3 + e$$

Hypothesis Test

Multiple linear regression models are used for hypothesis testing in this work. This research is done to find out how leverage, liquidity, and profitability affect the value of the company.

F Test (Goodnes of Fit)

To determine if every independent

variable in the regression model concurrently affects the dependent variable, the Goodness of Fit test is used. The importance value and the comparison of the F count and F table serve as the foundation for decision-making. The independent factors jointly impact the dependent variable if the significance value is less than 0.05 or if the F count is more than the F table. In contrast, the independent variable does not simultaneously impact the dependent variable if the significance value is more than

Table 6 Goodnes of Fit Test Result

ANOVA ^a					
Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	100.332	3	33.444	22.215	.000 ^b
Residual	60.220	40	1.505		
Total	160.552	43			

a. Dependent Variable: Nilai Perusahaan
b. Predictors: (Constant), Likuiditas, Leverage, Profitabilitas

0.05 or the F count is less than the F table.

Source: Processed data (2024)

Table 7's computed F value of 22,215 at a significance level of 0.000 (<0.05) suggests that at least one independent variable has a substantial impact on the dependent variable. This indicates that variables related to profitability, leverage, and liquidity all significantly affect business value at the same time. These findings show that the used regression model can adequately describe the connection between the independent and dependent variables, allowing for additional analysis and informed decision-making.

R2 Test (Coefficient of Determination)

The coefficient of determination (R2) test measures the degree of correlation between the independent and dependent variables and evaluates the model's ability to account for variations in the dependent variable. An R2 number more than 0.500 indicates a strong link between the independent and dependent variables, whereas a value less than 0.500 indicates a poor relationship.

Table 8 Coefficient of Determination Test Result

Model	R	R Square	Adjusted R Square	the Estimate	Square Change	F	Change	df1	df2	Sig. F	Durbin-Watson
1	.676 ^a	.457	.415	1.26150	.457	10.939		3	39	.000	1.681

a. Predictors: (Constant), Likuiditas, Profitabilitas, Leverage
b. Dependent Variable: Nilai Perusahaan

Source: Processed data (2024)

Table 8 shows that the profitability, leverage, and liquidity variables in the regression model account for 45.7% of the fluctuations in the firm value variable, with a R Square value of 0.457, or 45.7%. Meanwhile, variables not included in the model have an impact on the remaining 54.3%. Even with a high R Square value, a significant amount of the data remains unaccounted for by this model; hence, more investigation is required to find other variables that might impact company value.

t test (Partial Testing)

To assess the impact of each independent variable separately on the dependent variable, the t test is used. The significance value and the comparison of the t count and t table are used to make decisions. The independent variable partially influences the dependent variable in a meaningful way if the significance value is less than 0.05 and the t count is more than the t table. On the other hand, if t count is less than t table and the significance value is more than 0.05, the independent variable has no discernible impact on the dependent variable alone.

Table 9 Partial Testing Result

Coefficients ^a								
Model		Unstandardized Coefficients		Standardized Coefficients		Collinearity Statistics		
		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	-4.794	1.002		-4.786	.000		
	Profitabilitas	14.772	2.505	.639	5.897	.000	.798	1.254
	Leverage	9.487	1.707	.580	5.558	.000	.862	1.160
	Likuiditas	.820	.289	.296	2.837	.007	.860	1.163

a. Dependent Variable: Nilai Perusahaan

Source: Processed data (2024)

Based on table 8 above, the amount of data (n) and independent variables (k) in this study, then $n = 44$, and $k = 3$. The table in this study can be found at 2.021 and a significance value of 0.050.

The Effect of Profitability on Firm Value

According to the results of the hypothesis test, company value is impacted by profitability in this investigation. The t

test findings indicate that 0.000 is the significant value generated for profitability. These findings suggest that profitability has a significant impact on firm value, with a significance value of less than 0.05. Based on this, it can be concluded that manufacturing companies in the industrial sector that are listed on the Indonesia Stock Exchange (IDX) between 2019 and 2022 have the potential to make large profits. Thus, it may be said that the first hypothesis is accepted based on the test findings mentioned above.

This study's findings corroborate other research that found a relationship between profitability and business value, including studies by Tumanan & Ratnawati (2021), Ramdhonah Z. & Solikin, I. (2019), Luh Surpa Dewantari et al. (2019), and Oktaviarni (2019). But it refutes study by Zam-Zam et al. (2023) that found no relationship between profitability and business valuation.

The Effect of Liquidity on Firm Value

According to the findings of the hypothesis test, company value is impacted by liquidity in this investigation. The liquidity variable has a significant value of 0.000, as indicated by the t test findings. These findings show that the significance value of liquidity is less than 0.05, indicating that liquidity on its own has a significant impact on firm value. It follows that manufacturing companies in the industrial sector that are listed on the Indonesia Stock Exchange (IDX) between 2019 and 2022 will be able to reliably meet their short-term obligations. Therefore, it may be said that the third hypothesis is approved based on the test findings mentioned above.

These findings support earlier study findings showing liquidity has an impact on business value, including studies by Tumanan & Ratnawati, (2021), I Gusti Ayu Diah Novita Yanti & Ni Putu Ayu Darmayanti, n.d. (2019), and Luh Surpa Dewantari et al., (2019). It does not, however, corroborate study by Idris (2021) that claims liquidity has no impact on business value.

The Effect of Leverage on Firm Value

According to the findings of the hypothesis test, leverage influences company

value in this investigation. The t test findings indicate that 0.007 is the significant value for funding decisions. It is possible to conclude from these results that leverage individually affects firm value because the value is smaller than the significance level of 0.05. Manufacturing companies in the industrial sector that are listed on the Indonesia Stock Exchange (IDX) between 2019 and 2022 have a relatively stable debt to equity ratio during that time, which may be a sign of consistency in the company's capital structure. It is clear from the preceding test findings that the second hypothesis is accepted.

The study's findings support earlier research that found leverage had an impact on business value, including studies by Tumanan & Ratnawati (2021) and Luh Surpa Dewantari et al. (2019). On the other hand, it contradicts Oktaviarni's (2019) research, which claims that leverage has no impact on business value.

CONCLUSION

The purpose of this study was to examine the impact of variables related to profitability, liquidity, and leverage on firm value in manufacturing businesses in the industrial sector that were listed between 2019 and 2022 on the Indonesia Stock Exchange (IDX). The findings indicate that the three independent factors significantly affect company value using a variety of statistical studies.

In particular, the research results show that, among industrial sector manufacturing businesses listed on the IDX between 2019 and 2022, profitability, liquidity, and leverage all significantly impact firm value. These findings suggest that in the industry and time frame under investigation, a rise in profitability, liquidity, and leverage can raise a firm's worth.

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