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Determinants of Firm Value: A Case Study of the Food and Beverage Sector of Indonesia

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Abstract

There are many factors that affect the firm value, both internal and external factors. These factors can directly or indirectly affect the firm value. This study aims to prove empirically the determinants of firm value as measured by using the Price to Book Value (PBV) in the food and beverage (F&B) industry listed on the Indonesia Stock Exchange (ISE). The estimated determinants include Total Asset Turnover (TATO), company size (SIZE), Current Ratio (CR), Return on Equity (ROE), and Debt to Equity Ratio (DER). The research method used is a panel data regression model with a sample of 17 companies in the F&B sector from 2015 to 2019. The results of the study conclude that the increase in the TATO, CR, and Size factors results in a decrease in firm value, while the impact of ROE and DER factors on the contrary causes PBV to increase. Taken together, all of the estimated determinants affect firm value. The practical implication of the research findings for the company is that if profitability increases, the increase in total debt can increase firm value. However, the use of debt must be allocated for investment in both current assets and fixed assets, if these assets are used efficiently to generate profits so that it has an impact on increasing company value.

Keywords: Firm Value, Food and Beverage (F&B) Companies, Price-Book Value (PBV), Indonesia

JEL Classification Code: G30, G32, C33

1. Introduction

The food and beverage (F&B) industry is a high potential sector as it makes a significant contribution to the Indonesian economy. Recognizing the importance of this industry from

both a qualitative and quantitative standpoint, the government continues to prioritize food and beverage operations, going so far as to include the food industry as one of the 10 priority industry groups designated for accelerated development in the Master Plan of National Industry Development 2015–35 (Kemenperin, 2015). The F&B sector continued to grow in the first quarter of 2015 and achieved growth of up to 8.16%, much higher than the national economic growth (Kemenperin, 2015). Then in 2016 in the third quarter, the F&B industry grew 9.82% (Kemenperin, 2016). In 2017, in the third quarter, this industry experienced growth of up to 9.46% (Kemenperin, 2018). In 2018, the F&B industry grew 7.91% and again surpassed the national economic growth in Indonesia which was only 5.17%. Cumulatively in the first quarter to the third quarter of 2019, the growth rate of the F&B industry has reached 7.72% (Kemenperin, 2019). Based on data, in the first quarter of 2020, the F&B industry contributed 36.4% to manufacturing GDP. During the same period, the growth in this industrial sector reached 3.9%. Meanwhile, in the first semester of 2020, the F&B industry provided the largest contribution to the export value achievement of the manufacturing sector which reached a value of US\$13.73 billion.

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The growth of the F&B sector has an impact on financial performance. Based on financial statement data, the average financial ratio, which consists of liquidity, activity, debt, and profitability showed fluctuating conditions and even tended to decline throughout 2015–2019. Financial performance has had an impact on achieving the goal of maximizing company value. The increasing company value shows the increasing welfare of shareholders through the profits obtained by investors besides dividends in the form of capital gains from shares owned (Nguyen et al., 2020). This study examines the effect of asset effectiveness, profitability, leverage, liquidity, and company size on firm value in the F&B sector using a panel data regression model from 2015 to 2019.

2. Literature Review

Changes in the firm value can be caused by several factors, including the effectiveness of assets, liquidity, profitability, leverage, firm size, and other factors. A portion of these factors affect firm value, however, different studies show conflicting outcomes (Endri & Fathony 2020). The effectiveness of assets can be measured by the activity ratio. The activity ratio comprises several ratios one of which is the ratio of Total Asset Turnover (TATO). TATO measures the ability of an organization to efficiently produce sales and is typically used by third parties to evaluate the operations of a business. TATO ratio compares the sales of a company to its asset base. Endri et al. (2020), Harahap et al. (2020), and Nurlaela et al. (2019) showed that TATO has a positive effect on firm value, however, Razak et al. (2018) showed that TATO does not affect firm value.

The Current Ratio (CR) is a liquidity ratio that measures a company's ability to pay short-term obligations or those due within one year. It tells investors and analysts how a company can maximize the current assets on its balance sheet to satisfy its current debt and other payables. CR can show the ability of a company's current assets that can be used to pay off current debts or liabilities that are due or must be paid immediately. Marsha and Murtaqi (2017) showed that the increase in CR can increase firm value, but Purba et al. (2020) showed that an increase in CR reduces firm value, and Renaldi et al. (2020) and Harahap et al. (2020) showed that firm value is not influenced by the CR. The profitability ratio consists of several ratios, one of which is Return on Equity (ROE). ROE can measure the rate of business profit for all existing capital, and this ratio is an indicator for shareholders or investors to measure the success rate of the business being carried out. Razak et al. (2020) showed that ROE has a positive effect on firm value, but the results of this study contradict the results of research by Harahap et al. (2020) who stated that ROE has a negative effect on changes in firm value.

There are several ratios contained in the Leverage Ratio and one of the ratios is the Debt to Equity Ratio (DER). DER can compare all debts and all assets owned by the company.

Research conducted by Razak et al. (2020) revealed that DER has a positive effect on firm value, while Nurlaela et al. (2019) concluded that DER does not affect firm value. Referring to several previous literature reviews, there are several indicators of company size: number of employees (Tagesson et al., 2009), the market value of equity (Sunaryo et al., 2020), turnover (Tagesson et al., 2009), market capitalization (Reverte, 2009) and total assets (Siregar & Bachtiar, 2010). The empirical findings of Olokoyo (2013) revealed that a larger company size can increase company value, while Susanti and Restiana (2018) proved the opposite. Djamaluddin et al. (2018) showed that firm size does not influence firm value.

2.1. Effect of Total Asset Turn Over (TATO) on Firm Value

According to Endri et al. (2020), the activity ratio can describe empowerment of everything a company has, from facilities to capital, or it is said that the Total Asset Turnover (TATO) ratio can be used in measuring the level of effectiveness of a company in managing its funds. This study uses the ratio of Total Asset Turnover (TATO). This ratio shows how much a company can be effective and efficient in managing its assets in sales. Furthermore, TATO can also show how fast turnover of assets is to support sales. According to Nurlaela et al. (2019), a fast TATO within a certain period will also be a good indicator for investors, because an increase in the company's asset turnover as a whole will also increase profitability. As the profitability of the company increases, this means that the rate of return will also grow to cause investors to invest, contributing to an increase in stock prices. This condition makes investors buy shares, and the higher the increase in share prices, the higher the shareholder's income, and causes the company's value to increase. However, Endri (2019) stated that a company must be able to balance sales with its assets because if there is weight on one side, there will be problems, one of which is liquidity difficulties which lead to a decline in the performance of a company. This will result in the decreasing demand for shares in a company and the company's PBV will also decline. Research by Nurlaela et al. (2019) proved that the increase in TATO caused PBV to increase. However, Karaca and Savsar (2012) showed that TATO has a negative effect on PBV. Soetjanto and Thamrin (2020) and Siregar and Dewi (2019) showed that TATO has no impact on PBV.

H1: TATO has a negative effect on PBV.

2.2. Effect of CR on Firm Value

Myers and Rajan (1998) stated that the willingness of the firm to pay off the debt that must be paid immediately can be shown by the liquidity of the company, and the condition of the number of payment instruments at a certain time owned

by a company can show and illustrate the company's payment power. The liquidity ratio that used in this study is the Current Ratio (CR). CR can show how far the company has paid off its current liabilities that need to be paid immediately using the company's current assets. When the CR has a high value, it will illustrate the adequacy of cash and high liquidity, in this condition, investor confidence will also increase and it can also make investors view the company's image as getting better so that the company value increases. However, another view says that the higher the CR value of the company the more liquid, the higher the liquidation, the more funds available for the company to pay its short-term debt, when the liquidity value increases, the dividend will not increase but it will increase the company's free cash flow.

So, it is assumed that agency costs will also increase so that it will cause a decrease in firm value or PBV value. Jihadi et al. (2021) revealed that CR has a positive impact on PBV. However, Kristi and Yanto (2019) and Endri et al. (2020) indicated that CR has a negative impact on PBV. So it is assumed that agency costs will also increase so that it will cause a decrease in company value or PBV value. Jihadi et al. (2021) and Marsha and Murtaqi (2017) revealed that an increase in CR has an impact on an increase in PBV. Different results were expressed by Kristi and Yanto (2019) and Harahap et al. (2020) who showed that CR has a negative impact on PBV. However, Renaldi et al. (2020), and Karaca and Savsar (2012) revealed that changes in CR do not change values PBV.

H2: CR has a negative effect on PBV.

2.3. Effect of ROE on Firm Value

Shahnia et al. (2020) explained that profitability is the ability of a company to use its resources to generate revenues in excess of its expenses. In other words, this is a company's capability of generating profits from its operations. Endri (2019) stated that profitability, as measured by return on equity (ROE), can accurately assess the returns that will be obtained from investment activities. According to Rosikah et al. (2018), ROE provides a simple metric for evaluating investment returns. Dwi et al. (2018) stated that the higher ROE, the higher efficiency of using equity. While the productivity of the company improves, there will be more customer trust in the company and the firm's value will also improve. Susanti and Restiana (2018), Djameluddin et al. (2018), and Chabachib et al. (2020) revealed that ROE has a positive effect on PBV. However, Putu et al. (2014) showed that ROE does not affect PBV.

H3: ROE has a positive effect on PBV.

2.4. Effect of DER on Firm Value

According to Siregar and Dewi (2019), leverage is the use of assets or funds where companies need to pay fixed costs.

Leverage refers to the use of debt (borrowed funds) to amplify returns from an investment or project. In the capital structure, there are several underlying theories related to firm value, namely: (1) The Modigliani-Miller (M&M) theory states that capital structure is independent of firm value; (2) Trade-off theory by Myers (1984) explains that when a company uses leverage it will be able to increase firm value to a certain proportion and after that, if the company uses debt again, this will cause a decrease in firm value; (3) Pecking Order Theory, according to Myers (1984), firms with high profitability would have few debts, since companies with high profitability have abundant internal sources of funds. The ratio of leverage used in this research is the ratio of Debt to Equity (DER). According to Akhtar et al. (2016), DER is a ratio that compares total debt and total capital. The higher the valuation of DER, the company is known to have a larger amount of debt than the capital retained by the company; this will be considered risky for investors. However, Hermuningsih (2013) stated that debt can add firm value if the larger debt can be increase profitability. Susanti and Restiana (2018) showed that an increase in DER can increase PBV. However, Jędrzejczak-Gas (2018) demonstrated that DER has a positive impact on PBV. In the meantime, a study by Endri (2019) and Karaca and Savsar (2012) revealed that DER does not affect PBV.

H4: DER has a positive effect on PBV.

2.5. Effect of Firm Size (SIZE) on Firm Value

According to Hapsoro and Falih (2020), company size is the total value of assets owned by a company that can determine company value. Harahap et al. (2020) said that as the size of the company increases, assets will turn around faster so that net sales and company profits will increase, and ultimately the firm value will also increase. Harahap et al. (2020) said that if the size of the company increases, it will cause the company's production capacity and sales to increase and this will have implications for an increase in company profits, and in the end, the company's value will also increase. But it is not always that the larger firm size, which is proxied by total assets, will always have an impact on both the company and the investors. The firm size as seen from the company's total assets when it is too large is considered a negative signal for investors. The firm size, which is too large, is known to cause a lack of efficacy in the management's monitoring of organizational operations and plans so that the company's value is diminished. Putu et al. (2014) showed that firm size has a positive influence on PBV. But this research contradicts the research by Susanti and Restiana (2018) who showed firm size has a negative impact on PBV. Meanwhile, analysis by Djameluddin et al. (2018) reveals that the size of the firm has no impact on PBV.

H5: SIZE has a negative effect on PBV.

3. Research Method

3.1. Data and Sample Selection

The research data is in the form of secondary data, namely, data sourced from the financial statements of F&B companies listed on the IDX for the 2015–2019 periods, which are accessed through the IDX website. Data was analyzed using the panel data regression method obtained using E-Views-10 software. The research variable consists of the dependent variable, namely PBV, while the determining variables are TATO, CR, ROE, DER, and SIZE. The population of this study consists of 30 companies, all of which are F&B companies listed on the IDX in 2020. Samples were taken using conditional sampling techniques. In this analysis, the sample criteria are detailed in Table 1.

17 (seventeen) firms with a research duration of 5 (five) years were acquired based on the three parameters identified in this report, which are seen above so that the number of observations was 85 (eighty-five).

3.2. Operational Definition of Variables

Table 2 shows the operational definitions and measurements of the research variables.

3.3. Research Model

Estimation and analysis of the research model using a panel regression method. The panel regression model in this study can be formulated as follows:

$$PBV_{it} = \alpha + \beta_1 TATO_{i,t} + \beta_2 CR_{i,t} + \beta_3 ROE_{i,t} + \beta_4 DER_{i,t} + \beta_5 SIZE_{i,t} + e_{i,t}$$

Where,

- PBV = Price to book value
- TATO = Total asset turnover
- CR = Current ratio
- ROE = Return on equity
- DER = Debt to equity ratio
- SIZE = Total assets

Table 1: Sampling Process

No	Sample Characteristics	Total
1	F&B companies listed on the IDX in 2020.	30
2	Issuers that have not been listed on the IDX during the 2015–2019 period.	(10)
3	F&B companies that do not have complete financial reports for the 2015–2019 period.	(3)
	Number of Research Samples (Company)	17

Table 2: Operational Definition of Research Variables

Variable Name/ Definition	Symbol	Measurement
Dependent Variable		
Price to Book Value: the result of a comparison between the stock price and the book value of the shares	PBV	$\frac{\text{Stock Market Prices}}{\text{Book Value of Shares}}$
Independent Variable		
Total Asset Turn Over: a ratio that shows how effectively and efficiently the company manages its assets in sales	TATO	$\frac{\text{Net Sales}}{\text{Total Assets}}$
Current Ratio: a ratio that shows the company's ability to meet its short-term liabilities using its current assets	CR	$\frac{\text{Total Current Assets}}{\text{Total Current Liabilities}}$
Return on Equity: a ratio that shows the efficiency of using the company's equity to generate profit	ROE	$\frac{\text{Net Profit}}{\text{Total Capital}}$
Debt to Equity Ratio: the ratio that can be used to value debt to equity	DER	$\frac{\text{Total Liabilities}}{\text{Total Capital}}$
Company Size: is the size of the company, one of which can be seen from the total asset value of the company	SIZE	SIZE = Ln (Total Assets)

There are three models used in estimating the panel data regression method, namely: Random Effect, Common Effect, and Fixed Effect. The Random Effect model can overcome the weaknesses in the fixed effect model that both use dummy variables so that the model experiences uncertainty. The Fixed Effect Model can conclude that the variation of the intercept can handle the differences between the intercepts. The Common Effect model is the simplest model that combines time series data with cross-sectional data and then calculates the model using Ordinary Least Square.

Table 3: Descriptive Statistics of Research Variables

	PBV	TATO	CR	ROE	DER	SIZE
Mean	6.70	0.99	2.17	15.98	1.06	14.89
Median	2.93	0.94	1.53	12.51	0.99	14.78
Maximum	47.54	3.10	8.64	124.15	5.20	18.39
Minimum	0.01	0.03	0.49	-14.99	0.04	10.81
Standard Deviation	11.00	0.64	1.77	24.93	0.80	1.54
Observation	85	85	85	85	85	85

4. Results

4.1. Descriptive Statistics Analysis

The average value of the PBV of the entire research sample was 6.70 with a mean value of 2.93. The min. PBV value is 0.01 which is found at PT. Tri Banyan Tirta, Tbk (ALTO) in 2016. While the maximum PBV value of 47.54 is found at PT. Multi Bintang Indonesia, Tbk (MBLI) in 2016. The variation of PBV data is 11.00 from the average value (Table 3).

The average value of Total Asset Turnover (TATO) of the entire research sample was 0.99 with a mean value of 0.94. The min. TATO value is 0.03 which is found at PT. Tri Banyan Tirta, Tbk (ALTO) in 2018. While the maximum TATO value is 3.10 which is found at PT. Wilmar Cahaya Indonesia, Tbk (CEKA) in 2018. The TATO data variation is 0.64 from the average value.

The average value of the Current Ratio (CR) of the entire research sample was 2.17 with a mean value of 1.53. The minimum CR value is 0.49 which is found at PT. Bumi Teknokultura Unggul, Tbk (BTEK) in 2015. While the maximum CR value of 8.64 is found at PT. Delta Djakarta, Tbk (DLTA) in 2017. The variation of CR data is 1.76 from the average value.

The average value of Return on Equity (ROE) of the entire research sample was 15.98 with a mean value of 12.51. The minimum ROE value is -14.99 which is found at PT. Tri Banyan Tirta, Tbk (ALTO) in 2017. While the maximum ROE value is 124.15 found at PT. Multi Bintang Indonesia, Tbk (MLBI) in 2017. The variation of ROE data is 24.93 from the average value.

The average Debt to Equity Ratio (DER) value of all research samples is 1.06 with a mean value of 0.99. The minimum DER value is 0.04 which is found at PT. Bumi Teknokultura Unggul, Tbk (BTEK) in 2015. While the maximum DER value is 5.20 which is found at PT. Inti Agri Resources, Tbk (IIRP) in 2019. DER data variation is 0.80 from the average value.

The average value of the firm size of the entire research sample was 14.89 with a mean value of 14.78. The minimum

Table 4: Pairwise Correlation of Variables

	CR	DER	ROE	SIZE	TATO	PBV
CR	1					
DER	-0.5483	1				
ROE	-0.1603	-0.0091	1			
SIZE	0.0590	0.0058	0.5607	1		
TATO	0.0099	-0.0698	-0.2707	0.1393	1	
PBV	0.0293	-0.0730	-0.1510	0.2407	-0.0718	1

Table 5: Conclusion of Panel Data Regression Model Testing

No	Model	Test	Prob.	Result
1	Chow test	Common Effect vs Fixed Effect	0.0000	Fixed Effect
2	Hausman test	Fixed Effect vs Random Effect	0.0119	Fixed Effect
3	Lagrange Multiplier test	Common Effect vs Random Effect	0.0000	Random Effect

firm size value is 10.81 which is found at PT. Bumi Teknokultura Unggul, Tbk (BTEK) in 2015. Meanwhile, the maximum firm size value is 18.39 which is found at PT. Indofood Sukses Makmur, Tbk (INDF) in 2018. The variation in firm size data is 1.54 from the average value.

4.2. Partial Correlation Analysis

Based on the calculation of the pairwise correlation between the research variables (Table 4), it shows a low relationship with an average correlation coefficient value below 50 percent. This shows that the possibility of multicollinearity between variables can be ignored.

4.3. Panel Data Regression Model

In this research, the estimate of the panel data regression model used is based on three models, that is CE model, the FE model, and the RE model. It must be further analyzed to figure out which model is the best to be used in this research. The tests that can be done to find out the best model are Lagrange Multiplier Test, Hausman Test, and Chow Test. The following are the conclusions of the model selection test performed in this research.

Based on Table 5, it can be inferred that in the panel regression, the FE Model can further be used to explain the determinants of PBV in the IDX-listed F&B companies during the period 2015–2019. In this selected model, to anticipate the possibility of non-homoscedastic

Table 6: Fixed Effect Model (Cross-Section Weight & White-Heteroscedasticity-Consistent Covariance)

Factor	Coefficient	S. E.	T-statistic	Probability
C	61.17738	7.310462	8.368470	0.0000
TATO	-1.189854	0.535830	-2.220580	0.0300
CR	-0.209371	0.068448	-3.058852	0.0033
ROE	0.073512	0.030855	2.382509	0.0202
DER	0.598168	0.188685	3.170190	0.0024
SIZE	-3.669266	0.484455	-7.574001	0.0000
R-squared	0.955966	Mean dependent variable		11.02481
Adjusted R-squared	0.941288	S.D. dependent variable		7.968538
S.E. of regression	2.576282	Sum of squared residual		418.1453
F-statistic	65.12892	Durbin-Watson		1.897547
Prob (F-statistic)	0.000000			

data, special treatment is given. According to Gujarati (2012), the treatment of cross-section weight and white-heteroscedasticity-consistent covariance can be used to anticipate the possibility of non-homoscedastic data.

Referring to Table 6, the equation for the FE model can be obtained as follows:

$$\text{PBV} = 61.17738 - 1.189854 \text{ TATO} - 0.209371 \text{ CR} \\ + 0.073512 \text{ ROE} + 0.598168 \text{ DER} \\ - 3.669266 \text{ SIZE}$$

The constant c is 61.1773818192, meaning that if the TATO, CR, ROE, DER, and firm size variables are considered constant, then the PBV variable is 61.17738. The TATO panel regression coeff. of -1.189854 states that every one percent increase in TATO causes PBV to decrease by 1.189854 percent. The CR panel regression coeff. of -0.209371 states that a one percent increase in CR will affect a decrease in PBV of 0.209371. ROE regression coeff. 0.073512 indicates that an increase in ROE of 1 percent causes a PBV of 0.07. The DER regression coeff. of 0.598168 states that one unit of DER increase would affect a 0.598168 PBV increase, given that the other independent variables are stable. Regression coeff. of SIZE -3.669266 states that a one-unit increase in SIZE would affect a 3.669266 decrease in PBV, given that the other independent variables remain stable.

In Table 6, the approximate effects of the panel fixed effect model data regression (with cross-section weight and white-heteroscedasticity-consistent covariance) show that the value of $R^2 = 0.955966$ means that the variables TATO, CR, ROE, DER, and SIZE together should explain 95.60% of the increase and decrease of PBV. While the Adj $R^2 = 0.941288$, which indicates that all independent variables included in this analysis will explain 94.13% of differences in PBV after

considering the df, while the remaining 5.87% were explained by other factors not investigated in the research. Based on the statistical data processing, findings provided in Table 4 show that the F -Stat is 0.0000 lower than $\alpha = 0.05$, which indicates that TATO, CR, ROE, DER, and SIZE combined have a major influence on the F&B companies' PBV.

The findings of the t -test in Table 4 indicate that each determining factor has the following effect on the PBV.

1. Total Asset Turnover (TATO) has a coeff. of β -1.189854 with a value of t -stat of -2.220580 and a sig. value of 0.0300 where the value is smaller than 5%. This indicates that TATO has a negative and sig. impact on F&B firms' PBV.
2. The current ratio (CR) has a coeff. of β -0.209371 with a value of t -stat of -3.058852 and a sig. value of 0.0033 where the value is less than 0.05. This indicates that the CR has a negative and sig. effects on F&B firms' PBV.
3. Return on Equity (ROE) has a coeff. of β 0.073512 with a value of t -stat of 2.382509 and a sig. value of 0.0202 where the value is smaller than 0.05. This shows that in F&B industries, the ROE has a positive and sig. impact on PBV.
4. The DER has a β coeff. of 0.598168 with an t -stat value of 3.170190 and a sig. value of 0.0024 where the value is greater than 0.05. This indicates that DER in F&B companies has a positive and sig. impact on PBV.
5. SIZE has a coeff. of β 3.669266 with a value of t -stat of -7.574001 and a sig. value of 0.0000 where the value is less than 0.05. This suggests that in F&B companies, the company size indicator is seen to have a negative and sig. impact on PBV.

5. Discussion

The findings in this study show that a high TATO will decrease the value of the firm. According to Arkan (2016), this can be considered a negative signal for the market or investors. Investors and potential investors have a perception that the proportion of the composition of assets (total assets) is dominated by fixed assets that have approached extreme conditions. This will lead to a decrease in the company's level of efficiency, which will affect reducing the trust of customers and prospective investors, which will later influence the decrease in the value of the company. The findings of this study support the findings of previous studies carried out by Karaca and Savsar (2012). Endri and Fathony (2020) stated that a CR value that is too high can indicate excess current assets that are idle or not utilized by the company. So, this will have a bad impact on company profitability because current assets will produce a lower rate of return than fixed assets. This can reduce the value of the company because investors are reluctant to invest in companies with low returns.

The findings from the study suggest that firm value can be increased by a high ROE value. Shahniah et al. (2020) stated that there is a high degree of profitability for firms with good prospects, so investors will respond favorably and firm value will grow. The findings of the study affirm the findings of previous studies carried out by Utami and Hasan (2021). The results in this study indicate that the firm value can be increased by a high DER value. The findings of this study are in line with Myer's trade-off theory (Myer, 1984). This theory shows that the company will owe a certain proportion of the capital structure that can maximize firm value. If the company continues to increase its debt, it will have an impact on decreasing company value. The results of this study confirm the research findings of Mukhibad et al. (2020). The findings seen in this analysis suggest that firm value can be decreased by large firm size. The firm size as seen from the company's total assets when it is too large is considered a negative signal for investors. The firm size, which is too large, is known to cause a lack of efficacy in the management's monitoring of organizational operations and plans so that the company's value is diminished. The findings of this study confirm the results of Susanti and Restiana (2018).

6. Conclusion

The goal of shareholders to increase company value is strongly influenced by the achievement of financial statements. This research identifies the factors of financial ratios consisting of TATO, CR, SIZE, ROE, and DER, which determine the value which is proxied by PBV. Empirical findings prove that TATO, CR, and SIZE have a negative

effect on PBV, while ROE and DER have a positive effect on PBV. Simultaneous testing concluded that TATO, CR, ROE, DER, and SIZE together affect PBV. The results of this study have implications for management that an increase in corporate debt can increase company profits and value. The use of debt for company assets must be carried out efficiently, meaning that these assets are used optimally to reduce operational costs. Suggestions for further research include; 1) the research sample was expanded to involve companies in other sectors so that comparisons could be made; 2) using a proxy of company value with other indicators, for example, Price to Earnings Ratio (PER) or Tobin's Q; 3) company size variable can be seen in more detail by dividing it specifically based on total fixed assets and total current assets to detect the characteristics of each company, and 4) further research can carry out outlier testing to ensure that the processed data does not contain extreme data that will bias the results of the study.

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