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The Influence of Fundamental Factors on the Firm Value in Property and Real Estate Companies Listed on the Indonesia Stock Exchange for 2012-2016

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Abstract

The findings of this study are intended to be used as data and input for the impact of liquidity ratios, solvency ratios, and ratio of the profitability on the value of property and real estate companies (the Firm Value), which will be beneficial to the company. The benefits for researchers/academics, in that the findings of this study can contribute to the discipline of accounting and can be used as a benchmark for future research and comparisons on the impact of liquidity ratios, solvency ratios, and the profitability ratios on the firm value at property and real estate companies.

Keywords

Value of the Firm, Liquidity Ratio, Solvency Ratio, Profitability Ratio

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Introduction

Because it is a long-term investment, property and real estate are among the most promising. The investors usually will be more interested in investing or reinvesting their money as a result of this activity. Especially because of a number of variables, including rising land and building prices as Indonesia's population grows, as well as the community's growing demand for the housing, offices, shopping complexes, and other commercial structures.The Vaue of the Prive Book (PBV) ratio, which is used to examine the performance of the stock market price compared to the book value of its shares, is one of the techniques used to analyze the company's value (Apsari, 2015). This ratio illustrates how much the market values a company's shares based on their book value.. The greater a stock's PBV number, the more optimistic the market is about its future. Increasing the company's value (PBV) is a goal that the owners have set for themselves since as the company's worth rises, so does the owners' wealth (Anggraini, 2014).

Property issuers' performance also slowed as a result of the difficulties they were facing. The revenues and net profit of issuers in this sector have been reduced by the sluggish economic conditions and volatility in the currency rate. In 2015, 12 property issuers reported only a 3.3 percent increase in average income. Meanwhile, compared to the previous year, the issuer's average net profit plummeted 37%. The poor performance of property issuers in 2015 caused a drop in public opinion of the industry and a drop in interest in investing in the sector.. The majority of the largest property issuers on the Indonesia Stock Exchange (IDX) have seen their net profit fall, including PT Summarecon Agung Tbk (SMRA), which has dropped 63.55 percent, PT Ciputra Development Tbk (CTRA), which has dropped 30 percent, and PT Ciputra Development Tbk. Bumi Serpong Damai Tbk (BSDE), which has dropped 15.96 percent. Internal variables are one of the elements that might influence a company worth. Financial ratios, often known as indices, are a type of research tool that relates two pieces of financial data by dividing one number by the other (Horne, 2012). The liquidity ratio, solvency ratio, and profitability ratio are the three most common financial statistics used to assess a company's performance (Anggraini, 2014).

The liquidity ratio depicts the relationship between the money that belongs to the firm and the other current assets of the firm and its current liabilities. The current ratio, which is computed by dividing current assets by current liabilities, is one of the most commonly used ratios. The ratio of solvency, also known as the leverage ratio, is a metric for determining how much of a company's assets are financed by debt. The Debt to Equity Ratio (DER) is one sort of this ratio that may be used to compare all debt to all equity to measure debt and capital. The profitability ratio is a metric used to evaluate a company's capacity to make a profit. The Return on Equity (ROE) is a sort of ratio that compares EAT to equity to determine the investment yield of equity stockholders (Brealey, Myers, & Marcus, 2015).

Table 1.Comparison of the value of Current Ratio (CR), Debt to Equity Ratio (DER), Return on Equity (ROE), Stock Prices, and Price Book Value (PBV) in BSDE, CTRA, SMRA issuers for 2012-2016

	CR (%)					DER (X)					ROE (%)				
	2012	2013	2014	2015	2016	2012	2013	2014	2015	2016	2012	2013	2014	2015	2016
BSDE	290,20	266,71	218,10	273,16	293,58	0,59	0,68	0,52	0,63	0,57	14,04	21,66	21,63	10,64	8,40
CTRA	155,96	135,65	142,68	150,03	187,53	0,77	1,06	1,04	1,01	1,03	10,02	14,47	15,71	13,34	8,19
SMRA	182,83	212,22	261,19	213,79	206,26	1,85	1,93	1,57	1,49	1,55	20,76	23,53	23,15	14,13	7,41

	HARGA SAHAM (Rp)					PBV (X)				
	2012	2013	2014	2015	2016	2012	2013	2014	2015	2016
BSDE	1110	1290	1805	1800	1755	1,84	1,68	1,79	1,56	1,38
CTRA	800	790	1355	1460	1335	1,43	1,22	1,80	1,72	1,44
SMRA	1250	1092	1520	1250	1325	2,36	3,38	3,66	2,40	2,34

source: www.idx.co.id

Literature Review

The Liquidity ratio

The most dominan ratios which is used to evaluate the performance of a firm (Budi & Rachmawati, 2014)..

1. The Liquidity Ratio (L/R)

The liquidity ratio assesses a capacity of a firm to meet the obligations of the short term. . The ratio of liquidity is made up of the following elements:

Current Ratio

Current Ratio is a term that refers to the ratio of current assets to total assets.
One of the most widely utilized liquidity ratios is the current ratio. This ratio demonstrates a company's ability to pay down short-term debts using current assets. This ratio has the following formula:

$$Current\ Ratio = \frac{Current\ Asset}{Current\ Liabilities}$$

The stronger the company's ability to pay its numerous payments, the higher the current ratio.

Quick Ratio

This ratio, which reflects the abilty of a corporation to cover the short-term commitments with assets which most liquid, is used in conjunction with the current ratio in measuring liquidity. The quick ratio can be calculated by using the following formula:

$$Quick\ Ratio = \frac{Curent\ Asset - Inventory}{Current\ Liabilities}$$

The Ratio of Solvency

The measurement of an ability from the corporation to pay long-term liabilities sthat would be liquidated if it were liquidated. (O'brien, 2010; Suad & Pudjiastuti, 2012) identify two types of leverage ratio calculation:

The debt-to-total-asset-ratio

This ratio is also referred as a debt-to-asset ratio since it determines the debt ratio of a corporation by dividing total debt by total assets. This ratio's formula is as follows:

$$Debt\ Ratio = \frac{Total\ Liabilities}{Total\ Asset}$$

The debt-to-equity Ratio

The Debt to Equity Ratio is a statement of finacial analysisfinancial metric that illustrates how much collateral creditors have available (Nazir & Agustina, 2018; Suad & Pudjiastuti, 2012). This ratio's formula is as follows:

$$Debt\ to\ Equity\ Ratio = \frac{Total\ Liabilities}{Total\ Shareholder's\ Equity}$$

The Profitability Ratio

Profitability ratios represent the capability of the firm to produce yields using every available capabilities and resources, such as sales activities, money, funds, personel, branches, and so on. This profit ratio is made up of by the following elements:

Gross Profit Margin

The gross profit margin ratio can be used to figure out how much money a company makes on each item it sells. This ratio's formula is as follows:

$$Gross\ Profit\ Margin = \frac{Sales - Cost\ of\ Good\ Sold}{Sales}$$

Margin of Net Profit

The net profit margin ratio is a measurement of a of firm’s profit per sale. The following formula is used to determine the ratio of net profit margin:
(Earnings After Tax)/Sales = Net Profit Margin

Investment return on Investment (ROI)

The return on assets ratio measures the capcity of a firm to profit from each rupiah of assets it used. This formula for this ratio is as follows:
Return on Asset=(Earning After Tax (EAT))/(Earning Before Tax (EBT))/(Earning Before Tax (EBT (Total Asset)

The return on equity

The return on equity ratio can be put to use to determine how much a corporation pays out for every rupiah of capital it receives from its owners. This ratio has the following formula:

$$Return\ on\ Equity = \frac{Earning\ After\ Tax\ (EAT)}{Shareholder's\ Equity}$$

Per Share Earnings (EPS)

The return on capital for each share is described by this ratio. Earnings Per Share (EPS) is a metric for determining a company’s success. The greater the value of this ratio, the more interested investors will be in putting their money into the company.
This ratio's formula is as follows:
(EAT-Preferred Share Dividend)/(Outstanding Share) Score = Earnings Per Share

Value of the Firm

The consequence of management's efforts in numerous areas, including invstment’s decisions net cash flow, growth and the firm’s cost of capital.
The value of a firm is an important notion for investors since it is a measure of how the market views the company as a whole. The objective of company owners is for a high firm value because a high value signals that shareholder prosperity is also high (Anggraini, 2014; Kusuma & Priantinah, 2012)
Several valuation ratios can be used to determine the value of a firm (Hamdan, Nordin, & Khalid, 2019; Rokhmawati, 2020)

The Price-to-Earnings Ratio (P/E) is (PER)

The Price-to-Profit Ratio (PPR) or Price-to-Earnings Ratio (PER) is a commonly used metric. The greater the PER value, the better the company's growth rate, indicating that the company has bright future potential. This ratio's formula is as follows:
Price Earning Ratio (PER)=((Market Price per Share)/(Price Earning Ratio) (Earnings per Share)

Book Value Price (PBV)

The Book Value to the market price (PBV) ratio is a measure of the value of a firm’s book that indicatest that value offered by the financial market to a rising business's management and organization .

The ratio of PBVof a good firm is usually more than one, indicating that the stock market value exceeds the book value.

$$Price\ Book\ Value\ (PBV) = Price\ per\ share.Book\ Value$$

The greater the PBV ratio, the more favourable the investor's assesment of the firm in comparison to the cash which invested in it, and thus the better the possibility for investors to purchase firm shares (Afriani & Asma, 2019; Budi & Rachmawati, 2014)
The consequence of management's efforts in various areas, including net cash flow from investment decisions, growth, and the company's cost of capital, is firm value. The value of the firm is an important notion for the firm owners since it is a measure of how the market views the company as a whole. The objective of the firm owners is for a high company value because a high value suggests that the prosperity of the shareholders is also high.
The following valuation ratios can be used to determine the value of a company (Apsari, 2015; Brealey et al., 2015; Christiawan & Tarigan, 2007)

Ratio of Price to Earnings (PER)

The Price to Earnings Ratio (PER) or Price to Profit Ratio (PPR) is a commonly used metric The higher the PER number, the faster the company is growing, which is indicates that the firm has promising future potentials. This ratio has the following formula:
Price Earning Ratio (PER)=MarketPrice Per Share/EPS

The Price Book Value

PBV or Market Price to Book Value (MPBV) ratio evaluates the value which provided by the financial market to business's management and organization as a growing corporation. The PBV ratio of a good firm is usually more than one, indicating that the stock market value is higher than the book value. The higher the PBV ratio, investor's evaluation of the corporation will be much better in comparison to the money that invested in it, an thus the better the possibility for the investors to purchase the share of the firm.

Tobin's Q

The market value of all securities divided by the replacemnet cost of the assets is known as the Tobin's Q ratio. If the Tobin's Q ratio is greater than one, the asset investment yields a profit is more than the outlays of that inevestment. If the value of this ratio is less than one, the assets of investment will not be atrractive to the investors.

$$Q = \frac{(EMV + D)}{(EBV + D)}$$

Information:

Q = Firm Value
EMV = Market Vale of equity (EMV = *closing price* x number of shares outstanding)
EBV = Book Value of Total Equity (EBV = total aset – total liablities)
D = Book Value of Total Debt

Research Method

The liquidity ratio (CR), solvency ratio (DER), profitability ratio (ROE) and the Firm value are the variables which is investigated in this study. Property and realestate businesses that listed on the Indonesia Stock Exchange between 2012 and 2016 were the focus of this resarch.Property and real estate businesses registered on the Indonesia Stock Exchage between 2012 and 2016 are the population of this study. This time period was chosen because it can explain the relatively conditions that occurs in the Indonesian Capital Market.

The research results are believed to be more relevant to comprehending actual conditions by using a relatively fresh period and a comparatively long range of research years. The purposive sampling was used in this reseach, and the following criteria are:

(1) Companies listed on the Indonesia Stock Exchange from 2012-2016
(2) Companies with the consistent financial statement data from 2012 to 2016
(3) Companies that did not experience a loss during the study period.
With the research period 2012-2016, 160 observational data were acquired, consists of 32 samples of companies.

Panel data model testing, classical assumption testing, panel data regression analysis, and the hypothesis testing utilizing t-statistical hypothesis testing and F-statistical hypothesis testing with a significance level of 5% were the analytical methodologies used in this work.

Result and Discussion

Descriptive Statistics

Descriptive statistics are descriptions or descriptions of data seen from the average, maximum, minimum values for each research variable.

Liquidity Ratio Variables and Their Results

For the period 2012-2016, the average current ratio of 32 property and the Real Estate firm which is listed on the Indonesia Stock Exchange was 2.08 times. This means are that the corporation can pay its current liabilities with current assets 2.08 times, or 208 percent of the time. PT. Greenwood Sejahtera Tbk (GWSA) has the greatest current ratio in 2013, exactly at 4.63 times or 463 percent, which means that every Rp1 of current liabilities owned by the company may be guaranteed or covered by Rp4.63 of current assets. PT. Roda Vivatex Tbk (RDTX) has the lowest current ratio, which is 0.24 times or 24 percent, for the same year in 2013

Variables in the Solvency Ratio

This solvency ratio variable is calculated using the ratio of indicator of debt to equity, that calculated by comparing the debt quantity to the equity amount. In 2012, the average 32 property and real estate businesses had an average of 0.82, which climbed to 0.86 in 2013, then declined to 0.79 in 2014, and remained for 2015. Then in 2016, it fell to 0.75 again. PT. Goa Makassar Tourism Development Tbk (GMTD) in 2012 had the highest debt to equity ratio, which was 2.85 times or 285 percent, signaling that this firm is fully reliant on debt. The lowest of debt to equity ratio, on the contrary, was recorded at PT. Greenwood Sejahtera Tbk (GWSA) in 2013, which was 0.06 times or 6%, this was indicated that creditors were not owed any money.

The Profitability Ratio Variable

The return on equity indicator, which is calculated by comparing the earning after tax taxes to the equity by the company, is used to calculate the ratio of profitability. For the period 2012-2016, the average return on equity of 32 fisted on the Indonesia Stock Exchange are property and real estate companies was 0.12 times (12%). In 2013, PT. Modernland Realty Tbk (MDLN) had the highest return on equity value of 0.52 times. On the other side, PT. Gading Development Tbk (GAMA) has the lowest return on equity, which was 0.00 times in 2016, indicating that the company did not have the ability to manage its capital to earn income for that year. It can claimed that the performance at PT.Gading Development Tbk (GAMA) is not good because it can not manage its capital in order to achive a high retun or income.

The value of the firm

The ratio of price book value indicator used to calculate the value of the firm, which is a ratio that compares the book value of the shares with the shares market price.For the period 2012-2016, the average price book value of 32 property ang real estate firm that llisted on the Indonesia Stock Exchange was 1.41 times. This indicates that the stock market price is higher than the stock's value of the book. A price book value more than one indicates that the market has overvalued the company's stock, while a price book value less than one shows that the market has undervalued the stock's of the company. The greater the price book value, the more optimistic the investor is about the company's future prospects and performance. In 2012, PT.Goa Makassar Tourism Development Tbk (GMTD) had the highest price book value of 3.80 times, implying that the market considers the company's share price to be nearly 4 times greater than the book value of its shares.

The assumption Test (Classical)

The residuals in the regression model are normally distributed, there are no indications of multicollinearity between the independent variables in the regression model, and the regression model's residuals are normally distributed.

The simultaneous Evaluation (f-test)

The findings of F arithmetic> F table are 60,00040> 2.66, which indicates that the variable liquidity ratio (CR), solvency ratio (DER), and profitability ratio (ROE), all vaeiabls affect the value of the property sector company at the same time. For the years 2012 to 2016, it was listed on the Indonesia Stock Exchange.

The Multiple Linear Regression Analysis

The results of multiple linear regression analysis, a regression equation is obtained:

PBV (Y) = -0,152529 + 0,197075CR + 0,764791DER + 4,621353ROE

The yields of coefficient determination of R-Square is 0.53571, and this shows that 53.71 percent of the variablity of the dependent variable (firm vlue) can be described by the independent variables (CR,DER, and ROE), while the remaining 46.43 percent is explained by variables outside of the research model.

Partial Test (t-test)

Hasil Pengujian Hipotesis Secara Parsial
Dependent Variable: PBV
Method: Least Squares

Variable	Coefficient	Std. Error	t-Statistic	Prob
C	-0.152529	0.168990	-0.902588	0.3681
CR	0.197075	0.052781	3.733804	0.0003
DER	0.764791	0.106081	7.209467	0.0000
ROE	4.621353	0.517780	8.925318	0.0000

Sumber: Hasil Output Eviews 8

This table give information about the results of partial hypothesis testing. The table interpretation above is as follows:

1. For the period 2012-2016, the liquidity ratio variable, as measured by the current ratio, from Property and real estate industry firms listed on the Indonesia Stock Exchange have a considerable beneficial effect on firm value.

2. From 2012 to 2016, companies in the property and real estate sector were listed on the Indonesia Stock Exchange, solvency ratio variable, as measured by the debt to equity ratio, having a significant beneficial impact on the firm's value
3. Partially, for the period 2012-2016, the profitability ratio variable, as measured by return on equity have a considerable beneficial impact on the value of firms that listed on the Indonesia Stock Exchange in the property and real estate sector.

Discussion

The current ratio's liquidity ratio has a considerable beneficial effect on business value, according to the findings of this study. This explained that the company's present assets, which are projected to be transformed into money at the future, can cover or pay off its current liabilities, which are due soon, providing a favorable signal to investors and influencing the stock's value. This research findings correspond to (A'zam, Dila, Arifi, & Husna, 2021; Rokhmawati, 2020) but different results with (Prasetyo, 2011) who stated that the liquidity ratio has no discernible impact on the firm's value.

The results from the hypothesis test describe that solvency has a strong positive impact on business value. This explains why, despite the fact that the corporation is mostly supported by creditors rather than shareholders, the company is still attempting to manage its debt effectively in order to maximize profits in order to pay off its debts and maintain a positive reputation among bondholders and equity investors. The findings of this study are similar to those of (Darsono, 2005; Gitman, 2015; Horne, 2012) have all done research that contradicts.

The hypothesis findings suggest that by managing the company's capital. The corporation may earn net income or profit after taxes. The ROE also illustrates how well the company manages the capital so that investors have contributed to make a profit that the investors will be received. Investors are more interested in high returning companies than low returning firms

Conclusion

The goal of this stuy is to is to see how liquidity, solvency, and profitability ratios affect the between 2012 to 2016, company valuation in Property and Real Estate Companies listed on the Indonesia Stock Exchange. Multiple linear regression analysis was used to analyze the data. The following are the conclusions based on the findings of the preceding chapter's data analysis and discussions.

1. In the period 2012-2016, the Liquidity Ratio, which is computed using the current ratio, the value of Property and Real Estate Companies on the Indonesia Stock Exchange has been affected.
2. During the period 2012-2016, the Solvency Ratio determined using the debt to equity ratio had an influence on the firm value of Property and Real Estate Companies listed on the Indonesia Stock Exchange.
3. Property & Real Estate Companies listed on the Indonesia Stock Exchange have seen a decrease in their stock value in the period 2012-2016, profitability ratios which computed using return on equity.
4. Property & Real Estate Companies listed on the Indonesia Stock Exchange have a substantial impact on firm value simultaneously by Liquidity Ratios, Solvency Ratios, and Profitability Ratios in 2012-2016

Implications for companies and investors:

1. By analyzing the current ratio, ratio debt of the equity, and ROE in a company's statement of financial,the analysis of fundamental can be performed as these three ratios have a substantial impact on business value in this study. Other considerations, such as corporate policy, inflation, and exchange rates, can also be taken into account.
2. The liquidity ratio, as assessed by the current ratio, can help a company's current assets, especially in the form of the cash, grow and be properly managed so that current assets are distributed according to the company's business needs.

3. By examining alternative loans that are not too burdensome for the firm and managing the loans well so that the company can still produce substantial profits, the ratio of debt to euity can be improved to increase the solvency ratio.

4. By maximizing the use of the equity to generate income from its sales activities ROE can be improved. Addditionally, the company's operational costs and other costs might be reduced

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