The Influence Current Ratio, Return on Equity and Debt to Equity Ratio toward Price Book Value

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ABSTRAK

Tujuan penelitian ini adalah untuk mengetahui dan menganalisis pengaruh Current Ratio,Return on Equity dan Debt to Equity Ratio terhadap Price to Book Value pada perusahaan Jasa sub sektor Hotel, Restoran dan Pariwisata yang terdaftar di Bursa Efek Indonesia periode 2017-2021. Penelitian ini menggunakan teori Manajemen Keuangan yang berkaitan dengan current ratio, Return On Equity debt to equity ratio dan Price to Book Value. Pendekatan yang digunakan dalam penelitian ini adalah dengan menggunakan pendekatan asosiatif dan jenis data yang digunakan bersifat kuantitatif. Populasi dalam penelitian ini sebanyak 49 perusahaan Jasa sub sektor Hotel, Restoran dan Pariwisata. Jumlah sampel sebanyak 13 perusahaan Jasa sub sektor Hotel, Restoran dan Pariwisata dengan menggunakan teknik pureposive sampling. Metode analisis data digunakan teknik analisis regresi linear berganda, dengan alat bantu aplikasi SPSS 27.0. Hasil penelitian menunjukkan bahwa current ratio berpengaruh negative dan signifikan terhadap Price to Book Value, Return on Equity berpengaruh positif dan Signifikan terhadap Price to Book Value dan Debt to equity ratio berpengaruh negatif dan tidak signifikan terhadap Price to Book Value, pada perusahaan Jasa sub sektor Hotel, Restoran dan Pariwisata yang terdaftar di Bursa Efek Indonesia..

Kata Kunci: *Current Ratio, Return on Equity, Debt To Equity Ratio, Price to Book Value.*

ABSTRACT

The purpose of this study was to determine and analyze the effect of Current Ratio, Return on Equity and Debt to Equity Ratio on Price to Book Value in service companies in the Hotel, Restaurant and Tourism sub-sector which are listed on the Indonesia Stock Exchange for the 2017- 2021 period. This study uses the theory of Financial Management related to the current ratio, Return On Equity debt to equity ratio and Price to Book Value. The approach used in this study is to use an associative approach and the type of data used is quantitative. The population in this study were 49 service companies in the hotel, restaurant and tourism sub-sector. The number of samples is 13 service companies in the Hotel, Restaurant and Tourism sub-sector using pure positive sampling technique. The data analysis method used multiple linear regression analysis techniques, with the SPSS 27.0 application tool. The results showed that the current ratio has a negative and insignificant effect on Price to Book Value, Return on Equity has a positive and significant effect on Price to Book Value and the Debt to equity ratio has a negative and insignificant effect on Price to Book Value, in Service companies in the Hotel, Restaurant and Tourism sub-sector which are listed on the Indonesia Stock Exchange..

Key words: *Current Ratio, Return on Equity, Debt To Equity Ratio, Price to Book Value.*

INTRODUCTION

The 2017-2021 tourism development targets, the National Development Planning Agency or Bappenas is targeting the tourism sector's contribution to GDP to reach 9.2 percent with a target of 275 million domestic tourist visits in 2019 (kominfo.go.id, 3 December 2022).

The potential for tourism development in Indonesia has decreased, which can be seen in

the contribution of the tourism sector to GDP growth. The contribution of the tourism sector to GDP from 2017 to 2021 has decreased. According to BPS/Ministry of Tourism sources, in 2020 the contribution of the tourism sector to Indonesia's GDP was only 4.05%, after reaching 4.7% in the previous year. Meanwhile, for the tourism sector, the Ministry of Tourism and Creative Economy (Kemenparekraf) estimates it will reach US$0.36 billion alone in 2021.

This figure is much lower than the previous year's value of US$3.3 billion. In 2019, foreign exchange from the tourism sector was able to reach US$16.9 billion. We can see this in the following figure 1:
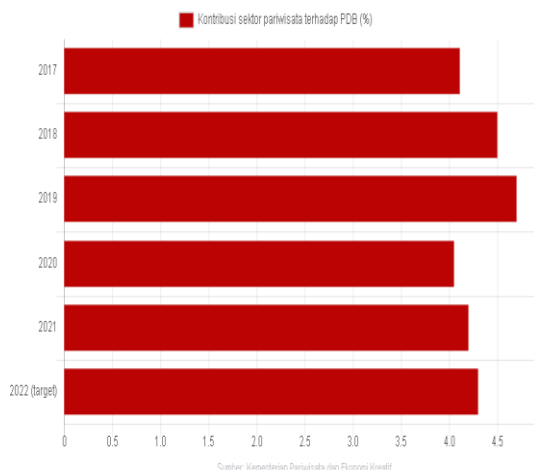
Source: BPS/Kementerian Pariwisata, kontribusi sektor pariwisata terhadap PDB tahun 2017-2021

Figure 1: Indonesian tourism contribution 2017-2021

In Figure 1 above, we can see that tourism development in Indonesia has decreased because the Covid-19 pandemic has caused the tourism sector's contribution to gross domestic product (GDP) and the country's foreign exchange to decline. From this data we can see that GDP in Indonesia always experiences a decline in 2017 to 2021. Companies with good financial and managerial performance can survive in a competitive

business world. Companies must be managed effectively and efficiently. Effective and efficient business management can provide significant benefits for internal and external parties. Business investors always look for trustworthy companies to invest in where the company always reports its financial performance in detail and on time. Based on this, before investing investors will make observations first.

Price to Book Value (PBV) is one of the valuation ratios that measures a company's value by comparing the share market price with the book value per share. So it can be concluded that Price to Book Value is an investor's assessment of the company's book value which is reflected in the share market price achieved by the company. If a company has good management, it is hoped that the Price to Book Value (PBV) of the company will be at least 1 or above the book value (overvalued), and if the Price to Book Value (PBV) figure is below 1 then it can be ascertained that the market price of the shares is lower than book value (undervalued). (Sugiono & Untung, 2016:71).

The following is the price to book value of companies in the Hotel, Restaurant and Tourism sub-sector and the components presented in the form of a data table are as :

In table 1in below that Price to Book Value in the 2017-2021 period for the Hotel, Restaurant and Tourism sub-sector, it is found that the average Price to Book Value of 13 companies, there are 7 companies that have a Price To Book Value of more than 1, namely PT Arthavest Tbk, PT Bayu Buana, PT Fast Food Indonesia Tbk, PT Indonesia Paradise Property, PT Map Boga Adiperkasa Tbk, PT Sanurhasta Mitra, PT Pembangunan Graha Lestari Tbk,. while the others, as many as 6 companies have a Price To Book Value of less than 1, namely PT Eastparc Hotel Tbk, PT Island Concepts Indonesia Tbk, PT Jakarta Int Hotels & Dev Tbk, PT Jakarta Setiabudi Internasional Tbk, PT Mnc Land Tbk, PT Sarimelati Kencana Tbk

Table 1: Price to Book Value in the 2017-2021

NO	Code	Year					Mean
		2017	2018	2019	2020	2021	
1	ARTA	0,54	1,59	0,54	0,33	3,25	1,25
2	BAYU	1,22	1,53	0,95	0,99	0,87	1,11
3	EAST	0,46	0,43	0,55	0,54	0,69	0,53
4	FAST	2,22	2,16	3,07	3,49	4,23	3,03
5	ICON	0,87	0,52	0,31	0,33	0,45	0,50
6	INPP	1,72	1,80	1,48	1,41	1,27	1,54
7	JIHD	0,22	0,23	0,26	0,21	0,21	0,23
8	JSPT	2,08	0,69	0,72	0,65	0,65	0,96
9	KPIG	0,76	0,80	0,48	0,37	0,31	0,54
10	MAPB	4,23	3,64	2,97	2,88	3,44	3,43
11	MINA	20,90	41,32	20,25	2,96	3,14	17,71
12	PGLI	1,30	2,16	2,50	2,00	3,21	2,23
13	PZZA	1,06	0,95	0,73	0,54	0,60	0,78

Data diolah : 2023

LITERATURE REVIEW

The previous Price to Book Value (PBV)

Price to Book Value (PBV) is the ratio of share price and book value Corporate equity measures the value that the market provides to management and the organization as a company continues to grow. The lower the price to book value (PBV), the lower the share price relative to its book value, conversely the higher the price book to value (PBV), the higher the share price relative to its book value. This indicates that a growing company can be assessed by its share market price. High share prices illustrate high company value (Hery, 2017).

Current Ratio (CR)

Current Ratio is a comparison between current assets and current liabilities. This Current Ratio shows the level of security for creditors (margin of safety). A satisfactory short-term current ratio is usually if current assets are greater than current liabilities. (Wasti Reviandani 2020:81).
CR = Current assets / Current Liability

Return On Equity (ROE)

Return on equity (ROE) is a ratio that aims to measure the level of a company's ability to generate profits from its activities or business activities. Apart from that, this ratio provides information about the level of effectiveness of company management (M. K. Sari, 2020).
ROE = Net Profit / Equity

Debt to Equity Ratio (DER)

According to Hery (2018:168) Debt to Equity Ratio (DER) is a ratio used to measure the proportion of debt to capital. This ratio is useful for knowing the comparison between the amount of funds provided by creditors and the amount of funds originating from the company owner.
DER = Total Debt / Equity

METHOD

This research uses a quantitative examination strategy, with an associative approach. According to Sugiyono (2019:17) quantitative research is defined as a research method based on the philosophy of positivism, used to research certain populations or samples. Data collection uses research instruments, data analysis is quantitative/statistical, with the aim of testing the hypothesis that has been established. This study uses data categories: Secondary data for this research includes written documents, both internal and external, related to the topic discussed. The location of this research is the Indonesian Stock Exchange (BEI) which has information on a company's financial reports by accessing the official website, namely www.idx.co.id. The subjects in this research were 13 samples of Hotel, Restaurant and Tourism sector companies registered on the BEI (IDX).

RESULTS

First, Based on the classical assumption test or bias test for regression analysis, it is found that there is no bias in these assumptions. secondly, the multiple linear regression analysis test, produced the following findings.

Table 2: Regression Analysis

Coefficients[a]					
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	1.001	.589		1.700	.100
Current Ratio	-.285	.339	-.155	-.843	.406
Return on Equity	21.022	6.417	.561	3.276	.003
Debt to Equity Ratio	.323	.575	.095	.562	.578
a. Dependent Variable: Price to Book Value					

Source: data is processed

Based on the table of multiple linear regression test results above, the following equation is obtained:

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

$PBV = 1.001 + -0.285 - 21.022 + 0.323 + e$

The regression equation above has the following meaning:

1. The constant is 1.001, meaning that if the Current Ratio (X1), Return on Equity (X2) and Debt to Equity Ratio (X3) are 0, then the Price to Book Value (Y) is 1.001.
2. The value of β_1 = CR regression coefficient, the value is -0.285, indicating that if the Current Ratio variable (X1) changes, this means that the Price to Book Value (Y) has increased by -0.285.
3. β_2 value = ROE regression coefficient, the value is 21.022, indicating that if the Return on Equity variable (X2) changes, this means that the Price to Book Value (Y) has increased by 21.022.
4. The β_3 value = DER regression coefficient of 0.323 shows that if the Debt to Equity Ratio (X3) variable changes, this means that the Price to Book Value (Y) decreases by 0.323.

Based on the table of partial hypothesis test results (t test) above, it can be concluded as follows:

1. Variable Current Ratio
   If the significance of t > significance value is 0.05 or 0.406 > 0.05, it can be concluded that H_o is accepted and H1 is rejected, which means the Current Ratio has no effect on Price to Book Value.
2. Return on Equity variable
   If t is significant < 0.05 or 0.003 < 0.05, it can be concluded that H_o is accepted and H2 is rejected, which means that Return on Equity has a significant effect on Price to Book Value.
3. Debt to Equity Ratio variable
   If t is significant > 0.05 or 0.578 > 0.05, it can be concluded that H_o is accepted and H3 is rejected, which means that the Debt to Equity Ratio does not have a significant effect on Price to Book Value.

Third, the coefficient of determination test produces the finding that tablle 3 following in below;

Table 3: coefficient of determination test

Model Summary[b]					
Model	R	R Square	Adjusted R Square	Std.Error of the Estimate	Durbin-Watson
1	.523[a]	.274	.201	1.09355	1.043
a. Predictors: (Constant), Debt to Equity Ratio, Return on Equity, Current Ratio					
b. Dependent Variable: Price to Book Value					

Based on the test results above, it can be concluded that the Durbin-Watson value is 1.043. With the number of samples being 13 and the number of independent variables being 1 (k=3). So the dl value (lower limit) is 0.7147 and the du limit value (upper limit) is 1.8159. Because the DW value is (1.043), this value is above 0 and the dl value, and it can be concluded that the data does not have autocorrelation.

DISCUSSION

1. Effect of Current Ratio on Price to Book Value.

   The results of research on the Current Ratio variable on Price to Book Value, namely based on the results of the Current Ratio t test, show that the significance level is $0.406 > 0.05$, meaning that the Current Ratio has no effect on Price to Book Value. so the first hypothesis is rejected.

   Lidya Novita Anwar, et al (2022) analyzed the influence of the Current Ratio, Return On Equity and Debt To Asset Ratio showing that the Current Ratio (CR) did not have a significant effect on Price to Book Value (PBV).

2. Effect of Return on Equity on Price to Book Value.

   Based on the research results, it shows that the Return On Equity (ROE) variable influences the Price to Book Value of companies included in the LQ45 index, with a significant value (Sig) of 0.003. with a significance value shown of $0.003 < 0.05$. Based on the test results, Return On Equity (ROE) has a significant effect on the Price to Book Value of companies included in the LQ45 index. So the hypothesis in this research states that Return On Equity (ROE) has a significant effect on Price to Book Value.

   Amar Mustofa Arifin, et al (2022) analyzed the influence of profitability, liquidity and price on price to book value, showing that ROE has a significant positive effect on PBV.

3. Effect of Debt to Equity on Price to Book Value.

   The research results on the Debt to Equity Ratio variable on Price to Book Value are based on the results of the Debt to Equity Ratio t test shows that the level of significance value is $0.822 > 0.05$, which means that the Debt To Equity Ratio has no effect on Price to Book Value.

   Hasna Nur Asiah and Saur Costanius Simamora (2023) regarding the influence of Price Earning Ratio and Debt To Equity Ratio on Price To Book Value shows that DER has no partial and significant effect on PBV.

CONCLUSSION

Based on the results can be concluded that the Current Ratio and Debt To Equity Ratio (DER) do not have a significant effect on Price to Book Value. Meanwhile, only the Return on Equity (ROE) variable has a significant effect on Price to Book Value. Limitations The research was carried out only on Service Sector Tourism Companies registered on the IDX for the 2017-2021 period, so the amount of data studied was small and the variables used were Current Ratio, Return on Equity and Debt To Equity Ratio. And it is hoped that every investor who wants to invest with the aim of profit will be careful when making decisions to invest in service sub-sector companies listed on the Indonesia Stock Exchange, and should also pay attention to other financial ratios and other factors not mentioned in the research. Because the results of this research prove that only the ROE ratio has an effect on Price to Book Value, while the CR and DER ratios have no significant effect on Price to Book Value.

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