Factors Affecting Company Value in Manufacturing Companies in the Agricultural Subsector Listed on the Indonesian Stock Exchange

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ABSTRACT

This investigation aims to unravel the antecedents that shape Firm Value within Manufacturing Corporations in the Plantation Sub-sector listed on the Indonesia Stock Exchange. The study encompassed 15 entities selected through purposive sampling over the period from 2019 to 2023. By employing multiple linear regression, it was inferred that the Current Ratio and Debt to Equity Ratio exhibit a discernible influence on Firm Value, as articulated in the regression equation: $Y = 0.341 + 0.186X1 + 0.369X2 + e$. The results of the t-test indicated that the Current Ratio (X1) does not have a significant effect on Firm Value, with a t-value of $1.365 <$ t-table 1.993 and a significance value of $0.179 > 0.05$. Therefore, the first hypothesis is rejected. Conversely, the Debt to Equity Ratio (X2) has a significant effect on Firm Value, with a t-value of $3.339 >$ t-table 1.993 and a significance value of $0.002 < 0.05$. Thus, the second hypothesis is accepted. Furthermore, the F-test results showed that both the Current Ratio and Debt to Equity Ratio simultaneously have a significant effect on Firm Value, with a F-value of $6.448 >$ F-table 3.124 and a significance value of $0.003 < 0.05$. Therefore, the third hypothesis is accepted. The coefficient of determination test produced an R-squared value of 0.223. This means that the independent variables, Current Ratio and Debt to Equity Ratio, explain 22.3% of the variation in Firm Value, while the remaining 77.7% is explained by other factors outside this research model.

Keywords: Current Ratio, Company Value, Debt to Equity Ratio

1. Introduction

The swift advancement of the economy is attended by intense commercial rivalry, illustrated by the continual rise in the number of issuers registered on the Indonesia Stock Exchange annually. Indonesia's economic elevation has been considerable, as reflected in the expansion of the plantation sector. This sector constitutes one of the vital sub-divisions that renders a substantial contribution to the national economy. As a result, many plantation companies are competing to maximise their corporate value by improving company performance and maintaining their competitive edge.

Corporate worth constitutes the principal consideration for investors in determining the feasibility of allocating capital to an enterprise. In order to captivate investor confidence, corporations anticipate that financial stewards will undertake judicious measures aimed at augmenting corporate worth, thereby realising the affluence and welfare of shareholders (Salainti, 2019). The augmentation of corporate worth engenders elevated returns on investment for shareholders, which may be gauged through diverse dimensions. A principal indicator is the market valuation of the company's shares, as it embodies the collective appraisal of investors toward each unit of equity possessed.

One determinant influencing corporate worth is the current ratio. This ratio serves as a metric to ascertain a firm's capacity to discharge its short-term obligations or debts maturing in the near term when demanded

in full. The current ratio may likewise be regarded as an instrument for gauging the degree of financial safeguard possessed by an enterprise (Mujiono & Hakim, 2021). The current ratio functions as an indicator of corporate liquidity, wherein greater liquidity corresponds to a heightened ratio. Enterprises exhibiting robust liquidity suggest more promising prospects for expansion. Enhanced liquidity simultaneously fosters stronger assurance among creditors in extending financing, which in turn elevates the firm's perceived worth in the estimation of both creditors and prospective investors (Hamidi & Hendriyani, 2023).

Another determinant influencing corporate worth, apart from the current ratio, is the debt-to-equity ratio. This ratio juxtaposes total liabilities against shareholders' equity. An escalation in indebtedness heightens financial risk, leading to increased interest obligations, while simultaneously anticipating amplified returns. Elevated risk, however, may depress share prices, thereby diminishing corporate worth and eroding stakeholder confidence. Conversely, when anticipated returns are considerable, share prices tend to ascend, enhancing corporate worth and reinforcing trust in the enterprise (Kurniasari, 2020). Based on the background of the problem described above, the research questions for this study are:

1. To what degree does the Current Ratio exert an appreciable influence upon the valuation of plantation sub-sector enterprises within the manufacturing industry enumerated on the Indonesia Stock Exchange throughout the 2019–2023 interval?
2. To what extent does the Debt-to-Equity Ratio (DER) impart a discernible impact on the corporate worth of plantation sub-sector entities situated in the manufacturing industry and catalogued on the Indonesia Stock Exchange during the 2019–2023 epoch?
3. To what extent do the Current Ratio and the Debt-to-Equity Ratio (DER), whether concurrently or in tandem, engender a significant effect upon the enterprise valuation of plantation sub-sector corporations embedded within the manufacturing industry and inscribed on the Indonesia Stock Exchange over the 2019–2023 span?

Based on the research problems described above, the research hypothesis is as follows:

H1: It is postulated that the Current Ratio exerts a consequential influence on the valuation of enterprises within the plantation sub-sector of the manufacturing industry enumerated on the Indonesia Stock Exchange.

H2: It is conjectured that the Debt-to-Equity Ratio (DER) imparts a substantive effect upon the corporate worth of plantation sub-sector manufacturing firms catalogued on the Indonesia Stock Exchange.

H3: It is hypothesised that the Current Ratio in conjunction with the Debt-to-Equity Ratio collectively engender a significant impact on the enterprise valuation of plantation sub-sector manufacturing corporations inscribed on the Indonesia Stock Exchange.

2. Methodology

The epicentre of this investigation resides in the financial disclosures of manufacturing entities embedded within the plantation sub-sector and duly inscribed on the Indonesia Stock Exchange over the temporal horizon of 2019–2023. The requisite datasets were extracted and curated from the official IDX (https://www.idx.co.id/) alongside complementary records obtained from www.lembarsaham.com for the delineated epoch. The methodological approach employed is quantitative in nature, wherein data are examined through systematic application of mathematical models. The variables assessed in this investigation encompass the Current Ratio, the Debt to Equity Ratio, and Corporate Value.

The data harnessed in this inquiry are derivative in character, procured through an exegesis of the financial disclosures of manufacturing concerns subsumed within the plantation sub-sector and inscribed on the Indonesia Stock Exchange. The assemblage of data was undertaken via the documentation method, wherein archival records were culled from formally promulgated financial statements accessible through www.idx.co.id and www.lembarsaham.com for the quinquennial span of 2019–2023. The investigational population encompassed 32 plantation sub-sector manufacturing corporations catalogued on the Exchange throughout the designated interval. Employing the stratagem of purposive sampling, a representative consort of 15 enterprises was delineated to constitute the empirical sample.

3. Results and Discussion

3.1. Research Results

This section delineates the outcomes of the investigation undertaken. The findings reveal that none of the independent variables exhibit statistical significance in relation to the dependent variable. The data analysis was executed employing SPSS version 19 for Windows.

3.1.1. Normality Test

According to the findings of the normality assessment conducted through the One-Sample Kolmogorov-Smirnov Test, a significance level greater than 0.05 designates normally distributed data, whereas a level below 0.05 signifies non-normal distribution. The analysis produced an Asymp. Sig (2-tailed) value of 0.172, which surpasses 0.05. Hence, the residuals are deemed to follow a normal distribution, demonstrating that the dataset fulfils the normality assumption.

3.1.2. Multicollinearity Test

The outcomes of the multicollinearity assessment indicate that the tolerance values for the Current Ratio (X1) and Debt to Equity Ratio (X2) are both 1.000, exceeding the threshold of 0.10, while their respective VIF values are likewise 1.000, remaining well below the limit of 10. These results signify the absence of multicollinearity within the regression framework, implying that no interdependence exists among the independent variables. Accordingly, the multicollinearity assumption is fulfilled, and the variables analysed are deemed suitable for application in a multiple regression model.

3.1.3. Heteroscedasticity Test

The outcomes of the heteroscedasticity diagnostic, as evidenced by the Scatter Plot Output, reveal that the data points are disseminated in a stochastic fashion above and beneath the zero axis of the ordinate, absent any aggregation within a singular locus or the emergence of an identifiable configuration. Such dispersion signifies the nonexistence of heteroscedasticity in the regression schema, thereby intimating that the variances of the independent variables namely, the Current Ratio (X1) and Debt-to-Equity Ratio (X2) remain homogenous and consequently suitable for prognosticating Firm Value (Y).

3.1.4. Autocorrelation Test

The outcomes of the autocorrelation diagnostic disclose that the Durbin–Watson coefficient for the dependent construct, Firm Value, registers at 0.803. In accordance with the canonical criteria, a Durbin–Watson index residing within the interval of –2 to +2 denotes the nonexistence of autocorrelation. Hence, it may be conclusively inferred that the empirical data are devoid of autocorrelative distortion, thereby fulfilling the stipulations requisite for the autocorrelation test.

3.1.5. Multiple Linear Regression Analysis

Table 1. Results of Multiple Linear Regression Analysis

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.341	.221		1.543	.130
	Current Ratio	.186	.136	.179	1.365	.179
	Debt to Equity Ratio	.369	.111	.439	3.339	.002

a. Dependent Variable: Company Value

Source: Data processed using SPSS version 19

Referring to Table 1 and the regression coefficient outcomes, the multiple linear regression expression may be formulated as follows:

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

Explanation:

Y   = Company Value
α   = Constant
β 1,2   = Regression Coefficients of the independent variables
X1   = Current Ratio
X2   = Debt to Equity Ratio
e   = Standard Error

From the multiple linear regression formulation, it may be construed that the constant term of 0.341 implies that when the explanatory variables, namely the Current Ratio (X1) and the Debt-to-Equity Ratio (X2), are constrained to zero, the baseline Firm Value is 0.341. The coefficient β_1 of 0.186 signifies that, ceteris paribus, each incremental unit in the Current Ratio engenders an elevation of 0.186 in Firm Value. Conversely, the coefficient β_2 of 0.369 indicates that every unitary augmentation in the Debt-to-Equity Ratio, while other determinants are held invariant, enhances Firm Value by 0.369.

3.1.6. Determination Test Results (R^2)

The coefficient of determination (R^2) is determined by the R Square in Table 2 below:

Table 2. Results of the Coefficient of Determination Test (R^2)

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.472[a]	.223	.188	.574328

a. Predictors: (Constant), Debt to Equity Ratio, Current Ratio
b. Dependent Variable: Company Value

Source: Data processed using SPSS version 22

From Table 2, it is evident that the R Square value stands at 0.223 or 22.3%. This indicates that the variables Current Ratio (X1) and Debt to Equity Ratio (X2) collectively account for 22.3% of the variation in Firm Value (Y). The remaining 77.7% is attributable to other factors beyond the scope of this regression model, which were not examined in the present study, such as profitability, working capital turnover, firm size, total asset turnover, earnings per share, and additional independent variables.

3.1.7. Hypothesis Testing

A.   T-test

The t-test fundamentally illustrates the degree to which Hypothesis 1, concerning the influence of the Current Ratio and Debt to Equity Ratio, exerts a partial effect on Company Value within Manufacturing Companies of the Plantation Sub-sector listed on the Indonesia Stock Exchange for the 2019–2023 period. In essence, each explanatory variable independently accounts for the variation of the related dependent variable in a partial manner.

B.   F-Test

Table 3. Results of the t-test and F-test

Coefficients[a]

Test	Model	t	Sig.
t-test	(Constant)	1.543	.130
	Current Ratio	1.365	.179
	Debt to Equity Ratio	3.339	.002
F-test	Regression Residual Total	6.448	.003a

Based on Table 3, the t-value for each variable can be identified. With a t-table at $\alpha = 0.05$ and df (N–K–1) = 72, the obtained t-table value is 1.993. The results of the partial test show that for the first hypothesis, namely the Current Ratio (X1), the t-value of │1.365│ is lower than the t-table of │1.993│, while the significance level of 0.179 exceeds 0.05. Hence, the proposed hypothesis is not supported by the findings, leading to the acceptance of H0 and rejection of H1. This demonstrates that the Current Ratio (X1), when considered individually, does not exert a significant influence on Firm Value (Y).

For the second hypothesis pertaining to the Debt-to-Equity Ratio (X2), the t-value of │3.339│ surpasses the t-table value of │1.993│, accompanied by a significance probability of 0.002, which lies well beneath the 0.05 threshold. Consequently, the empirical evidence substantiates the postulated hypothesis, thereby warranting the acceptance of H2 and the concomitant rejection of H0. This corroborates that the Debt-to-Equity Ratio (X2) exerts a statistically significant influence on Firm Value (Y).

Furthermore, the simultaneous hypothesis was adjudicated through the F-test by contrasting the F-value with its tabulated counterpart. Acceptance is affirmed where the F-value exceeds the critical boundary and the associated significance level is inferior to $\alpha = 0.05$. The results demonstrate that the F-value of │6.448│ eclipses the F-table benchmark of │3.124│, with a significance measure of 0.003, unequivocally below the 0.05 criterion. Accordingly, it is inferred that the Current Ratio (X1) and the Debt-to-Equity Ratio (X2), when assessed conjointly, exert a substantive impact on Firm Value (Y). Hence, the proposed hypothesis is empirically validated, and H3 is conclusively upheld.

3.2. Discussions

3.2.1. The Effect of Current Ratio on Company Value

Based on the statistical analysis conducted, the first hypothesis (H1) was refuted, signifying that the Current Ratio does not exert a statistically significant influence on Firm Value. This inference is substantiated by the t-value of │1.365│, which falls short of the t-table threshold of │1.993│, alongside a significance probability of 0.179, exceeding the 0.05 benchmark. This outcome accords with antecedent empirical studies, which similarly demonstrated that the Current Ratio failed to exert a material effect on Firm Value among Food and Beverage enterprises listed on the Indonesia Stock Exchange during the 2015–2019 horizon (Kurniasari, 2020).

3.2.2. The Effect of Debt to Equity Ratio on Company Value

Based on the statistical analysis, the second hypothesis (H2) was substantiated, signifying that the Debt-to-Equity Ratio exerts a significant influence on Firm Value. This assertion is corroborated by the t-value of │3.339│, which surpasses the t-table threshold of │1.993│, accompanied by a significance probability of 0.002, well below the 0.05 criterion. These findings resonate with antecedent scholarly inquiries, which likewise established that the Debt-to-Equity Ratio materially shapes Firm Value in Food and Beverage enterprises enumerated on the Indonesia Stock Exchange during the 2015–2019 epoch (Utami & Welas, 2019).

3.2.3. The Effect of Current Ratio (X1) and Debt to Equity Ratio (X2) on Company Value (Y)

The outcomes of the simultaneous evaluation via the F-test reveal that the Current Ratio and Debt-to-Equity Ratio, in tandem, exert a statistically significant influence on Firm Value. This inference is evidenced by the F-value of │6.448│, which exceeds the F-table value of │3.124│, accompanied by a significance probability of 0.003, falling beneath the α threshold of 0.05. Accordingly, it may be inferred that the independent variables, when considered conjointly, materially impact the dependent variable, thereby substantiating the acceptance of the third hypothesis (H3).

4. Conclusion

Drawing upon the analytical outcomes, this inquiry elucidates three principal inferences. First, the Current Ratio exhibits no statistically discernible influence on the valuation of enterprises within the plantation sub-sector listed on the Indonesia Stock Exchange, as evidenced by a significance level of 0.179, which surpasses the conventional 0.05 benchmark. Second, the Debt-to-Equity Ratio (DER) manifests a materially significant effect on firm valuation, demonstrated by a significance value of 0.002, situated well

beneath the 0.05 threshold. Third, when considered conjointly, the Current Ratio and Debt-to-Equity Ratio exert a substantive and statistically significant impact on firm value, as corroborated by a significance value of 0.003, thereby affirming their synergistic effect.

Arising from these empirical insights, several prescriptive recommendations are advanced. For investors, it is imperative to undertake a judicious appraisal of a firm's financial architecture prior to committing capital allocations, as such prudence may optimise prospective returns by privileging enterprises that exhibit robust financial underpinnings. For entities within the plantation sub-sector listed on the Indonesia Stock Exchange, it is advisable to perpetuate sustainable growth trajectories and to position themselves as referential benchmarks in corporate performance evaluation. This, in turn, may fortify financial soundness, augment profitability, and enhance attractiveness to potential investors. For future scholars, given that the present investigation employed three principal variables, Current Ratio, Debt-to-Equity Ratio, and Firm Value, it is suggested that ensuing inquiries expand the analytical scope by examining other industrial sectors beyond the plantation sub-sector. Furthermore, subsequent studies might fruitfully integrate a broader constellation of explanatory variables, such as profitability indices, working capital turnover, organisational scale, total asset turnover, earnings per share, and other determinants not encompassed within the confines of this research.

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