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Liquidity, Profitability On Firm Value: An Evidence of Transportation Company Listed at Indonesian Stock Exchange

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ABSTRACT

Transportation companies in Indonesia are one of the most important company because they are really helpful for the people in Indonesia in order to deliver people from place to place especially in the country with lots of islands. The purpose of this study was to look at the effect of liquidity, profitability on firm value in the Transportation Sub Sector in the Indonesia Stock Exchange. The population of this study is the transportation companies listed on the Indonesia Stock Exchange which are supported by 10 companies with an observation period of 2 years, namely in 2016-2017. The method used in this research is descriptive, by using the Current ratio for liquidity, Return On Equity for profitability, and price to book value for firm value. The analysis of the data is using descriptive statistics, normality test, significant test, and regression linear. The results showed that there is a significant relationship between Liquidity and Profitability on Firm Value in the Transportation Sub Sector in the Indonesia Stock Exchange seen from F count 3.594 with a significant value of 0.05 at $\alpha=10\%$. The result descriptive result shows that sub-sector has average liquidity of 1.1656 and profitability of 3.55%. This result indicates that transportation companies have difficulties in their ability to gain profit and are generally liquid. Thus it is recommended for companies in the transportation sub-sector to have liquidity in their operation and focus on their ability to gain profit to maximize firm value.

Keywords: Liquidity, Profitability, Firm Value, Transportation

INTRODUCTION

In the era of the industrial revolution 4.0, companies are forced to be able to compete in increasingly evolving technology. And companies must be able to try to create the latest innovations to be able to compete with each other. By increasing the company's profitability and liquidity, it is believed that it can also increase the value of the company. And that we can see through the stock price. If there is an increase, it means the company is better at attracting the attention of the public to want to invest in the company.

According to Sartono (2010: 487), the value of a company is the sale value of a company as a business that is operating. There are excess selling points above the liquidation value is the

value of the management organization that runs the company. In general, financial management will always try as much as possible in helping the company achieve its goal of increasing the value of the company that will benefit the company in its business processes.

Detikfinance (2017) Peering at the Indonesian Stock Exchange (IDX) trading data, shares of PT Garuda Indonesia Tbk (GIAA), at the last trade before the Idul Fitri holiday, the shares only gained 4 points or 1.16% to Rp 348 per share. GIAA also tends to weaken if it looks at the position in early June 2017 at the level of Rp 358. Likewise, the shares of PT Eka Sari Lorena Transport Tbk (LRNA). Shares of listed companies engaged in the land transportation sector ended trading before the holiday weakened 6 points or 4.41% to the level of Rp 130. Then the shares of PT Transportasi Indonesia Tbk (WEHA) also weakened quite in 4.33% to the level of Rp 199. Although the shares of the issuers who owned the White Horse transportation mode tended to strengthen over the past month. While shares in the transportation sector which strengthened were PT Blue Bird Tbk (BIRD). BIRD shares in June 2016 rose 14.79% from Rp 4,190 to Rp 4,810 per share. The highest gain occurred on June 6, 2017, at 5.83% to the level of Rp 4,540 per share. The things above indicate that things that might affect the value of the company, in fact, do not have a significant influence on the value of the company, and this is what attracts the attention of researchers to be able to find out whether that has a relationship to company value.

The firm value of a company is influenced by many factors. From several past studies, several factors affect the capital structure, including profitability, liquidity, capital structure, company size, solvability and so on. In Freeman (1983), it is stated that supporting theories regarding firm value is stakeholder theory.

The variable used in this study is the effect of liquidity and profitability on firm value. Liquidity is a ratio that measures a company's ability to meet its short-term obligations using its current assets. We can find out whether the company can meet its obligations, especially the short-term by using its current assets. This study uses the current ratio (CR) as an indicator of its liquidity, by dividing total current assets divided by total current liabilities. Profitability ratios are ratios to assess a company's ability to seek profits or profits in a certain period. By measuring the profitability of a company using an indicator, we can see whether the company has been able to work efficiently and effectively in achieving the company's goals, namely to increase the value of the company. Return on equity (ROE) is the profitability ratio used in this study to show the extent to which the company manages its net capital (net worth) effectively,

measuring the rate of return on the investment made by the capital owner or shareholders of a company. (Sawir,2009)

Some problems often occur that are related to firm value such as the difficulty of financial managers in determining what factors should be considered to raise their firm value, it appears based on the results of previous studies that are inconsistent. Some research on the firm's value has been done by researchers. Research conducted by Ilham Thaib & Acong Dewantoro (2017) examining the factors that influence firm value concludes that profitability has a negative influence on firm value. In the study of Patricia, Bangun, & Tarigan (2018) concluded that liquidity negatively effects on firm value. Whereas in the research of Luthfiana (2018), it was concluded that profitability had a positive and significant effect on firm value, and in the study conducted by Luthfiana (2018) it was mentioned that liquidity had a positive and significant effect on firm value. From these searches prove that there are still inconsistencies from previous research.

LITERATURE REVIEW

Although I have done this research, it still needs to be repeated and reviewed by researchers who are interested in determining whether the results of my research are still relevant to phenomena that occur in different places, conditions, and times. I conducted this research to be able to prove empirically whether liquidity and profitability variables influence firm value.

Hypothesis of the study

H1: Significant influence between liquidity and firm value

Liquidity ratios are used to measure a company's ability to meet its short-term obligations (Van Horne and Wachowicz, 1998). And liquidity can be measured using the current ratio by dividing between current assets and current liabilities. An increase in liquidity increases the value of the company, financial decision-makers are encouraged to use high liquidity for higher corporate value to be able to optimally utilize investment opportunities (Alfi et al. 2016). There are quite a lot of research results that show the diversity of the effect of liquidity on company value, some are positive and some are negative. In Indonesia, some studies show that there is a negative relationship between liquidity and firm value (Patricia, Primsa Bangun, & Malem Ukur Tarigan, 2018). There is also a positive relationship between liquidity and firm value (Dewi & Sujana, 2019; Lestari, 2019; Luthfiana, 2018) which shows that a liquid company will raise the value of the firm automatically.

H2: Significant relationship between Profitability and Firm value

Profitability is also a factor that affects the value of the company, if the manager of a company manages the company effectively and efficiently, then the company will be able to achieve one of its objectives, namely to maximize profits, and then will increase the value of the company itself. Profitability can be measured by the return on equity (ROE) indicator. Big or small profits will affect the value of the company (Kasmir, 2008). In Indonesia, some studies show that there is a negative relationship between profitability and firm value (Thaib & Dewantoro, 2017). And there is also a positive relationship between profitability and firm value (Lumoly, Murni & Untu, 2018; Luthfiana, 2018; Listari, 2019) which shows that the company that can gain profits effectively and efficiently will have a raising on their firm value.

METHODS

The method that the author used in conducted this study is descriptive method. Descriptive research that the author used in this study is one of a method that collecting data from the company, and then present the data and the analysis that had been conducted in to the public. The sample of this study is the financial statements of the transportation company in Indonesia which have been audited for the 2016-2017 period. Purposive sampling method is the sampling method that used in this study because sample selection based on careful consideration that would meet the criteria to be tested. This is consistent with the notion of purposive sampling, which is the technique of determining the sample with certain considerations. The selected company must meet the following criteria: a. The sample selection is based on transportation in Indonesia which have gone public; b. Transportation listed on Indonesia Stock Exchange issued audited financial statements for two consecutive years, from 2016-2017; c. Companies that are not suspended by the access date (Jan 24, 2019). The sample selection process is based on established criteria and the result is that there are 20 data collected from 10 transportation companies, namely: PT. Garuda Indonesia (Persero) Tbk (GIAA), Blue Bird Group (BIRD), PT. Samudera Indonesia Tbk (SMDR), Wintermar Offshore Marine Tbk (WINS), Express Transindo Utama Tbk (TAXI), PT Indonesia Transport & Infrastructure (IATA), PT Mitra International Resources (MIRA), PT Weha Transportasi Indonesia Tbk (WEHA), PT Eka Sari Lorena Transport Tbk (LRNA), PT Astra Agro Lestari Tbk (AALI). This study looks on the statistical analysis to answer the research regarding liquidity, profitability on firm value with statistical analysis such as a descriptive statistic, correlational analysis, t-test, F-test and regression analysis. The following research model is a function given in the study:

$$PBV = \alpha + \beta_1 CR + \beta_2 ROE$$

Where:

- PBV : Firm Value
- α : Constant
- $\beta_1 \beta_2$: Regression Coefficient
- CR : Current Ratio
- ROE : Return to Equity

RESULTS

Table 1. Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
CR	20	.34	2.68	1.1656	.73075
ROE	20	.00	.33	.0355	.07790
PBV	20	.00	1.84	.7100	.50425
Valid N (listwise)	20				

Table 1 above shown us the result of the study regarding descriptive statistics indicates that the transportation companies in Indonesia have relatively liquid because the mean result is 1.1656 above 1 which means that they are able to pay their short-term debt. And the result also shows that the company has a small profitability ratio of Return on Equity with mean result 0.0355 or 3.55%, that is drag down by companies that have negative profitability. In overall, the mean result for the firm value is 0.71 and shows that they almost have a good firm value with standard above 1. From this, the Indonesian transportation companies generally have liquidity above the standard, small profitability, and low firm value.

Table 2. Correlation Analysis

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.545 ^a	.297	.215	.44691

a. Predictors: (Constant), ROE, CR

From the table 2 above, we can describe that there is a positive relationship between liquidity, profitability on firm value with $r = 0.545$. Adjusted R Square is .297 and tell us that liquidity and profitability have 29.7% affection on firm value.

Table 3. **Significant Test**

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	1.436	2	.718	3.594	.050 ^b
Residual	3.395	17	.200		
Total	4.831	19			

a. Dependent Variable: PBV
b. Predictors: (Constant), ROE, CR

Tabel 4. **Regression Model**

Model	Unstandardized Coefficients	Standardized Coefficients	t	Sig.	
	B	Std. Error	Beta		
1 (Constant)	.834	.206		4.057	.001
CR	-.191	.142	-.277	-1.342	.197
ROE	2.761	1.334	.427	2.069	.054

a. Dependent Variable: PBV

Regression model given in the study is:

$$PBV = .834 - .191CR + 2.761ROE$$

The model result gives understanding that there is a negative effect of CR with t-count -1.342 and positive effect of ROE with t-count 2.069. The result simultaneously is significant with p-value = 0.050.

DISCUSSION

The result above shows that there is a significant relationship between liquidity and profitability on firm value and also shows that there is a negative effect of CR (liquidity) and positive effect of ROE (profitability) on firm value and this result supported by previous research shown in this study that resulted in negative effect of liquidity on firm value (Patricia, Bangun, & Tarigan, 2018), and positive effect of profitability on firm value (Lumoly, Murni & Untu, 2018; Luthfiana, 2018; Lestari, 2019). Therefore, it confirms that liquidity and profitability have a positive effect on firm value.

Conclusion

Based on the result of the study, it can be concluded that there is a significant relationship between profitability and liquidity on firm value. The result also indicates that the transportation companies selected in Indonesia generally have liquidity above the standard, small profitability, and low firm value. The positive result between the profitability and firm value variable indicate that the ability of transportation company to gain profit can increase the value of the firm.

Recommendation

Therefore, it is recommended for the management in the transportation sub sector to manage their ability to gain profit since stockholders tend to look at the performance of the company in their decision making to buy stock in the transportation sub sector. Since, with the positive statistical relationship, the higher their profitability, the higher also is their firm value. This study also recommends for future studies to expand the companies studied or the year used as data sample.

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