Several Factors Affecting Firm Value Manufacturing in Indonesia

Hamzah Ahmad *[1], Muslim Muslim[2], Nuranina Syahrah
[1,2]*Universitas Muslim Indonesia, Makassar, Sulawesi Selatan, Indonesia*

Email Address:
hamzah.achmad@umi.ac.id * muslim.ak@umi.ac.id 02320160099@umi.ac.id

Abstract: This study aims to examine the effect of Total Asset Turnover, Debt to Equity Ratio, Current Ratio, and Return On Equity on firm value. This type of research includes causal research using quantitative methods. The population in this study are all manufacturing companies listed on the Indonesia Stock Exchange, as many as 183 companies. This technique is based on specific criteria estimated to be related to this study's previously known population and needs. So the total sample for this research is 48 data from 16 companies during 2018- 2020. Secondary data was collected through the Indonesia Stock Exchange website and analyzed using Multiple Regression Analysis with the Ordinary Least Square model using the Eviews Version 12 software. The results found that Total Asset Turnover (TATO) has a negative and insignificant effect on firm value, Debt to Equity Ratio (DER) has a negative and significant effect on firm value, Current ratio (CR) has a positive and insignificant effect on firm value. In contrast, Return On Equity (ROE) has an insignificant effect on firm value. Positive and significant to the value of the company.

Keywords: Total Asset Turnover (TATO), Debt to Equity Ratio (DER), Current Ratio (CR) and Return on Equity (ROE), Firm Value.

Abstract: Penelitian ini bertujuan untuk menguji pengaruh Total Asset Turnover, Debt to Equity Ratio, Current Ratio, dan Return On Equity terhadap nilai perusahaan. Jenis penelitian ini termasuk penelitian kausal dengan menggunakan metode kuantitatif. Populasi dalam penelitian ini adalah seluruh perusahaan manufaktur yang terdaftar di Bursa Efek Indonesia, sebanyak 183 perusahaan. Teknik ini didasarkan pada kriteria khusus yang diperkirakan terkait dengan populasi dan kebutuhan penelitian yang telah diketahui sebelumnya. Sehingga total sampel untuk penelitian ini adalah 48 data dari 16 perusahaan selama tahun 2018-2020. Data sekunder dikumpulkan melalui website Bursa Efek Indonesia dan dianalisis menggunakan Analisis Regresi Berganda dengan model Ordinary Least Square menggunakan software Eviews Versi 12. Hasil penelitian ditemukan bahwa Total Asset Turnover (TATO) berpengaruh negatif dan tidak signifikan terhadap nilai perusahaan, Debt to Equity Ratio (DER) berpengaruh negatif dan signifikan terhadap nilai perusahaan, Current ratio (CR) berpengaruh positif dan tidak signifikan terhadap perusahaan nilai. Sebaliknya Return On Equity (ROE) berpengaruh tidak signifikan terhadap nilai perusahaan. Positif dan signifikan terhadap nilai perusahaan.

Keywords: Total Asset Turnover (TATO), Debt to Equity Ratio (DER), Current Ratio (CR) dan Return On Equity (ROE), Nilai Perusahaan.

INTRODUCTION

The purpose of companies that have gone public is to increase the wealth of the owners or shareholders by increasing the company's value (Ahmad et al., 2018). Firm value is significant because the high corporate value will be followed by high shareholder prosperity (Arsyad et al., 2021). The higher the stock price, the higher the value of the company. The wealth of shareholders and companies is reflected in the market price of shares, which reflects investment decisions, financing, and asset management (Nurwanah et al., 2021).

Several factors influence firm value, such as fundamental factors, macroeconomic factors, stock exchange conditions, and the global economy (Sari et al., 2020). Several explanatory variables were identified that affect the firm value variable in this study, especially those included in the fundamental factors: Activity, Solvency, Liquidity, and Profitability. (Asma and Redawati, (2018) stated that optimization of company value could be achieved through good corporate governance and optimal implementation of financial management functions (Ahmad et al., 2018). One financial decision will affect other choices and impact firm value (Hasanuddin et al., 2021). The better the company's value will be seen as valuable information by potential investors.

Manufacturing companies are industrial companies that process raw materials into finished and semi-finished goods traded to the public. Lumentut & Mangantar, (2019) stated that every management in the company wants the company to be sustainable, so the company always tries to find a strategy to achieve company goals. Manufacturing companies can develop their products faster by making innovations that tend to have a wider market share than other companies (Ambarwati et al., 2015). One of the ways manufacturing companies use to obtain funds is by selling shares to the public through the capital market in Indonesia, namely the Indonesia Stock Exchange, which mediates the company's meetings with investors.

The main goal of management is to maximize the wealth of the company's shareholders (Setiawan and Supriyadi, 2020). High company value is the desire of company owners because the higher the company value, the higher the share price, which also increases shareholders' prosperity (Mudjijah et al., 2019). Firm value is an essential concept for investors because the firm value indicates how the market values the company as a whole. Before investing, investors and potential investors need to collect information as one of the primary considerations in making investment decisions in the capital market. The company's financial performance is one factor that potential investors see to determine stock investments (Nurhayati, 2020). (Dj et al., 2012), stated that maintaining and improving financial performance is a must for a company so that shares exist and are in demand by investors. The development of the Indonesian capital market has made an attractive alternative investment choice for investors. In making investment decisions, potential investors need information about stock valuation and the company's condition. This information can be obtained from financial reports published periodically by the company.

In the financial statements, the reflection of company value is Price to Book Value (PBV). PBV is a comparison between the stock price and the book value given by the financial market to measure the value of the company, or Price To Book Value is the market ratio used to measure the performance of the stock market price against the book value of a stock (Cahyaningrum and Antikasari, 2017). A high PBV value will increase market confidence in the company's performance and prospects. If the stock price is higher than the company's book value, the PBV value will increase so that the company has a higher value in the financial market (Widodo and Kurnia, 2016). Thus, the PBV value can be used as an investment strategy for potential investors.

Good companies generally have PBV ratio is greater than one (>1), which shows that the stock market value is more greater than the book value of the company. The higher the value of the PBV ratio, the higher the rating investors compared to funds that invested in the company so that the greater the opportunity for investors to buy company shares.

This study identifies the fundamental factors that influence the firm value variable, namely Activity which is proxied by Total Asset Turnover. Solvency is proxied by the Debt to Equity Ratio, Liquidity is proxied by the Current Ratio, and Profitability is proxied by Return On Equity. We chose this variable because it can describe the condition of a company in terms of the profit generated by the company, the company's ability to pay its debts, the level of sales generated, and the value of the company. This study used fundamental factors to examine its effect on firm value. The essential aspect was chosen because it is one factor that investors consider in determining their investment decisions. It is because fundamental factors are directly related to the company. Activity is a ratio used to measure how effective the company is in using the company's overall assets in creating sales and earning profits (Rinnaya et al., 2016). Asset allocation is one of the factors that determine the level of returns from the portfolio. This asset allocation is a very important factor in investment, because it practically educates investment in the long term, to establish risk that investors can tolerate over time and to eliminate changes in investment decisions based on changes in financial condition. Activities are proxied by Total Asset Turnover (TATO) as an effective and efficient company activity that can affect the company's profit and cash flow and, in the end, will increase the value of the company.

Solvency is a ratio that measures its ability to meet its financial obligations. This matter can be seen from interest expense as tax deduction for companies that have a good influence on the company and creditors who provide credit funds to companies in need company financial information for unify the company's ability to pay its debts while bad effect if the company does not able to pay its obligations precisely on deteriorating economic situation may pose a risk to firm value. If company can't get income from the use of these funds as much as a fixed burden that must be paid. Solvency is proxied by Debt to Equity Ratio (DER). The value of the Debt to Equity Ratio is shown by comparing the total debt owed by the company with the company's total equity in bearing the risk (Utami and Prasetiono, 2016). Debt is one aspect that underlies the assessment for investors to measure the company's financial condition. Debt ratio is a ratio that shows the proportion of liabilities owned and wealth owned. Furthermore, (Purwitajati and Putra, 2016) stated that the higher the DER value, the more outstanding the total debt to total equity, which also shows the company's dependence on outside parties (creditors) so that the company will also bear a high risk. The consideration that needs to be done is how the company creates an optimal combination of the company's internal funding sources and external funding sources from long-term debt (Indriyani, 2017).

The Current Ratio (CR) is the primary liquidity ratio that shows the ability to pay short-term financial obligations on time (Santoso, 2016). For companies that in a condition of experiencing excess funds, meaning that the amount of cash and funds that can be immediately disbursed is abundant, then this condition for the company is also not good, because there are activities that are not carried out optimally. In this condition, management is less able to carry out operational activities company, especially in terms of using the funds owned. The impact is definitely this will affect the effort to achieve the desired profit. The contribution of the liquidity variable to the current ratio (CR) aspect in increasing the value of the company can be stated that this ratio provides an overview of the company's ability to meet its short-term obligations, where the more significant the percentage of the current ratio (CR), the company has a good level of liquidity so that it will provide a positive perception of the company's condition and increase the company's value in the eyes of investors (Jannah and Kurnia, 2016).

Another factor that potential investors need to consider is Return On Equity (ROE). ROE is the ratio of return on total equity owned by the company. ROE measures the company's ability to obtain profits available to company shareholders (Santoso, 2016). Profitability affects the company's survival for the long term or prospects in the future. Every company will always try to improve the company's performance because, with high profits, the company can continue to grow. With the growth in ROE value, the company can increase the potential for future profits to attract investors' attention to investing in the company (Ramdhonah et al., 2019). The ROE growth shows that the company's prospects are getting better. Investors capture this as a positive signal to increase investor confidence and make it easier for company management to attract capital in shares. The increasing interest of investors will increase the demand for company shares so that the share price becomes expensive, affecting the company's value.

Several studies have tested several variables: liquidity in the current ratio formula, activity in the formulation of total asset turnover, and profitability in the formulation of return on equity. (Kahfi et al., 2018) found that the current ratio and total assets turnover had a significant positive effect on firm value. While the debt to equity ratio has a negative effect on firm value and return on equity does not affect firm value. Then, (RB Utami & Prasetiono, 2016) shows that the current ratio and debt to equity ratio variables affect firm value, while return on assets and total asset turnover have no adverse effect on firm value. As described, some of the results of previous research studies still show different results regarding the effect of the independent variables in this study on firm value. It encourages or motivates to do research again to test the effect of Total Asset Turnover, Debt to Equity Ratio, Current Ratio, and Return On Equity to firm value.

THEORITICAL REVIEW

Agency theory explains that agency relationships arise when one or more people (principals) hire another person (agent) to carry out an activity and then delegate the decision-making authority to the agent (Jensen and Smith, 2000). The relationship between principals (society) and agents (banking management) in banking companies is influenced by a regulator, namely the government through BI. It is the basis that the principal gives responsibility to the agent by the agreed work contract by the policies approved by the regulator in this case, BI. Given the complex capital structure in banking, there are at least three agency relationships that can lead to information asymmetry, namely: (1) the relationship between depositors, banks, and regulators, (2) the relationship between owners, managers, and regulators, (3) the relationship between borrowers (borrowers), managers and regulators (Lukitasari and Kartika, 2015). Agency theory in this research refers to the customers of Islamic commercial banks as the principal and the banking party as the agent.

The bank distributes funds to the public, generating profits and having good financial performance. Agency costs incurred by the principal to oversee management performance become a burden for the company to reduce the profit generated, resulting in a decrease in the company's value. Therefore, this agency conflict must be minimized with various strategies so that the company value is high.

Signaling theory emphasizes the importance of information issued by the company on the investment decisions of parties outside the company. Information is an essential element for investors and business people because information essentially presents information, notes, or descriptions for past, current, and future conditions for a company's survival and how the securities market will be. Investors in the capital market need complete, relevant, accurate, and timely information as an analytical tool for making investment decisions.

According to (Hartono, 2010), information published as an announcement will signal investors in making investment decisions. If the statement contains a positive value, it is expected that the market will react when the market receives the announcement. The primary assumption in information content theory or signal theory is that management has accurate information about the company's value that is not known to outside investors, and management is a person who always tries to maximize the incentives he expects. It means that management generally has more accurate information than outsiders (investors) regarding the firm value factors. If management does not fully convey all the information it has about all things that can affect the company's value to the capital market, asymmetric information will occur (Hartono, 2010).

Signaling can be used to overcome asymmetric information. It means that the provision of information to the market, in general, can be responded to by the market as a signal or sign of certain events that can affect the value of the company as reflected in price changes or stock returns, of course with the assumption that the capital market is efficient. So that by giving these signals, asymmetric information can be overcome (Hartono, 2010). Investors use the financial statement information reflected in the balance sheet and income statement to assess whether the company has good resources and maintains the effectiveness of the company in its operational activities, which will be accompanied by an increase in share sales and the ability to fulfill its tax obligations. It is because investors see the company's performance is good so that many of them are interested in the company's shares (Hartono, 2010).

Signaling theory says that when a company has a good company value, it is possible to have an excellent ability to pay off its financial obligations, namely paying dividends, interest, and principal loans and maintaining the company's operating capabilities well. It is a signal that the company has good company performance, and This can be seen from the assets and income statement it has. Therefore, when the assets and profits of a company increase, this illustrates that the company is making progress, and this is good news.

Total Asset Turn Over is used to measure how efficiently all company assets are used to support sales activities. Total asset turnover shows how effectively the company uses its assets to generate profits. The higher the effectiveness of the company using assets to create sales, it will increase company profits. The growth of TATO shows that the company's prospects are getting better because of the potential for increasing profits from sales obtained by the company (Silaban and Purnawati, 2016). It will make investors interested in the company because the increase in profits makes investors believe in high returns and encourages investors to invest. It makes the company's shares attractive so that the demand for shares increases. Increased demand will make stock prices rise. The high share price will increase the company's value through the value of the PBV.

(Mulyanti and Supriyani, 2018) states that total asset turnover reflects the efficiency of investment management in each asset item. The higher the total asset turnover, the more effective the company uses its assets to profit from its sales. If the company's profit increases, the share price will also increase. High stock prices affect the increase in firm value. (Utami and Prasetiono, 2016) and (Kahfi et al., 2018) show that positive tattoos are not significant to firm value. Meanwhile, (Astutik, 2017) and (P. Utami & Welas, 2019) show that negative tattoos are not significant to firm value.

H1: TATO has a positive effect on firm value.

Companies with a significant level of business development, such as manufacturing companies, will require substantial sources of funds, so additional funds are needed from external parties to increase the need for funds in the business development process. If the management of these funds is not correct, it will negatively impact the company. Companies with a high leverage ratio will have a greater risk of loss. The increasing number of debts is also seen as a company that is not careful with high levels of debt, which can interfere with the company's ability to make effective use of the existing funds in operating funding or become a burden for losses if the company is unable to pay high debts (Kahfi et al., 2018). Investors also think about undoing their intentions when they see companies with high debt levels affect the value of existing companies because of adverse debt levels. The study results (Sari and Priyadi, 2016) and (Kholis et al., 2018) have a negative and significant effect on firm value. However, (Utami and Prasetiono, 2016) DER has a significant positive effect on firm value.

H2: Debt to Equity Ratio (DER) has a negative effect on firm value.

Current Ratio is a ratio used to measure the company's ability to meet its short-term obligations due soon using the total current assets available. A high level of liquidity reduces the company's failure to meet short-term financial obligations to creditors and vice versa (Masyita and Harahap, 2018). The high or low ratio will affect the interest of investors to invest their funds. The greater this ratio, the more efficient the company is utilizing the company's current assets. It can increase the company's value due to its better performance in streamlining the level of liquidity in meeting its current liabilities with its current assets and encourages the company's value to increase because of its good performance. (Kahfi et al., 2018) show that CR has a significant effect on firm value. Meanwhile (Utami and Welas, 2019) found that CR had a significant adverse impact on firm value. Meanwhile (Kushartono and Nurhasanah, 2017), (Lumoly et al., 2018), and (Winata et al., 2021) found that CR did not affect firm value (PBV).

H3: Current Ratio (CR) has a positive effect on firm value.

The efficiency level ratio (BOPO) has a negative effect on the Financial Sustainability Ratio (FSR), meaning that the lower the efficiency level ratio (BOPO), the better the Financial Sustainability Ratio (FSR) of a bank. In other words, banks can use their production factors optimally with good and appropriate management to increase their ability to be a going concern (Nuryanto et al., 2020). The increase in BOPO between this year and the previous year shows that the bank's efficiency and ability in carrying out its operations are getting worse, so the possibility of the bank being in a problematic condition is getting bigger. The decrease in BOPO indicates that the bank's more efficient in carrying out its business activities, the more profit the bank can achieve. The efficiency of a job is essential so that the business that is run can develop continuously. The efficiency in question includes time and cost-efficiency. Companies must make efficient in their work so that less effective costs can be reduced (Pristianingrum, 2017). In other words, companies must use costs appropriately in running their business so that the costs incurred do not swell. The results of the research by (Yuliawati et al., 2020) found that Operating Expenses Operating Income (OEOI) had a negative and significant effect on the Financial Sustainability Ratio. However, the results (Saputri, 2019) and (Abbas et al., 2020) found that Operating Expenses Operating Income (OEOI) did not affect the Financial Sustainability Ratio.

Return On Equity (ROE) is a ratio that shows how much equity contributes to creating net income. This ratio is used to measure how much net profit will be generated from each rupiah of funds embedded in total equity (Kahfi et al., 2018). High profitability reflects the company's ability to create high profits for shareholders. A high profitability ratio owned by a company will attract investors to invest in the company. High ROE will increase stock prices and attract investors to invest their capital in the company. High profitability shows the company's ability to generate better profits. High profits are very attractive for investors (Dewi and Suryono, 2019).

More and more investors' interests can also form a high company value. So, there will be a positive relationship between profitability and stock prices where high stock prices will affect firm value. A significant relationship between financial performance and firm value will be seen if people look at the primary goal of each company, namely to maximize profits, where an increase in profit indicates an increase in a company's financial performance (Ardimas and Wardoyo, 2015). By seeing the increase in profits, investors are interested in investing their shares in the company, increasing the value of the company. The results of research (Hasania, 2016; Languju, 2016; Lubis et al., 2017) show that Return on Equity has a positive and significant effect on firm value. However, (Manoppo and Arie, 2016) indicates that Return on Equity has no significant impact on firm value.

H4: Return On Equity (ROE) has a positive and significant effect on firm value.

METHODS

This type of research includes causal research using quantitative methods. The population in this study are all manufacturing companies listed on the Indonesia Stock Exchange, as many as 183 companies. The sample in this study was determined based on specific criteria that are estimated to be related to the requirements contained in the previously known population and the needs of this study. The criteria for determining the sample used in the study are described in table 1.

Table 1. Results of Sample Selection Method Purposive Sampling

No.	Information	Number of Companies
1.	All Manufacturing Companies listed on the Indonesia Stock Exchange for the period 2018-2020.	183
2.	Manufacturing Companies that are delisted from the IDX in 2018-2020.	(2)
3.	Companies that do not present financial statement data for 2018-2020 and have complete data.	(42)
4.	Companies that do not have complete data on the variables used in this study are firm value, TATO, DER, CR, ROE.	(59)
5.	Companies that do not use rupiah (Rp) during the 2018-2020 period.	(18)
6.	Companies that do not experience consecutive profits during the observation period.	(46)
	Number of companies in the sample	16
	Total observation observations for 3 years (16x3)	48

This panel data combines time-series and cross-section data, where the time series is a collection of observations within a specific period. While the cross-section is data collected within a particular time from the sample through the website www.idx.co.id and analyzed using multiple linear regression analysis with the Ordinary Least Square model using the software Eviews Version 12 with the following equation:

$$PBV = \alpha + \beta_1 TATO + \beta_2 DER + \beta_3 CR + \beta_4 ROE \quad \ldots\ldots\ldots (1)$$

Description :
PBV : Firm Value
TATO : Total Asset Turn Over (TATO)
DER : Debt to Equity Ratio (DER)
CR : Current Ratio (CR)
ROE : Return on Equity (ROE)

Data analysis in this study was carried out through two stages of testing. The first stage tests the classical assumption, which consists of normality, autocorrelation, and heteroscedasticity tests. The second stage tests the research hypothesis through the coefficient of determination, simultaneous, and partial test.

RESULTS

The results of data normality using the normal probability plot graph found that the data in this study were normal and could be used.

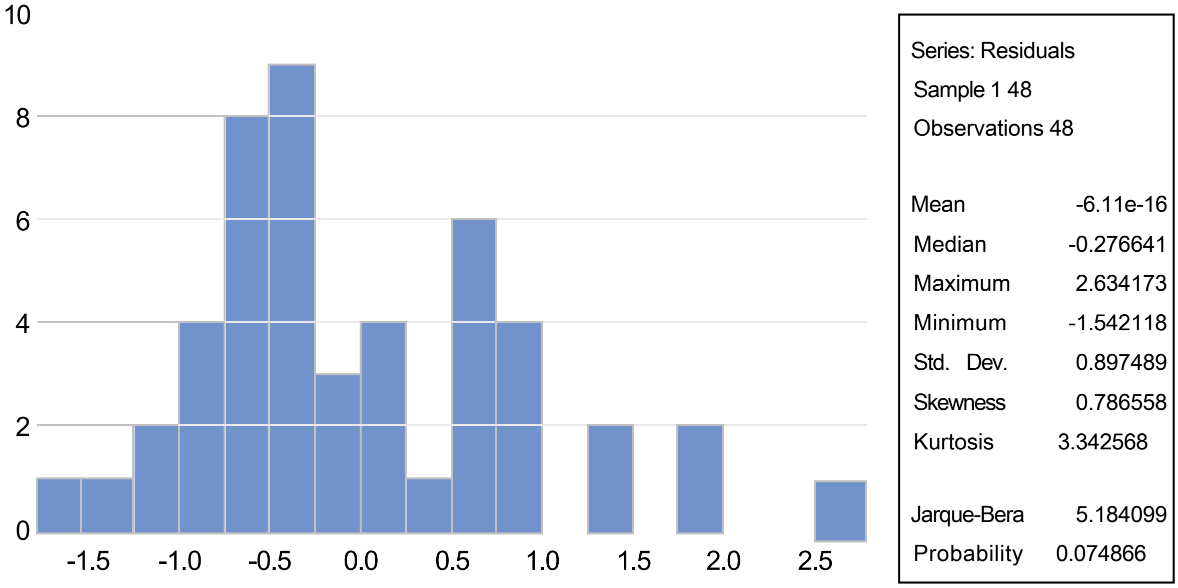

Figure 1. Normality Test Results
Source : Output Eviews V.12 (2021)

Figure 1 shows the Jarque-Bera value of 5.184099 and a significance of 0.074866 or 7.4% Bigger 5% significance level, meaning that the research variables are normally distributed.

Table 2. Multicollinearity Test Results

Variable	Coefficient Variance	Uncertered VIF	Uncertered VIF
C	0.181480	10.32773	NA
TATO	0.133763	9.570020	1.240691
DER	0.113192	4.446215	1.362701
CR	0.909608	2.636311	1.318038
ROE	9.722769	7.890380	1.321571

Source : Output Eviews V.12 (2021)

Based on table 2, the coefficient value between the variables of the Centered VIF value is less than 10. It can be stated that there is no multicollinearity problem in the prediction model. Then the heteroscedasticity test is carried out to see whether some disturbances appear in the regression function can be done with the ARCH test:

Table 3. Heteroskedasticity Test ARCH Results

F-statistic	0.001250	Prob. F(1,45)	0.9720
Obs *R-squared	3.669573	Prob. Chi-Square (1)	0.9712

Source : Output Eviews V.12 (2021)

Based on table 3, the value of Prob. From the calculated F 0.9720 and the Prob.Chi-Square value calculated from 0.9712 from all tests which is greater than the significance value of 5 percent then there is no heteroscedasticity in the equation model.

Table 4. Autocorrelation Test Results

R-Squared	0.428349	Mean dependent var	1.545417
Adjusted R-Squared	0.375172	S.D dependent var	1.161856
S.E of Regression	0.918402	Akaike info criterion	2.765969
Sum squared resid	36.26886	Schwarz criterion	2.960886
Log likelihood	-61.38326	Hannan-Quinn criter	2.839628
F-Statistic	8.055173	Durbin-Watson stat	2.172691
Prob(F-statistic)	0.000061		

Source : Output Eviews V.12 (2021)

The results of the autocorrelation test, as shown in Table 4, the Durbin-Watson Stat value, is 2.172691. This value is the Durbin Watson (DW) value which is between -2 and +2, so it can be concluded that there is no autocorrelation symptom. Furthermore, the results of the f-count test of 8.055 and the probability value of f statistic is 0.000 less than 0.05, so Total Asset Turnover, Debt to Equity Ratio, Current Ratio, and Return on Equity simultaneously affect the value of manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the period 2018-2020. The Adjusted R-square (Adj.R^2) value of 0.375 indicates that the Total Asset Turnover, Debt to Equity Ratio, Current Ratio, and Return On Equity influence 35.75 percent, the remaining 64.30 percent of the firm value is influenced by other factors that are not investigated in this study.

Table 5. Partial Test Results

Variable	Coefficient	Std. Error	t-statistic	Prob.
C	0.981604	0.426005	2.304208	0.0261
TATO	0.503418	0.365736	-1.376450	0.1758
DER	-1.176883	0.336440	-3.498048	0.0011
CR	0.780273	0.953734	0.818125	0.4178
ROE	16.33786	3.118136	5.239624	0.0000

The multiple regression model shown in table 5 can be described as follows:

$$Y = 0{,}981 - 0{,}503\ (TATO) - 1{,}176\ (DER) + 0{,}780\ (CR) + 16{,}337\ (ROE) \quad .... (2)$$

The TATO variable on firm value shows that the t-count value is smaller than the t-table (-1.376 less than 1.681) with a significance level (p-value) = 0.175 (more than 0.05). Because the p-value (5 percent) and the coefficient are negative 0.503, H1 is rejected, which means that TATO has a negative and insignificant effect on firm value. The DER variable on firm value shows that the t-count value is greater than the t-table (-3.498 more than 1.681) with a significance level (p-value) = 0.001 (more than 0.05). Because the p-value less than (5 percent) and the coefficient are negative 0.001, then H2 is accepted, which means that DER has a negative and significant effect on firm value. The CR variable on firm value shows that the t-count value is smaller than the t-table (0.818 less than 1.681) with a significance level (p-value) = 0.417 (more than 0.05). Because the p-value less than (5 percent) and the coefficient are positive 0.780, then H3 is rejected, which means that CR has a positive but not significant effect on firm value. The ROE variable on firm value shows that the t-count value is greater than the t-table (5.239 more than 1.681) with a significance level (p-value) = 0.00 (less than 0.05). Because the p-value less than (5 percent) and the coefficient are positive 16.337, then H4 is accepted, which means that ROE has a positive and significant effect on firm value.

DISCUSSION

Testing the first hypothesis (H1) in this study found that total asset turnover (TATO) is insignificant to firm value. The cause of total asset turnover does not affect the company's value because the sales data of the sampled companies experience an increase or growth instability. Several companies have high total assets but lower net sales. It indicates that the company is not able to manage its assets properly. So with low sales, the company's profit is low, making investors less interested in investing. Agency theory in this study refers to the customers of Islamic commercial banks as the principal and the banking party as the agent. The bank distributes funds to the public, generating profits and having good financial performance. Agency costs incurred by the principal to oversee management performance become a burden for the company to reduce the profit generated, resulting in a decrease in the company's value. Therefore, this agency conflict must be minimized with various strategies so that the company value is high.

The results of this study support the signaling theory, which says that when a company has good firm value, it is possible to have an excellent ability to pay off its financial obligations, namely paying dividends, interest, and principal loans and being able to maintain the company's operating capabilities properly, it is a signal that the company has good company performance and this can be seen from its assets and income statement. Therefore, when the assets and profits of a company increase, this illustrates that the company is making progress, and this is good news. The results of this study support (Astutik, 2017) (Utami and Welas, 2019) showing that negative tattoos are not significant to firm value. However, in contrast to (Utami and Prasetiono, 2016) and (Kahfi et al., 2018) showed that positive tattoos were not significant to firm value. Total asset turnover reflects the efficiency of investment management in each asset item. The higher the total asset turnover, the more influential the company is in using its assets to profit from its sales. If the company's profit increases, the share price will also increase. High stock prices increase company value (Mulyanti and Supriyani, 2018).

Testing the second hypothesis (H2) in this study shows that the Debt to Equity Ratio (DER) is negative and significant to firm value. It means that an increase will follow a decrease in DER in firm value. Otherwise, an increase in DER will be followed by a decrease in firm value. The results of this study provide an empirical understanding for management that if the DER increases, then the value of the company will decrease. This condition illustrates that the increase in DER acquisition impacts the decrease in company value. Capital structure decisions related to the selection of sources of funds both from within and from outside significantly affect the company's value. Agency theory in this research refers to the customers of Islamic commercial banks as the principal and the banking party as the agent. The bank distributes funds to the public, generating profits and having good financial performance. Agency costs incurred by the principal to oversee management performance become a burden for the company to reduce the profit generated, resulting in a decrease in the company's value. Therefore, this agency conflict must be minimized with various strategies so that the company value is high.

The results of this study support the signaling theory, which says that when a company has a good firm value, it is possible to have an excellent ability to pay off its financial obligations, namely paying dividends, interest, and principal loans and being able to maintain the company's operating capabilities well. Good company performance can be seen from its assets and income statement. Therefore, when the assets and profits of a company increase, this illustrates that the company is making progress, and this is good news. Based on signal theory, the existence of this threat can reduce the company's value, causing a negative response from investors towards the company. A good capital structure will reduce the capital expenditure of a company. Meanwhile, an inadequate capital structure will affect the high cost of capital issued by the company. The high costs incurred by the company will impact the company's performance. The study results support the research results (Sari and Priyadi, 2016) and (Kholis et al., 2018) have a negative and significant effect on firm value. However, in contrast to (Utami and Prasetiono, 2016), DER has a significant positive effect on firm value.

Testing the third hypothesis (H3) in this study shows that the Current Ratio (CR) is positive but insignificant to firm value. In this study, investors pay less attention to the Current Ratio variable because, based on research data, the distribution of current debt and current assets is relatively constant. There is no increasing or decreasing change. The high or low ratio does not affect the interest of investors to invest their funds. Agency theory in this research refers to the customers of Islamic commercial banks as the principal and the banking party as the agent. The bank distributes funds to the public, generating profits and having good financial performance. Agency costs incurred by the principal to oversee management performance become a burden for the company to reduce the profit generated, resulting in a decrease in the company's value. Therefore, this agency conflict must be minimized with various strategies so that the company value is high.

The results of this study support the signaling theory, which says that when a company has good firm value, it is possible to have an excellent ability to pay off its financial obligations, namely paying dividends, interest, and principal loans and being able to maintain the company's operating capabilities properly, it is a signal that the company has good company performance and this can be seen from its assets and income statement. Therefore, when the assets and profits of a company increase, this illustrates that the company is making progress, and this is good news. The results of this study support the results of research (Kushartono and Nurhasanah, 2017), (Lumoly et al., 2018) and (Winata et al., 2021), finding that CR does not affect firm value (PBV). However, in contrast to the results of research (Kahfi et al., 2018), which shows that CR has a significant effect on firm value.

Testing the fourth hypothesis (H4) in this study shows that Return on Equity (ROE) is positive and significant to firm value. It means that the higher the profitability, the higher the firm value, and the lower the profitability, the lower the firm value. The better the company pays returns to shareholders, the higher the company's value. In other words, increased net income will increase the company's value to achieve prosperity for shareholders. Investors in buying shares of a company will first see the high and low profits of a company. Agency theory in this research refers to the customers of Islamic commercial banks as the principal and the banking party as the agent. The bank distributes funds to the public, generating profits and having good financial performance. Agency costs incurred by the principal to oversee management performance become a burden for the company to reduce the profit generated, resulting in a decrease in the company's value. Therefore, this agency conflict must be minimized with various strategies so that the company value is high.

The results of this study support the signaling theory, which says that when a company has good firm value, it is possible to have an excellent ability to pay off its financial obligations, namely paying dividends, interest, and principal loans and being able to maintain the company's operating capabilities properly, it is a signal that the company has good company performance and this can be seen from its assets and income statement. Therefore, when the assets and profits of a company increase, this illustrates that the company is making progress, and this is good news. Maximum ROE growth shows the company's prospects are getting better, which means there is a potential for increased profits. Investors capture this as a positive signal because an increase in profits makes investors' expectations of returns high, thus encouraging investors to invest in the company. The results of this study support research conducted by (Hasania, 2016), (Languju, 2016), and (Lubis et al., 2017), showing that Return On Equity has a positive and significant effect on firm value. However, (Manoppo and Arie, 2016) shows that Return on Equity has no significant effect on firm value.

CONCLUSION

Testing the first hypothesis indicates that total asset turnover (TATO) is insignificant to firm value. The sampled companies' sales data experience an increase or growth instability. In this study, we find several companies with high total assets but lower net sales. It indicates that the company is not able to manage its assets properly. So with low sales, the company's profit is low, making investors less interested in investing. Furthermore, the results of testing the second hypothesis indicate that the Debt to Equity Ratio (DER) has a negative and significant effect on firm value. These results provide an empirical understanding for management that if DER increases, the company's value will decrease. This condition illustrates that the increase in DER impacts the decline in firm value. Capital structure decisions related to the selection of sources of funds both from within and from outside significantly affect the company's value.

The results of testing the third hypothesis indicate that the Current Ratio (CR) is positive but not significant to firm value. This result is due to the possibility that investors pay less attention to the Current Ratio variable. Based on the research data we obtained, we see that the current debt and current assets distribution is relatively constant and does not show an increasing or decreasing change. The high or low ratio does not affect the interest of investors to invest their funds. Furthermore, the results of testing the fourth hypothesis show that Return On Equity (ROE) has a positive and significant effect on firm value. It means that the higher the profitability, the higher the firm value, and the lower the profitability, the lower the firm value. The better the company pays returns to shareholders, the higher the company's value. These results explain that an increase in net income will increase the company's value to achieve prosperity for shareholders. Investors in buying shares of a company will first see the high and low profits of a company.

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