

Quick Ratio and Debt-to-Equity Ratio Impact on Value: Food and Beverage Companies in IDX (2018-2022)

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Abstract

In the current global environment, business competition is increasingly rapid, requiring organizations to be well equipped to compete domestically and internationally. One effective strategy to gain a competitive advantage is to strategically manage company assets to maximize their value, which can be achieved through careful financial performance assessment. There is a direct correlation between a company's financial ratios and its stock market price, where stronger financial performance leads to higher stock prices as an indication of the company's value. The aim of this research is to examine the effect of the quick ratio and debt to equity ratio on equity. The research sample consisted of nineteen food and beverage subsector manufacturing companies listed on the official website of the Indonesia Stock Exchange (www.idx.co.id). The final sample consists of 95 company years, obtained by multiplying the number of companies by the duration of the study, which covers five years. This research uses multiple linear regression analysis as the analysis technique. The research results show that DER has no impact on PBV, but QR has an effect on PBV even though it has a negative impact.

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INTRODUCTION

In this era of globalization, competition in the business sector is increasing rapidly. This is also demonstrated by the rapid development of science and knowledge in Indonesia and business expansion. As a result, businesses can compete domestically or internationally. To project an image as a better and more efficient business, a company must be able to provide financial reports to potential investors, because these documents allow us to know the current condition of the company. Corporate value is the most important element of every company because it has a direct impact on the welfare of its stakeholders. Investors will view the company positively if the company can survive and grow, which will encourage these stakeholders to invest in the business. The criterion that is often used to determine company value is price to book value.

One of the influential elements of company value is its financial performance. The company's ability to pay off short-term debt with its current assets at its best is known as company liquidity, according to Syamsuddin (2013:41) in his book. Stock prices will usually fall if investors perceive the company to be too liquid, which indicates that the company may have idle productive assets that are not being used, which will increase the cost of use and increase the company's expenses. Investors can assess a company's ability to meet its short-term financial obligations by checking the Quick Ratio (QR) liquidity ratio. A higher QR ratio indicates increased liquidity for a company, which can positively influence its financial performance and increase investors' perception of the company's value.

Apart from the quick ratio, another variable that can influence business value is capital structure. When deciding on a company's capital structure plan, management tools such as financial management can consider the use of debt or stock instruments, according to Gill and John (2013). A company's value can be affected by the way it uses debt and equity in relation to each other through the cost of capital. The combination of short-term and long-term funding sources, such as debt, preferred shares and common equity, forms the company's capital structure).

This research was conducted because there are still gaps in knowledge from several previous studies. First, research by Devi and Rimawan (2022) examines the relationship between liquidity, especially the quick ratio, and company value. Second, research by Nurfaizah and Pamungkas (2022) states that liquidity, as measured by QR, significantly influences company value as measured by PBV. However, this contradicts research by Yufita (2019) which explains that company value is not influenced by liquidity as measured by QR. The link between capital structure and business value is an area of unmet research need. Research findings by Meivinia (2018) and Rini and Mimba (2019) show that capital structure variables have a positive effect on company value. According to Oktaviani and Mulya (2018), Ayuba et al. (2019), and Sutriningsih et al. (2019), capital structure variables have a negative influence on company value.

From the existing background, it is still found that there are research gaps from previous research, both the influence of the quick ratio on company value and the influence of capital structure on company value. The novelty of this research is that it uses case studies on food and beverages sub-sector manufacturing companies, then this research uses a research period in which the years of the Covid-19 pandemic occurred, namely 2018 to 2022.

METHODOLOGY

Types of research

Quantitative research in this research. The Indonesian Stock Exchange (BEI) provides annual reports, which serve as a secondary data source for this research.

The food and beverage subsector companies listed on the Indonesia Stock Exchange (BEI) correspond to the characteristics of the population studied. The company was chosen because of its stable status during the pandemic that hit from 2018 to 2022.

Conceptual Framework

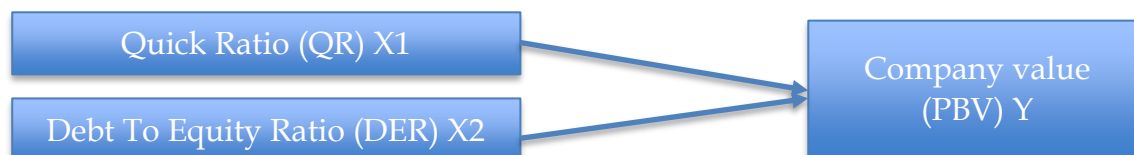


Figure 1.

Conceptual Framework

Research Hypothesis :

H1 : The quick ratio has a positive effect on company performance

H2 : Debt to Equity Ratio has a positive effect on company value

Research Population and Sample

Manufacturing companies in the food and beverage subsector listed on the Indonesia Stock Exchange (BEI) between 2018 and 2022 are the research sample population. Information collected from the official website of the Indonesian Stock Exchange (www.idx.co.id). Between 2018 and 2022, there are 19 companies listed on the official website of the Indonesian Stock Exchange (www.idx.co.id). The entire population became the research sample. Therefore, for each year, the final sample for this study consists of 19 companies, resulting in a total of 95 company years of observations (19 companies multiplied by five years of research).

Data collection technique

This research uses quantitative methods. Apart from that, secondary data, for example annual reports containing the financial statements of the company in question, are the type of data used.

Operational definition

An operational definition is an abstract idea that makes measuring a variable easier and can be used as a guide when conducting research. The operational definition in this research is:

Table 1.

Tabel Operasionalisasi Variabel		
No	Variabel	Indikator
1.	Nilai Perusahaan (Irawan, 2019)	$\frac{\text{Harga per lembar saham}}{\text{Book Value Per Share}} \times 100\%$
2.	Quick Ratio (Kasmir, 2014:131)	$\frac{\text{Aset Lancar} - \text{Persediaan}}{\text{Hutang Lancar}} \times 100\%$
3.	Debt to Equity Ratio (Ircham dkk, 2014)	$\frac{\text{Total Hutang}}{\text{Ekuitas}} \times 100\%$

Variable Operational Table

No.	Variable	Definition	Indicator
1.	Company Value (Irawan,2019)	Company value is an investor's view of the company, which is often linked to the share price	$\frac{\text{Price Per Share}}{\text{Book Value Per Share}} \times 100\%$
2.	Quick Ratio (Kasmir, 2014)	The company's ability to pay short-term obligations using more liquid assets	$\frac{\text{Current assets} - \text{Supply}}{\text{current liabilities}} \times 100\%$
	Debt To Equity Ratio (Ircham dkk, 2014)	can reveal how the company's funding is used from the company's capital structure, which comes from long-term debt and capital comes from equity	$\frac{\text{total Amoun of debt}}{\text{equity}} \times 100\%$

Data analysis

Finding relevant information in data and using these findings to resolve a problem is the goal of data analysis (Ghozali, 2016: 3). SPSS version 26 for Windows is the SPSS used to process data analysis in this research. In this research, data were analyzed using multiple linear regression, hypothesis testing, and classical assumption tests (heteroscedasticity, multicollinearity, and normality tests).

RESULTS AND DISCUSSION

Result

Normality test.

Table 2.
One-Sample Kolmogorov-Smirnov test (Before)
Unstandardized
Residual

N		95
Normal Parameters ^{a,b}	Mean	.0000000
	Std. Deviation	7.13407024
Most Extreme Differences	Absolute	.173
	Positive	.173
	Negative	-.159
Test Statistic		.173
Asymp. Sig. (2-tailed)		.000 ^c

a. Test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

The results of Table 2 above show that the data is not normally distributed because the Kolmogorov-Smirnov significance threshold is less than 0.05. According to the book Hypothesis Testing Tools (Murniati et al., 2013), there are two methods used to analyze abnormal data. The first method is to convert the data into Natural Logarithms (Ln) and the second method is to use outlier data (data that is grouped together) to create confounders. Next, researchers used the first method, namely changing the data into natural logarithms (Ln).

Natural Logistic Regression (Ln) itself can be carried out with partial data transformation or full data transformation. To confirm this, researchers will use more data transformation on variable Y. After that, Kolmogorov-Smirnov is tested again to test the normality of the data. The results of retesting after converting the data into logs are:

Table 3.
One-Sample Kolmogorov-Smirnov test (After)

		Unstandardized Residual
N		95
Normal Parameters ^{a,b}	Mean	.0000000
	Std. Deviation	1.39468441
Most Extreme Differences	Absolute	.116
	Positive	.067
	Negative	-.116
Test Statistic		.116
Asymp. Sig. (2-tailed)		.053 ^c

a. Test distribution is Normal.

b. Calculated from data.

Table 3 shows that the significant value for the normality test is 0.063. Because the significance value is > 0.05 , there is no difference between the residual value and the standard book value. Therefore, it is said that the normality assumption has been met or the data is normally distributed.

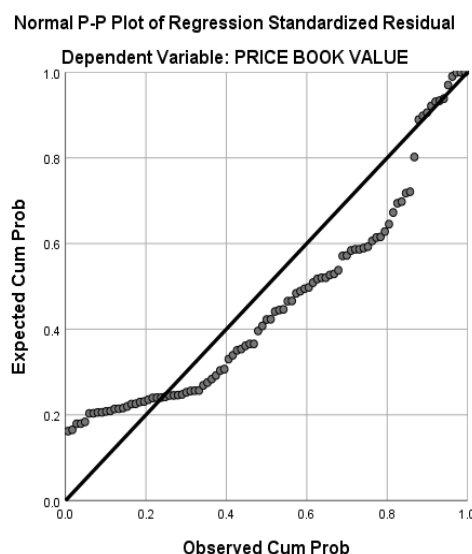


Figure 2.
Normal Propability Plot Graph (After)

Before carrying out data transformation, the normal p-p plot graph first shows if the data pattern spreads or deviates outside the diagonal line, which leads to the conclusion in Figure 1 that the data initially did not meet the normality test. However, after the treatment was carried out, namely after data transformation, the data pattern changed to spread out and follow the diagonal line in Figure 2 above. This indicates that the variables in this study have passed the normality test.

Multicollinearity Test

Table 4.
Uji Multikolinearitas
Coefficients

		<i>Collinearity Statistics</i>		<u>Keterangan</u>
odel		<i>Tolerance</i>	VIF	
1	(Constant)			
	QR	,986	1,015	<u>BebasMultikolinearitas</u>
	DER	,986	1,015	<u>BebasMultikolinearitas</u>

a. Dependent Variable: LN(Y)

Source: SPSS 26 output

Heteroscedasticity Test

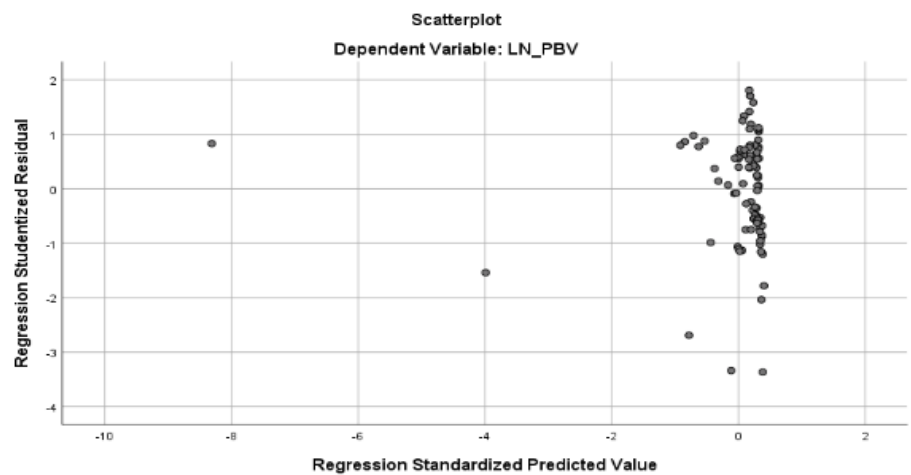


Figure 3.
Scatterplot Graphics

In Figure 3 above, there are variations in the residuals from one observation to another; some show consistent patterns, while others do not. Based on the asymmetric pattern shown by the unequal variance of the residuals and the points distributed above and below the number 0 on the Y axis, it is said that there is no heteroscedasticity in the regression equation used in the research.

Autocorrelation Test

Table 5.
Autocorrelation Test
Model Summary^b

Model	R	R Square	Adjusted Square	R	Std. Error of the Estimate	Durbin-Watson
1	.411 ^a	.169		.151	1.28899	.749

a. Predictors: (Constant), DEBT TO EQUITY RATIO, QUICK RATIO

b. Dependent Variable: LN_PBV

The Durbin-Watson autocorrelation test gives a result of 0.749, as can be observed in the table. The test results, showing D-W numbers between -2 and +2, are consistent with the requirement of no autocorrelation.

Multiple Linear Regression Analysis

Table 6.
Multiple Linear Regression Analysis

Model		Coefficients ^a		t	Sig.
		Unstandardized Coefficients B	Std. Error		
1	(Constant)	1.475	.156	9.441	.000
	QUICK RATIO	-.066	.015	-4.301	.000
	DEBT TO EQUITY RATIO	-.004	.062	-.068	.946

a. Dependent Variable: LN_PBV

From the analysis of table 6 above, the results of the multiple linear regression equation model 1 are obtained, namely:

$$PBV = 1,475 - 0,066 QR - 0,004 DER + e$$

T test

If the probability value (sig) < 0.05, then it is considered influential. Conversely, if the probability value (sig) is > 0.05, then it is considered to have no effect. The following table displays the results of hypothesis testing:

Table 7.
Result t Test

Model		Coefficients ^a		t	Sig.
		Unstandardized Coefficients B	Std. Error		
1	(Constant)	1.475	.156	9.441	.000
	QUICK RATIO	-.066	.015	-4.301	.000
	DEBT TO EQUITY RATIO	-.004	.062	-.068	.946

a. Dependent Variable: LN_PBV

Based on the t test in table 7, the following are obtained:

1. Table 7 shows that QR has a t value of -4.301, a regression coefficient (β) of -0.066, and a significance probability of 0.000. The value of the regression coefficient (β) and its sign (positive or negative) determine the level of significance, used in deciding whether to accept or reject the hypothesis. These findings show that the QR variable has a negative influence on PBV, which indicates that the first hypothesis is rejected. The significance value is < 0.05 and the value (β) is -0.066.
2. The second hypothesis is rejected because table 7 shows that the DER variable has no effect on PBV, with a regression coefficient (β) value of -0.004, a t value of -0.068, and a significance probability result of 0.946. If the significance value is > 0.05 and the (β) value is -0.004, then this can be known.

Discussion

The Effect of Quick Ratio (CR) on Company Value (PBV)

Based on Table 7, the QR variable has a negative effect on PBV, which indicates rejection of the first hypothesis (H1). A negative correlation value indicates that the relationship between the two is not in the same direction, namely the higher the quick ratio, the lower the company value, and vice versa. If liquidity in this case is high, then it can be said that most of the company's working capital is idle, meaning that the company's profitability (or ability to make a profit) is not optimal. As a result, investors will be less interested in owning shares in the company, which will cause the company value to decrease. The idea that "if the liquidity ratio (quick ratio) increases, then profitability (ROA) and the risks faced will decrease" (Syamsuddin, 2011: 209) is consistent with this.

According to current theory, the QR ratio will indicate the company's capacity to meet short-term responsibilities, thereby influencing the proportion of QR within the organization. This will indicate that the business has a healthy amount of liquidity, which will improve the financial performance of the business and increase investors' positive opinion of its value. This will have an impact on investors' desire to buy company shares and increase share prices.

The findings of this research are consistent with previous research by Kusumajaya (2011), Rochmah (2017), and Mahendra et al. (2012), who found that company value, as measured by PBV, was influenced by liquidity, as measured by QR.

The influence of Debt to Equity Ratio (DER) on company value.

The second hypothesis (H2) is rejected because table 7 data shows that the DER variable has no effect on PBV. Arviansyah (2013) states that when debt levels increase, company value will decrease. Companies must be able to determine how much debt they have because debt can increase company value in some cases. However, the value of the company will actually decrease if the debt burden has increased above a certain level. This occurs as a result of the burden caused by the use of debt on the company. This is made possible by the fact that debt, at any level, has no effect on company value or share price. and solid value. This is because the price of ordinary shares will rise as a result of the use of debt. Therefore, investors will pay more attention to how company management uses debt financing to create company value. So that debt can provide added value to the company, debt must be managed well.

The findings of this research contradict Meivinia's (2018) statement that the use of company debt as additional capital can be a signal to investors that the company has promising future prospects by increasing share prices. However, DER has no effect on company valuation in this analysis. The findings of this study are consistent with research by Arifin et al. in 2022, which also found no relationship between the Debt to Equity Ratio (DER) and company value as measured by PBV.

CONCLUSION

Based on the explanation given in the previous chapter, the conclusions that can be drawn are as follows:

1. Based on the results of data analysis, it is known that QR has a negative effect on PBV, thus the first hypothesis is rejected.
2. Based on the results of data analysis, it is known that DER has no effect on PBV, thus the second hypothesis is rejected.

SUGGESTION

Based on the conclusions above, researchers will provide suggestions that can be responded to and used as input:

1. It is hoped that future research will look at additional variables that may have an impact on the firm value variable in terms of both internal and external influences. For example, company size, dividend policy, environmental performance, and so on.
2. Longer research periods are expected from researchers in the future to produce findings that are more representative of real-world conditions.
3. It is hoped that researchers in the future will use research methods other than consultation with producers in the food and beverage subsector

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