**DIJDBM**
**DINASTI INTERNATIONAL JOURNAL OF DIGITAL BUSINESS MANAGEMENT**

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# ANALYSIS OF THE EFFECTS OF LIQUIDITY, ACTIVITIES, LEVERAGE, AND PROFITABILITY ON FIRM VALUE IN RETAIL TRADE SUBSECTOR (IDX) 2015-2020 PERIOD

**Riska Yulianti[1], Andam Dewi Syarif[2]**
[1] Mercu Buana University, Jakarta, Indonesia, rischa_julianti@yahoo.com
[2] Mercu Buana University, Jakarta, Indonesia, andeta2018@gmail.com

**Corresponding Author:** Riska Yulianti

**Abstract:** This research intends to determine the effect of liquidity, activity, leverage, and profitability on company value. The population of this research is the entire IDX retail trade subsector in 2015-2020 as many as 25 companies and the number of samples is 14 companies. The data analysis method used in the research is Panel Data Regression and the best model is the Random Effect Model. The results of the research partially found that liquidity (CR), activity (TATO), and leverage (DER) did not affect PBV, while profitability (NPM) had a positive effect on PBV. The research results simultaneously found that liquidity (CR), activity (TATO), leverage (DER), and profitability (NPM) had an impact on PBV.

**Keywords:** Liquidity (CR), Activity (TATO), Leverage (DER), Firm Value (PBV).

## INTRODUCTION

The retail trade industry is one of the strategic industries in Indonesia. Minister of Trade Agus Suparmanto (2020) stated that throughout 2015 to 2019 the trade business sector always had a share of more than 10 percent of Gross Domestic Product (GDP). If you look at its contribution to GDP, the participation of the retail industry in terms of trade reaches 12.83 percent and assesses that retail companies have an important position to help economic development in Indonesia.
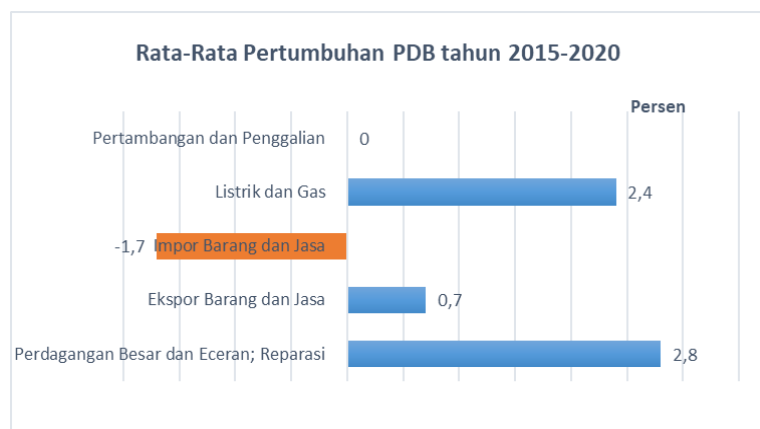
Source: Ministry of National Development Planning/Bappenas (Data processed, 2021)
**Figure 1. Average GDP Growth for 2015-2020**

The growth of the Gross Domestic Product (GDP) of the retail trade industry which has the highest average GDP growth compared to other industries from 2015 to 2020, where the retail trade industry has an average growth of 2.8%. Investors have the main goal of growing their prosperity, namely by want there is a profit earned by buying and owning shares. Brigham and Daves in Makkulau, Amin and Hakim (2018) argue that optimizing the value of a company is really important for the company, because optimizing the value of the company can also be said to optimize the welfare of investors which is something fundamental that must be achieved by company management. Wijaya and Panji in Suwardika and Mustanda (2017) argue that the high share price will be balanced with the high value of the company. The high value of the company will increase the trust of shareholders in the company. Triagustina et al in Lubis, Sinaga and Sasongko (2017) stated that the better the financial capability of a company, it is certain that the better the value of the company. In this thesis research, the authors set four financial ratios including liquidity, activity, leverage and profitability.

Phenomena that occurred in 2015-2020, the average rate the PBV of the retail subsector on the IDX has decreased, which is illustrated by the graph below:
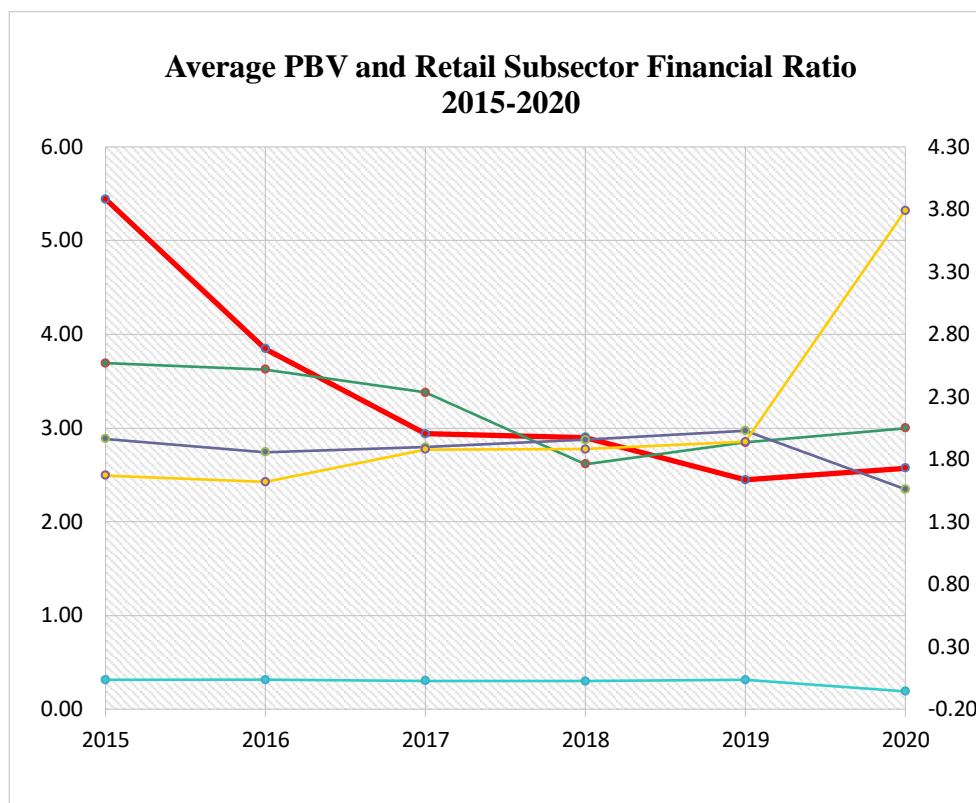
Source: Company Financial Statements taken from IDX (data processed, 2021)
**Figure 2. Average Price Book Value (PBV) and Retail Company Financial Ratios 2015-2020**

Retail trade subsector companies tends to experience a decline in the value of the company by using the Price Book Value (PBV) indicator. From the graph, it can be seen that there was a fairly significant decline in the value of the company in 2015-2020 and the sharpest decline occurred in 2019, where the PBV reached 2.45. Although in 2020 the PBV experienced an increase, it could not exceed the greatest value in the research period, namely in 2015 of 5.44.

The current ratio decreased from 2016 to 2018 accompanied by a decrease in Price Book Value (PBV) since that year. In 2019 the current ratio increased to 1.94 while in 2019 the price to book value decreased to 2.45. From 2017 to 2019 the total assets turnover ratio has increased while the price book value has decreased. The debt-equity ratio tends to face an increase from 2016-2020, wherein that year the price book value also decreased. The net profit margin has fluctuated from 2015 to 2020 and the price book value is more likely to face a decline. In 2019 the net profit margin faced an increase to 0.04 while in 2019 the price to book value decreased to 2.45.

## LITERATURE REVIEW
**Signaling Theory**

Sccott and Megginson, 1987 in Astohar, Dhian, and Rahmadhani, (2020) explain that companies that have good quality will deliberately send signals to the market, with these signals the market is expected to be able to know the difference between which companies have good or bad quality. For the intended signal to be more effective, therefore it must be known by the market and responded with a good response and it will be difficult for companies that have the poor quality to follow.

## Agency Theory

According to Jensen and Meckling (1976), agency theory predicts that companies that have a larger debt ratio will state more information because the agency burden of companies with such a capital structure is greater.

## Company Value

According to Ibrahim (2017), "company value is a picture of investors to see the past performance and prospects of the company in the future, the higher the stock price, the higher the value of the company". Wiagustini in Ningsih and Sari (2019) states that the value of the company is calculated using the price book value with the formula:

$$Price\ Book\ Value = \frac{Price\ Per\ Share}{Book\ Value\ Per\ Share}$$

## Liquidity

According to Sihombing (2018), liquidity analysis is applied to assess the company's capacity to complete its financial burden in the short term, both the burden of financing the production process and the company's external burden. In this research, the financial ratio applied in calculating the liquidity ratio is the current ratio.

## Activity

According to Hery (2016), "activity ratio is a ratio used to measure the effectiveness of the company is using its assets, including to measure the company's level of efficiency in utilizing existing resources". From the result calculation using the activity ratio can be seen whether the company becomes more effective and efficient when running the assets it owns or just the opposite. In this research, the financial ratio used in calculating the activity ratio is the total assets turnover ratio.

## Leverage

According to Harahap (2016), "the leverage ratio describes the company's ability to pay its long-term obligations or obligations if the company is liquidated". If the company can use the leverage ratio properly, then both the company and investors will get a lot of benefits in

experiencing all the probabilities that will arise. With the debt ratio, the company will be able to decide on accurate strategies and certainly be aligned with the company's overall plans and goals. In this study, the financial ratio used in calculating the debt ratio is the debt-equity ratio.

**Profitability**

According to Fahmi (2017), "the profitability ratio measures the effectiveness of overall management which is indicated by the size of the level of profit obtained about to with concerning sales and investment". Profit in the company's operational activities is an important part to ensure the continuity of the company's business in the future. The company's success can be seen from the company's ability to be able to compete in the market. Every company wants as much profit as possible because profit is the main measuring tool for the success of a company. In this study, the financial ratio used in calculating the profitability ratio is the net profit margin.

**Research Hypothesis**

$H^1$: Liquidity (Current Ratio) has a positive effect on firm value
$H^2$: Activity (Total Assets Turnover ratio) has a positive effect on firm value.
$H^3$: Leverage (Debt Equity Ratio) has a negative effect on firm value.
$H^4$: Profitability (Net Profit Margin) has a positive effect on firm value.

## RESEARCH METHODS
**Research Design**

The research design used by the author namely causal research which intends to analyze the relationship between several some many variables. The approach used by the author in this research is quantitative.

**Population and Sample**

The population that the research used in this research is the entire IDX retail trade subsector in 2020 as many as 25 companies. From a total population of 25 companies that fit into the criteria and can be used as samples in this research are 14 companies. The list of names of 14 retail trade subsector companies selected as samples through the determination process is as follows:

**Table 1. List of Retail Trade Subsector Companies**

| No | Kode | Nama Emiten | Tanggal Pencatatan |
|----|------|-------------|--------------------|
| 1 | ACES | PT. Ace Hardware Indonesia Tbk | 06/11/2007 |
| 2 | AMRT | PT. Sumber Alfaria Trijaya Tbk | 15/01/2009 |
| 3 | CSAP | PT. Catur Sentosa Adiprana Tbk | 12/12/2007 |
| 4 | ECII | PT. Electronic City Indonesia Tbk | 03/07/2013 |
| 5 | ERAA | PT. Erajaya Swasembada Tbk | 14/12/2011 |
| 6 | HERO | PT. Hero Supermarket Tbk | 21/08/1989 |
| 7 | KOIN | PT. Kokoh Inti Arebama Tbk | 09/04/2008 |
| 8 | LPPF | PT. Matahari Department Store Tbk | 10/10/1989 |
| 9 | MAPI | PT. Mitra Adiperkasa Tbk | 10/11/2004 |
| 10 | MIDI | PT. Midi Utama Indonesia Tbk | 30/11/2010 |
| 11 | MPPA | PT. Matahari Putra Prima Tbk | 21/12/1992 |
| 12 | RALS | PT. Ramayana Lestari  Sentosa Tbk | 24/07/1996 |
| 13 | RANC | PT. Supra Boga Lestari Tbk | 07/06/2012 |
| 14 | SONA | PT. Sona Topas Tourism Industry Tbk | 21/07/1992 |

Source: Indonesia Stock Exchang

**Data Analysis Method**

This research will carry out panel data regression supported by E-Views software version 12.0 which aims to analyze the effects of liquidity, activity, leverage, and profitability on company value during the 2015-2020 period with several retail company subsectors.

**FINDINGS AND DISCUSSION**

**Current Ratio Descriptive Statistics ($X^1$)**

**Table 2. Descriptive Statistics of Current Ratio (CR)**

|  | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|--|------|------|------|------|------|------|
| Minimum | 0,79 | 0,77 | 0,64 | 0,73 | 0,73 | 0,56 |
| Maximum | 14,03 | 10,29 | 9,18 | 5,02 | 5,58 | 7,49 |
| Mean | 2,57 | 2,52 | 2,34 | 1,76 | 1,94 | 2,05 |
| Median | 1,24 | 1,37 | 1,30 | 1,31 | 1,29 | 1,13 |
| Std. Deviasi | 3,56 | 2,77 | 2,55 | 1,17 | 1,47 | 2,15 |

The lowest value (minimum) Current Ratio (CR) which is 0.56 in 2020 which is found at PT. Matahari Department Store, Tbk (LPPF) and PT. Matahari Putra Prima, Tbk (MPPA). The highest value (maximum) Current Ratio (CR) in 2015 was 14.03 contained in PT. Electronic City Indonesia, Tbk (ECII). The average Current Ratio (CR) of all research samples in 2015-2020 is 2.19 with a standard deviation of 2.36 and a median value of 1.26.

**Total Assets Turnover Descriptive Statistics ($X^2$)**

**Table 3. Descriptive Statistics of Total Assets Turnover (TATO)**

|  | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|
| **Minimum** | 0,94 | 0,88 | 0,96 | 1,09 | 0,99 | 0,29 |
| **Maximum** | 3,18 | 2,88 | 2,81 | 3,01 | 3,38 | 3,04 |
| **Mean** | 1,96 | 1,86 | 1,90 | 1,95 | 2,03 | 1,56 |
| **Median** | 2,10 | 1,85 | 1,86 | 2,04 | 2,07 | 1,58 |
| **Std. Deviasi** | 0,64 | 0,63 | 0,60 | 0,59 | 0,71 | 0,87 |

The lowest (minimum) Total Asset Turnover (TATO) value in 2020 is 0.29 contained in PT Sona Topas Tourism Industry Tbk (SONA). The highest (maximum) Total Asset Turnover (TATO) value in 2019 was3.38 contained in PT Erajaya Swasembada Tbk (ERAA). The average value of Total Asset Turnover (TATO) for all research samples for the 2015-2020 period is 1.88 with a standard deviation of 0.17 and a median value of 1.93.

**Debt Equity Ratio Descriptive Statistics ($X^3$)**

**Table 4. Descriptive Statistics *Debt Equity Ratio* (DER)**

|  | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|
| **Minimum** | 0,08 | 0,09 | 0,11 | 0,30 | 0,33 | 0,21 |
| **Maximum** | 4,56 | 4,84 | 5,67 | 7,30 | 6,58 | 23,42 |
| **Mean** | 1,67 | 1,62 | 1,88 | 1,88 | 1,94 | 3,79 |
| **Median** | 1,41 | 1,40 | 1,36 | 1,36 | 0,92 | 1,66 |
| **Std. Deviasi** | 1,36 | 1,41 | 1,72 | 1,89 | 2,09 | 6,18 |

The lowest (minimum) Debt Equity Ratio (DER) was in 2015 of 0.08 found at PT. Electronic City Indonesia, Tbk (ECII). The highest (maximum) Debt Equity Ratio (DER) value in 2020 is 23.42 contained in PT. Matahari Putra Prima, Tbk (MPPA). The average value of the Debt Equity Ratio (DER) for all research samples in 2015-2020 is 2.13 with a standard deviation of 0.82 and a median value of 1.88.

**Net Profit Margin Descriptive Statistics ($X^4$)**

**Table 5. Descriptive Statistics *Net Profit Margin* (NPM)**

|  | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|
| **Minimum** | -0,01 | -0,02 | -0,10 | -0,10 | -0,06 | -0,54 |
| **Maximum** | 0,20 | 0,20 | 0,19 | 0,13 | 0,13 | 0,10 |
| **Mean** | 0,04 | 0,03 | 0,03 | 0,02 | 0,04 | -0,06 |
| **Median** | 0,02 | 0,01 | 0,01 | 0,02 | 0,02 | -0,00 |
| **Std. Deviasi** | 0,06 | 0,06 | 0,07 | 0,06 | 0,06 | 0,16 |

The lowest (minimum) Net Profit Margin (NPM) value in 2015 was -0.01 which was found in PT. Supra Boga Lestari, Tbk (RANC). The highest value (maximum) Net Profit Margin (NPM) in 2015 and 2016 was 0.20 contained in PT. Matahari Department Store, Tbk (LPPF). The average value of Net Profit Margin (NPM) for all research samples for the 2015-2020 period is 0.02 with a standard deviation of 0.04 and a median value of 0.03.

**Price Book Value Descriptive Statistics (Y)**

**Table 6. Descriptive Statistics *Price Book Value* (PBV)**

|  | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|
| **Minimum** | 0,49 | 0,46 | 0,47 | 0,86 | 0,23 | 0,25 |
| **Maximum** | 46,43 | 23,79 | 12,53 | 9,00 | 6,76 | 5,76 |
| **Mean** | 5,44 | 3,85 | 2,94 | 2,90 | 2,45 | 2,57 |
| **Median** | 2,00 | 2,48 | 2,25 | 2,21 | 1,90 | 1,94 |
| **Std. Deviasi** | 11,89 | 5,90 | 3,17 | 2,49 | 1,99 | 1,89 |

The lowest (minimum) Price Book Value (PBV) occurred in 2019 of 0.23 which was found in PT. Erajaya Swasembada, Tbk (ERAA). The highest (maximum) Price Book Value (PBV) in 2015 was 46.43 contained in PT. Matahari Department Store, Tbk (LPPF). The average Price Book Value (PBV) of all research samples for the 2015-2020 period is 3.36 with a standard deviation of 1.13 and a median value of 2.92.

**Selected Model**

**Table 7. Random Effect Model**

Dependent Variable: PBV
Method: Panel EGLS (Cross-section random effects)
Date: 08/01/21   Time: 15:07
Sample: 2015 2020
Periods included: 6
Cross-sections included: 14
Total panel (balanced) observations: 84
Swamy and Arora estimator of component variances

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|---|---|---|---|---|
| C | 2.871134 | 2.553593 | 1.124394 | 0.2643 |
| CR | -0.096289 | 0.312518 | -0.308107 | 0.7588 |
| TATO | -0.156485 | 1.039961 | -0.150472 | 0.8808 |
| DER | 0.257591 | 0.215269 | 1.196600 | 0.2350 |
| NPM | 27.14560 | 6.825164 | 3.977281 | 0.0002 |

| Effect Specification | | | S.D. | Rho |
|---|---|---|---|---|
| Cross-section random | | | 0.000000 | 0.0000 |
| Idiosyncratic random | | | 5.359345 | 1.0000 |

| Weighted Statistics | | | | |
|---|---|---|---|---|
| R-squared | 0.176996 | Mean dependent var | | 3.357636 |
| Adjusted R-squared | 0.135325 | S.D. dependent var | | 5.693298 |
| S.E. of Regression | 5.294078 | Sum squared resid | | 2214.153 |
| F-statistic | 4.247460 | Durbin-Watson stat | | 0.539147 |
| Prob(F-statistic) | 0.003639 | | | |

| Unweighted Statistics | | | | |
|---|---|---|---|---|
| R-squared | 0.176996 | Mean dependent var | | 3.357636 |
| Sum squared resid | 2214.153 | Durbin-Watson stat | | 0.539147 |

**Simultaneous Significance Test (F)**

Based on the results of the Simultaneous Significance Test (F) in table 7 above, the calculated F value > F table is 4.247460 > 2.488886, then $H_0$ is rejected, which means that the variables Current Ratio, Total Assets Turnover, Debt Equity Ratio, and Net Profit Margin together have an effect on Price Book Value in IDX retail trade subsector in 2015 – 2020.

**Coefficient of Determination (R²)**

R-squared value of 0.176996 or 17.70% which means that 17.70% Price Book Value is influenced by the Current Ratio, Total Assets Turnover, Debt Equity Ratio, and Net Profit Margin variables while the remaining 82.30% (1 - 17.70%) is influenced by other variables not included in this research.

**Hypothesis Test (t Test)**

Based on the test results in table 7 above, the following results are obtained:
1) Current Ratio ($X^1$) has a t arithmetic value of -0.308107 < t table value 1.990450 and has a probability value of 0.7588 > 0.05, then $H_0$ is accepted which means that the Current Ratio does not affect on Price Book Value.
2) Total Assets Turnover ($X^2$) has a calculated t value of -0.150472 < t table value of 1.990450 and has a probability value of 0.8808 > 0.05, then $H_0$ is accepted which means that Total Assets Turnover does not affect on Price Book Value.

3)  Debt Equity Ratio ($X^3$) the effect of the calculated t value is 1.196600 < t table value 1.990450 and has a probability value of 0.2350 > 0.05, then $H_0$ is accepted which means that the Debt Equity Ratio does not affect on Price Book Value.

4)  Net Profit Margin ($X^4$) has a t-count value of 3.977281 > a t-table value of 1.990450 and has a probability value of 0.0002 <0.05, then $H_0$ is rejected, which means that Net Profit Margin has a positive effect on Price Book Value.

**Discussion of Research Results**

**Liquidity Effect (Current Ratio) on Company Value**

Liquidity (Current Ratio) has no effect on the value of the company (Price Book Value) in the IDX retail trade subsector in 2015-2020. This is because investors do not see how the company pays off its debts. After all, not all companies that have low liquidity are bad (Nasir in Artati, 2020). The results of this research are not in line with the development of the research hypothesis which explains that the liquidity variable (Current Ratio) has a positive effect on the value of the company in the IDX retail trade subsector in 2015-2020. However, the results of this research agree with the results of research put forward by Maneerattanarungrot and Donkwa (2018)., Seno and Thamrin (2020), and Artati (2020) which suggest that the current ratio does not affect on price book value.

**Effect of Activity (Total Assets Turnover) on Company Value**

Activity (Total Assets Turnover) has no effect on firm value in the IDX retail trade subsector in 2015-2020. This is because several companies have large assets but the level of sales obtained is small. Effective company business activities have proven not to always increase company profits or revenues, resulting in a lack of consideration by shareholders in determining whether to invest or not and this has no effect on company value (Irawati, 2016). The results of this research do not agree with the development of the research hypothesis which reveals that the activity variable (Total Assets Turnover) has a positive effect on the value of the company in the IDX retail trade subsector in 2015-2020.

**Effect of Leverage (Debt Equity Ratio) on Company Value**

Leverage (Debt Equity Ratio) has no effect on the value of the company in the IDX retail trade sub-sector in 2015-2020. This is because even though the leverage value is large, the company is still able to pay off its debts, the company is considered to have a low leverage value because the existing equity is considered capable of bearing the company's operational costs and the company is considered to have a good value (Nurminda, Isynuwardhana, and Nurbaiti, 2017). The results of this research do not agree with the development of the research hypothesis which reveals that the leverage variable (Debt Equity Ratio) has a negative effect on firm value in the IDX retail trade subsector in 2015-2020. However, the results of the research agree with the results of research proposed by Oktrima (2017). Kalbuana, Yohana, Agustina, and Aryadi

(2020)., and Mohammed dan Al Ani (2017)., which states that the debt to equity ratio has no effect on the value of the company in the retail trade subsector listed on the IDX in 2015-2020.

**Profitability Effect (Net Profit Margin) on Company Value**

Profitability (*Net Profit Margin*) has a positive influence on the value of the company in the IDX retail trade sub-sector in 2015-2020. This is because a positive net profit margin value indicates that the company can make a profit in its operational activities. After all, the company's profits will result in an increase in income that will be obtained by investors so that the net profit margin has a positive influence on the company's value. The results of this research are in line with the development of research hypotheses which reveal that the profitability variable (NPM) has a positive influence on firm value in the IDX retail trade subsector in 2015-2020. The results of this hypothesis are also by following per under the results of research conducted by Carstens and Wesson (2019)., Mandey, Pangemanan, and Pangerapan (2017)., and Hung, Cuon, and Ha (2018)., stating that net profit margin has a positive effect on the value of the company.

## CONCLUSION AND RECOMMENDATION

**Conclusion**

Based on discussion of the results of the study, then it is further concluded as follows:

1) Liquidity (CR) has no effect on the value of the company in the IDX retail trade subsector in 2015-2020.
2) The activity (TATO) has no effect on the value of the company in the IDX retail trade subsector in 2015-2020.
3) Leverage (DER) has no effect on the value of the company in the IDX retail trade subsector in 2015-2020.
4) Profitability (NPM) has a positive effect on the value of the company in the IDX retail trade subsector in 2015-2020.

**Suggestion**

Based on the discussion of the results and conclusions of the study, the authors provide several research proposals as input and reference considerations are as follows:

1) Theoretical Suggestions

For research, the next step is to be able to develop more deeply and broadly about this research with different research objects and variables. This of course will be very useful in contributing to the development of Financial Management science, especially for Mercu Buana University students who are preparing their final project so that it can be used as a reference or input in the stages of completing the final project.

2) Practical Advice
a. For Investors

Shareholders are expected to be more considerate in carrying out investment by first analyzing the condition of the company through Profitability (Net Profit Margin) because in this research Net Profit Margin has a positive effect on company value and has a large regression coefficient value.

b.  For Companies

For companies, they should do business expansion planning and provide the best service to consumers and reduce operational costs that are deemed less effective because of the results This research shows that Net Profit Margin is a variable that influences firm value.

c.  For Next Researchers

For researchers Next, the author suggests that the research be further expanded to other industries or sectors so that a larger number of samples will be obtained and comparisons between industries or sectors can also be made. In addition, further researchers can use other variables that affect the value of the company such as sales growth, dividend payout ratio, and company size, as well as several external factors such as interest rates, economic growth, and consumer confidence index.

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