

THE INFLUENCE OF FINANCIAL RATIO ON FIRM VALUE IN CHEMICAL SUB SECTOR COMPANIES LISTED ON IDX (2020-2022)

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ABSTRAK

Penelitian ini bertujuan untuk menganalisis pengaruh return on equity, current assets, debt to assets ratio dan total asset turnover ratio terhadap nilai perusahaan dengan alat ukur price to book value ratio. Penelitian dilakukan pada perusahaan sub sektor Chemicals 2020-2023 yang terdaftar di Bursa Efek Indonesia. Penelitian ini menggunakan metode kuantitatif. Populasi penelitian adalah perusahaan sub sektor kimia yang terdaftar di Bursa Efek Indonesia. Purposive sampling adalah pemilihan sampel dengan menggunakan kriteria tertentu dari penelitian yang dilakukan. Alat analisis yang digunakan dalam penelitian ini adalah regresi linier berganda dengan menggunakan SPSS 26. Hasil penelitian menunjukkan bahwa Debt to assets ratio berpengaruh signifikan dan positif terhadap price to book value ratio, sedangkan current ratio dan total assets turnover ratio tidak berpengaruh signifikan terhadap price to book value ratio.

Kata Kunci: PBV, ROE, CR, DAR, TATO

ABSTRACT

The aim of this study is to analyze the impact of return on equity, current assets, debt to assets ratio and total asset turnover ratio on the value of the company with a price to book value ratio measurement tool. The research was carried out on sub-sector companies Chemicals 2020-2023 which are listed on the Indonesian Stock Exchange. This research uses quantitative methods. The research population is a chemical sub-sector companies listed on the Indonesian Stock Exchange. Purposive sampling is the selection of samples using certain criteria of the research carried out. The analytical tool used in this study is double linear regression using SPSS 26. Debt to assets ratio has a significant and positive effect on the price to book value ratio, whereas current ratio and total assets turnover ratio have no significant effect on price to book value ratios.

Keywords: PBV, ROE, CR, DAR, TATO

INTRODUCTION

Financial management is the study of fund management as a system that includes cash flows, lending, investment, and provision of credit facilities. In a corporate context, the financial manager is responsible for various activities related to the acquisition of working capital, use, allocation, and management of corporate assets (Santoso and Widjaja, 2022). To get additional funds that are in business development, many companies are doing go-public (Komunal, 2023). This expansion will increase the company's value by increasing the value of the company to increase the prosperity of its owners or shareholders (Salvatore, 2005). The value of a company is very important

because with the high value of the company will be followed by the high prosperity of the shareholders (Brigham dan Houston, 2019).

Corporate value is a general assessment of the value of a company that is often associated with the price of its shares; the higher the share price, the higher its value. Increasing the company's value also means increasing the profit for shareholders, which is the core goal of the definition. Thus, the performance of a company can be measured from the value of the company (Maulani, Rinda and Rumiasih, 2019). In this analysis, the researchers found factors that influence the value of the company, including return on equity, current ratio, debt to assets ratio and total assets turnover ratio. In addition, the researchers found gaps in previous research on variables such as return on equity, current ratio, debt to assets ratio and total assets turnover ratio to the company's value. The profitability ratio is a combined ratio of liquidity, asset management and corporate debt influences (Brigham dan Houston, 2019). The profitability ratio shows the company's ability to make a profit. There is a reasearch gap in previous research on the influence of the profitability ratio on the value of the company measured using PBV. The ratio of profitability that has the inconsistency of the outcome is the return on equity. Return on equity ratio is a ratio that measures a company's profit compared to its own capital (Brigham dan Houston, 2019). Studies conducted by Ali et al. (2021), Sembiring (2019) Fajri (2018), Abdurrahman (2015) and Fauziah & Sudiyatno (2020) indicate that the return on equity ratio has a significant positive influence on the value of the company. This is because the return on equity ratio indicates the rate of return on the investment of the entire invested capital where if the ratio of return upon equity is higher then it will attract the interest of investors to invest its modality so that it will increase the value of the company. Another statement of the return on equity ratio found by Rahmadewi & Abundanti (2018) explains that the return upon equity ratios have a significant negative influence on the value of the company. According to Devi & Rimawan (2022), Hirdinis (2019), Qodir et al. (2016), Manoppo & Arie (2016), and Risqi & Suyanto (2022) there is no relationship between the return on equity ratio to the value of the company.

The liquidity ratio shows the relationship between cash and current assets and current liabilities in a company (Brigham dan Houston, 2019). There is a research gap in previous studies regarding the effect of liquidity ratio on firm value as measured using PBV. The liquidity ratio that has inconsistent results is the current ratio. Current ratio is a ratio that reflects the ability of assets to cover current debt (Brigham dan Houston, 2019). Research conducted by Purba & Mahendra (2022), Rouilita Suhendah (2020), Amin et al. (2022), Aulia (2018), Cicilia Erly Istia et al. (2023), Salainti (2019) and Sinaga et al. (2022) xplain that the current ratio has a positive significant effect on firm value. This is because the higher the current ratio, it reflects the adequacy of cash so that the more liquid the company is, which results in increased investor confidence and will improve the company's image. Other studies with the current ratio variable on firm value obtained different results conducted by Nuuril Imaama et al. (2022) and Rouilita Suhendah (2020) where it was found that the current ratio has a significant negative effect on firm value. Meanwhile, research conducted by Dzulhijar et al. (2021), Ertanto & Hikmat (2022) and Salainti (2019) tate that there is no effect of current ratio on firm value.

The capital structure ratio is a combination of debt, preferred stock and common equity which is the basis for raising capital by the company (Brigham dan Houston, 2019). There is a research gap in previous studies regarding the effect of capital structure ratios on firm value as measured using PBV. The capital structure ratio that has inconsistent results is the debt to equity ratio. Debt to equity ratio is a financial ratio

that compares the amount of corporate debt with the company's capital. Research conducted by Amin et al. (2022), Aulia (2018), Cicilia Erly Istia et al. (2023) and Salainti (2019) state that the debt to equity ratio has a significant positive effect on firm value. This is because a high debt to equity ratio means that the company's profits are fully funded by debt. The smoother the company manages debt, the more the company will gain investor confidence (Amin, Amirah and Faizal, 2022). The statement regarding the effect of debt to equity ratio on stock value is different from the research of Dzuhijar et al. (2021), Firdaus (2020) and Purba & Mahendra (2022) state that the debt to equity ratio has a significant negative effect on firm value. Meanwhile, the statements from Ertanto & Hikmat (2022), Fajri (2018), Sembiring (2019) state that the debt to equity ratio has no effect on firm value.

The activity ratio is used to measure how effective the company is in managing its assets (Brigham dan Houston, 2019). There is a research gap in previous studies regarding the effect of activity ratio on firm value as measured using PBV. The activity ratio that has inconsistent results is the total assets turnover ratio. The total assets turnover ratio is a ratio that measures the effectiveness of the company using its total assets (Brigham dan Houston, 2019). Research conducted by Firdaus (2020) dan Salainti (2019) states that the total assets turnover ratio has a significant positive effect on firm value. Another statement regarding the effect of the total assets turnover ratio on firm value conducted by Asiri & Hameed (2014) states that the total assets turnover ratio has a significant negative effect on firm value. Meanwhile, according to Cicilia Erly Istia et al. (2023), the total assets turnover ratio has no effect on firm value.

METHOD

This study uses a type of quantitative research, which is a scientific method that uses data in the form of numbers / numbers which results are used to explore the relationship between these variables (Sekaran Uma, 2014). The population in this study are chemical sub-sector companies listed on the Indonesia Stock Exchange from 2020 to 2022. This method involves selecting a sample based on certain criteria (Sekaran Uma, 2014). For sample criteria using purposive sampling as follows:

- The companies that are the object of research are all chemical sub-sector companies listed on the Indonesia Stock Exchange in 2020 - 2022,
- Companies listed on the IDX (IPO) starting in 2021-2024 are not included in this study.
- Suspend and delisting companies are not included in this study.

Based on the sample criteria using purposive sampling, the number of research samples obtained was 39 companies (issuers).

The type of data used in this study is secondary data. According to (Sekaran Uma, 2014), secondary data is data that refers to information that has been collected and published by individuals or companies. So that researchers get this research data from the financial statements published by the company and published on idx.com.

Researchers explain the operational definitions of variables as follows:

Table 1 Operational Definition of Variables

Variable	Variable Definition	Indicator
Price book value - Variable Y	Price book value (PBV) describes how much the stock market values the company's book value. (Brigham dan Houston, 2019)	PBV = market price per share / book value per share (Brigham dan Houston, 2019)
Return on equity - Variable X ₁	Return on equity (ROE) is one of the financial ratios and is the ratio between net income and common equity. The return on investment of common	ROE = net profit / common equity (Brigham dan Houston, 2019)

	shareholders is calculated by this ratio. (Brigham dan Houston, 2019)	
<i>Current ratio</i> – Variable X ₂	Current ratio is a measure used to compare current assets and current liabilities. The extent to which current liabilities are covered by assets that are expected to be converted into cash in the near future is indicated by this ratio. (Brigham dan Houston, 2019)	<i>Current ratio = curret assets / current liability</i> (Brigham dan Houston, 2019)
<i>Debt to equity ratio</i> – Variable X ₃	Debt to equity ratio (DER) is one of the financial ratios used to assess the extent to which a company's debt and equity finance its operations. (Brigham dan Houston, 2019)	DER = total debt / total equity (Brigham dan Houston, 2019)
<i>Total assets turnover ratio</i> – Variable X ₄	Total assets turnover (TATO) is a ratio that calculates the rate of return on business assets based on sales revenue. (Brigham dan Houston, 2019)	TATO = sales / total asset (Brigham dan Houston, 2019)

Source: data processed (2024)

Data analysis techniques are methods and procedures used to analyze, interpret, and draw conclusions from data (Sekaran Uma, 2014). Data analysis techniques in this study include:

1. Descriptive statistical analysis. Descriptive statistical analysis is a method that describes and provides an overview of the frequency distribution of variables in a study. The data presented in the descriptive statistical analysis are the minimum value, maximum value, mean value and standard deviation value of each variable studied (Sekaran Uma, 2014).
2. Regression Analysis. Regression analysis in this study used multiple linear regression. Multiple linear regression is a statistical analysis technique used to understand the relationship between one dependent variable (the variable to be predicted) and two or more independent variables (predictor variables). In multiple linear regression, the relationship between the dependent variable and each independent variable is assumed to be a linear relationship (Sekaran Uma, 2014). The multiple linear regression model can be expressed in the form of a mathematical equation as follows:

$$\hat{Y} = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + e$$

Description:

\hat{Y} = PBV

X₁ = return on equity

X₂ = current ratio

X₃ = debt to assets ratio

X₄ = total assets turnover ratio

3. Classical Assumption Test. The classic assumption test is used to determine whether the data in multiple linear regression is BLUE (best linear unbiased estimator) (Sugiyono, 2020) explains that a good regression is a BLUE regression, namely an unbiased linear prediction. In order to meet the BLUE criteria, the regression must

meet the criteria in the classical test, which includes the classical test, including the normality test, multicollinearity test, heteroscedasticity test, and autocorrelation test. The conditions for passing the classical assumptions are as follows:

- a. Normality Test. The normality test is used in classical assumptions to determine whether the variables under study are normally distributed. To test the variables under study for normal distribution, researchers used the Kolmogorov-Smirnov and Shapiro-Wilk tests. Data is categorized as normally distributed if the variable significance level of the residual value is more than 0.05 or 5% (Sekaran Uma, 2014).
 - b. Multicollinearity test. Multicollinearity test is used in classical assumptions to determine whether the variables under study are found to have a correlation between independent variables (X). To detect the absence of multicollinearity, the study used the variance inflation factor (VIF) and tolerance tests. There is no multicollinearity if the tolerance value is > 0.1 and the VIF value is ≤ 10 (Sekaran Uma, 2014).
 - c. Heteroscedasticity test. The heteroscedasticity test is used in classical assumptions to determine whether the regression under study occurs inequality of variance from the residuals of one observation to another. In the absence of heteroscedasticity, researchers use the Glejser test. The Glejser test is an accurate way to detect the presence or absence of heteroscedasticity symptoms. The basis for making the Glejser test decision, if the significance value between the independent variable and the absolute residual is greater than 0.05, there is no heteroscedasticity problem (Sekaran Uma, 2014).
 - d. Autocorrelation test. The autocorrelation test is used to determine whether the regression under study is correlated between confounders in period t (time) with errors in period $t-1$ (time-1). In this study, researchers used the Durbin-Watson test. The basis for making the run test decision, if the asymp.sig (2-tailed) value is greater than 0.05 then there are no symptoms of autocorrelation (Sekaran Uma, 2014).
4. Analysis of the coefficient of determination (R^2) test. The coefficient of determination test (adjusted R^2) is used to measure the total presentation in the dependent variable explained by all dependent variables in this study. The criteria for the coefficient of determination (R^2) test where the adjusted R^2 value is close to 0, the ability of the independent variable to explain the dependent variable is very small and the adjusted R^2 value where the adjusted R^2 value is close to 1, the ability of the independent variable to explain the dependent variable is very large (Sekaran Uma, 2014).
5. Hypothesis test analysis. Hypothesis testing is used in this study to determine the effect of the independent variable on the dependent variable. There are two types of hypothesis tests in this study, namely the partial test (t) and simultaneous test (F) which are explained as follows:
- a. The F test in this study aims to determine whether the independent variables together affect the dependent variable. F test decision making, if the significant value of $F \leq 0.05$ then the independent variables together have an effect on the dependent variable and vice versa (Sekaran Uma, 2014).
 - b. The t test is used to determine the partially significant effect of the independent variable on the dependent variable. Decision making of the t test, if the significant value of the independent variable on the dependent

variable ≤ 0.05 , the independent variable affects the dependent variable and vice versa (Sekaran Uma, 2014).

RESULT AND DISCUSSION

1. Descriptive statistical analysis in this study refers to the minimum, maximum, mean and standard deviation values. The results of the study are as follows:

Table 2 Descriptive statistics

Variable	N	Minimum	Maximum	Mean	Std. Deviation
PBV	39	-.56	5.46	1.1615	1.25466
ROE	39	-.94	3.44	.2807	.86806
CR	39	-1.34	6.29	1.7999	1.59583
DER	39	-6.30	6.77	1.6854	2.25756
TATO	39	-.02	6.95	1.4513	1.76693
Valid N (listwise)	39				

Source: data processed from SPSS (2024)

Based on table 2 descriptive statistics, researchers focus on the standard deviation and mean values which are used as determinants of the data distribution of a sample. The provisions of the mean and standard deviation values are as follows:

- if the mean value is $<$ the standard deviation value, it means that the data distribution is heterogeneous.
- if the mean value $>$ from the standard deviation value means that the data distribution is homogeneous.

In table 2, the PBV, ROE, DER and TATO variables have a mean value $<$ than the standard deviation value, which means that the data distribution is heterogeneous. While the CR variable has a mean value $>$ from the standard deviation value, which means that the data distribution is homogeneous.

2. Multiple linear regression. Multiple linear regression is a statistical analysis technique used to understand the relationship between one dependent variable (the variable to be predicted) and two or more independent variables (predictor variables). The multiple linear regression model equation is as follows:

$$\hat{Y} = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + e$$

While the results of multiple linear regression are explained in the form of table 3 as follows:

Table 3 Multiple Linear Regression

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1.257	.236		5.329	.000
ROE_X1	.498	.137	.591	3.636	.001
CR_X2	-.065	.070	-.143	-.930	.359
DER_X3	.134	.043	.415	3.145	.003
TATO_X4	-.044	.046	-.107	-.967	.340

Dependent Variable: PBV_Y

Source: data processed from SPSS (2024)

Based on table 3 of multiple linear regression and multiple linear regression model equations, the regression equation model is obtained as follows:

$$\hat{Y} = 1.257 + 0.498 \text{ ROE} - 0.065 \text{ CR} + 0.134 \text{ DER} - 0.044 \text{ TATO} + e$$

Where:

- α : is the constant value of the unstandardized coefficient which in this study is 1.257. Which means that every amount of company value (PBV) at this time, the value of ROE, PER, CR and ITOR is equal to 0.
- β_1 : is the coefficient number of ROE. the coefficient value of ROE is 0.498 with a significance value of 0.001. Which means that every increase in ROE will increase PBV by 0.498.
- β_2 : is the coefficient number of CR. the coefficient value of CR is - 0.065 with a significance value of 0.359. Which means that every increase in CR will reduce PBV by - 0.065.
- β_3 : is the coefficient number of DER. the coefficient value of DER is 0.134 with a significance value of 0.003. Which means that every increase in DER will increase the PBV value by 0.880.
- β_4 : is the coefficient number of TATO. the coefficient value of TATO is - 0.044 with a significance value of 0.340. Which means that every increase in TATO will reduce the PBV value by 0.044.

3. Classic assumption test

- a. Normality test. The normality test is used to determine whether the residual value is normally distributed or not using Kolmogorov-Smirnov and Shapiro-Wilk with the following results:

Table 4 Test of Normality

	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
ABS_RES	.062	39	.200*	.985	39	.886

Source: data processed from SPSS (2024)

Based on table 4, the results show that the normality test using Kolmogorov-Smirnov and Shapiro-wilk> from a significance value of 0.5 so it can be concluded that this multiple linear regression passes the normality test.

- b. Multicollinearity test. Multicollinearity test is used in classical assumptions to determine whether the variables under study are found to have a correlation between independent variables (X). The multicollinearity test results are presented in table 5 as follows:

Table 5 Multicollinearity Test

	Collinearity Statistics	
	Tolerance	VIF
ROE_X1	.437	2.291
CR_X2	.489	2.045
DER_X3	.663	1.509
TATO_X4	.937	1.067

Source: data processed from SPSS (2024)

Based on table 5, the results show that the tolerance value > 0.1 and the VIF value ≤ 10 , so it can be concluded that this multiple linear regression passes the multicollinearity test.

- c. Heteroscedasticity test. The heteroscedasticity test is used in classical assumptions to determine whether the regression under study occurs inequality of variance from the residuals of one observation to another. The results of the heteroscedasticity test are presented in table 6 as follows:

Table 6 Heteroscedasticity test

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std.Error	Beta		
(Constant)	.221	.110		2.011	.052
ROE_X1	-.058	.064	-.223	-.911	.369
CR_X2	-.028	.033	-.195	-.845	.404
DER_X3	.018	.020	.181	.911	.368
TATO_X4	-.017	.021	-.134	-.802	.428

Dependent Variable: ABS_RES

Source: data processed from SPSS (2024)

Based on table 6, the results show that the significance value of ROE, CR, DER and TATO $>$ from the significance value of 0.05 so it can be concluded that this multiple linear regression passes the heteroscedasticity test.

- d. Autocorrelation Test. The autocorrelation test is used to determine whether the regression studied is correlated between confounders in period t (time) with errors in period t-1 (time-1). The results of the autocorrelation test are presented in table 7 as follows:

Table 7 Autocorrelation test

Durbin-Watson	Tabel Durbin-Watson ($\alpha = 5\%$; $n = 4$)	
	dL	dU
2.162	1.2734	1.7215

Predictors: (Constant), TATO_X4, CR_X2, DER_X3, ROE_X1

Source: data processed from SPSS (2024)

Based on table 7, the DW result is 2.162 with a dU of 1.7215. The basis for determining whether the autocorrelation test passes is if the value of $Du < DW < 4 - Du$ and the following results are obtained:

Uji Durbin – Watson = $Du < DW < 4 - Du$

Uji Durbin – Watson = $1.7215 < 2.162 < 4 - 2.2785$

So it can be concluded that this multiple linear regression passes the autocorrelation test.

4. Analysis of the coefficient of determination (R²) test. The coefficient of determination test (adjusted R²) is used to measure the total presentation in the dependent variable which is explained by all dependent variables in this

study. The results of the coefficient of determination test are presented in table 8 as follows:

Table 8 Test Coefficient of determination (R²)

Model	R	R Square	Adjusted R Square
1	.780 ^a	.608	.562

a. Predictors; ROE, CR, DER, TATO

b. Dependent variable: PBV

Source: data processed from SPSS (2024)

Based on table 8, there are R Square and Adj R Square values. Because the research focused on two tails, the researcher used Adj R Square to determine the presentation of the independent variable to explain the dependent variable. The results obtained are 0.562 or 56%, which means that the company value is influenced by the variable return on equity, current ratio, debt to assets ratio and inventory turnover ratio by 56%, while the remaining 44% is influenced by other factors not examined in this study.

- The F test in this study aims to determine whether the independent variables together affect the dependent variable. F test decision making, if the significant value of $F \leq 0.05$ then the independent variables together have an effect on the dependent variable and vice versa. The F test results are presented in table 8 as follows:

Table 9 Uji F

Model	Sum of Squares	df	Mean Square	F	Sig
Regression	12.378	4	3.094	13.193	.000 ^b
Residual	7.975	34	.235		
Total	20.353	38			

a. Dependent Variable: PBV

b. Predictors: (Constant), ROE, CR, DER, TATO

Source: data processed from SPSS (2024)

Based on table 9, the results show that the F value of $0.00 \leq$ from 0.05 so it can be concluded that return on equity, current ratio, debt to equity ratio and total assets turnover ratio together have a significant effect on firm value.

- Test t (partial). The t test is used to determine the partially significant effect of the independent variable on the dependent variable. The results of the t test (partial) are presented in table 10 as follows:

Table 10 t test (partial)

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std.Error	Beta		
(Constant)	1.257	.236		5.329	.000
ROE_X1	-.498	.137	-.591	-3.636	.001
CR_X2	-.065	.070	-.143	-.930	.359
DER_X3	.134	.043	.415	3.145	.003
TATO_X4	-.044	.046	-.107	-.967	.340

Dependent Variable: PBV

Source: data processed from SPSS (2024)

Based on table 10, the results of the relationship between variables partially are obtained as follows:

- The ROE coefficient value is - 0.498, which means that the higher the return on equity ratio, the lower the company value as measured by PBV. The significance value is 0.001 which means significant. It can be concluded that H1 is accepted and H0 is rejected, which means that there is a significant influence between ROE on firm value.
- The CR coefficient value is -0.065, which means that the higher the current ratio, the lower the company value as measured by PBV. The significance value is 0.865 which means it is not significant. It can be concluded that H2 is rejected and H0 is accepted, which means that there is no significant influence between CR on firm value.
- The DER coefficient value is 0.134, which means that the higher the debt to assets ratio, the higher the company value as measured by PBV. The significance value is 0.003, which means that the independent variable on the independent variable has a significant effect. It can be concluded that H0 is rejected and H3 is accepted, which means that the debt to assets ratio has a significant positive effect on firm value.
- The TATO coefficient value is - 0.044, which means that the higher the total assets turnover ratio, the lower the company value as measured by PBV. The significance value is 0.340, which means that the independent variable on the independent variable has no significant effect. It can be concluded that H4 is rejected and H0 is accepted, which means that total assets turnover has a positive significant effect on firm value.

DISCUSSION

After the researcher analyzes the relationship between the independent variable and the dependent variable, the next step is for the researcher to explain the relationship between variables which is strengthened by previous research. The relationship between variables is as follows:

1. The effect of return on equity ratio on firm value

Return on equity has a significant and negative effect on firm value as measured using the price book value ratio. Return on equity is an important ratio for

shareholders. Companies in maximizing the level of return on investment are more focused on dividing dividends to shareholders than increasing company value so that the higher the return on equity value, the significant and negative effect on firm value as measured using the price book value ratio. This statement is supported by research conducted from Rahmadewi & Abundanti (2018) which states that the return on equity ratio has a significant and negative effect on firm value using the price book value ratio. This study rejects research from Ali et al. (2021), Sembiring (2019) Fajri (2018), Abdurrahman (2015) dan Fauziah & Sudiyatno (2020) Devi & Rimawan (2022), Hirdinis (2019), Qodir et al. (2016), Manoppo & Arie (2016), and Risqi & Suyanto (2022).

2. The effect of current ratio on firm value

Current ratio has no effect on firm value as measured using the price book value ratio. Current ratio is a ratio that reflects the ability of assets to cover current debt influences (Brigham dan Houston, 2019). The test results in this study indicate that a high current ratio will not affect the increase or decrease in firm value. The high value of the current ratio does not necessarily reflect good financial management but it could be because the company is unable to manage available funds that can generate profits for shareholders. This research is in accordance with research conducted by Dzulhijar et al. (2021), Ertanto & Hikmat (2022), Salainti (2019) which state that the current ratio has no effect on firm value using the price book value ratio. This study rejects research from Purba & Mahendra (2022), Amin et al. (2022), Aulia (2018), Cicilia Erly Istia et al. (2023), Salainti (2019), Sinaga et al. (2022) and Nuuril Imaama et al. (2022).

3. The effect of debt to equity ratio on firm value

Debt to equity ratio has a significant and positive effect on firm value as measured using the price book value ratio. Debt to equity ratio is a financial ratio that compares the amount of corporate debt to the company's capital influences (Brigham dan Houston, 2019). Debt to equity ratio has a significant effect on firm value, which means that the higher the DER value, the better the company value. This is because a high debt to equity ratio value indicates that the company's profits are fully funded by debt. The smoother the company is in managing debt, the greater the company will get investor confidence (Amin, Amirah and Faizal, 2022). However, good debt management is still needed so as not to cause financial risks in the future (Fatmayuni, Sri Dwi Ari Ambarwati and Hendro Widjanarko, 2024). This statement is in accordance with research conducted by Amin et al. (2022), Aulia (2018); Cicilia Erly Istia et al. (2023) and Salainti (2019) which state that the debt to equity ratio has a significant positive effect on firm value using the price book value ratio. This study also rejects research conducted by Amin et al. (2022); Aulia (2018); Cicilia Erly Istia et al. (2023); Salainti (2019), Ertanto & Hikmat (2022); Fajri (2018) and Sondakh et al. (2019).

4. The effect of total assets turnover ratio on firm value

The total assets turnover ratio has no significant effect on firm value as measured using the price book value ratio. This study shows that the Activity variable, represented by Total Asset Turnover, has no impact on firm value. This is due to fluctuations in the sales data of the companies sampled, which experience instability in growth or increase. Based on research data, the total assets turnover ratio shows a small ratio between sales revenue and total assets, where some companies have a high level of assets but low sales revenue. Effective company activities do not always have an impact on increasing company profits or revenues, so they are not the main consideration for investors in making investment decisions. Therefore, the results show that the Activity variable, represented by the total assets turnover ratio, does not affect firm value. This study supports research conducted by Cicilia Erly Istia et al. (2023) where the total assets turnover ratio has no effect on firm value as measured using the price book value ratio. This study rejects research from Asiri & Hameed (2014), Firdaus (2020) and Salainti (2019).

CONCLUSION

Based on this study, it can be concluded that the variables Return on equity ratio (X1) and debt to equity ratio (X3) have a significant and positive effect on firm value as measured using the price book value ratio. While the current ratio (X2), and total assets turnover ratio (X4) have no significant effect on firm value as measured using the price book value ratio. Suggestions for investors in investing funds in terms of company value are advised to look in terms of Return on equity ratio (X1) and debt to equity ratio (X3) because both variables affect the quality of the stock value of a company. In addition, using non-parametric analysis such as panel data and logistics may have different results from this study. The companies studied in this study focused on Chemical sub-sector companies and the variables studied only focused on Return on equity ratio (X1), debt to equity ratio (X3), current ratio (X2), and total assets turnover ratio (X4) which made limitations on this study..

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