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The Effect of Debt Equity Ratio, Return on Assets and Net Profit Margin on Price Book Value in the Food and Beverage

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Abstract: This research is to provide understanding and knowledge to the public, especially investors and creditors regarding the Effect of DER , ROA and NPM on Company Value and can be used as a reference for further researchers and stakeholders (investors, creditors and government) in making relevant and reliable decisions. The specific target to be achieved is proof of the hypothesis with the fit between the existing theory and the facts that actually occur. Making the results of research as a case study study company to be implemented in economics, especially management science.The results of this study are that the debt equity ratio has a positive and significant effect, return on assets and net profit margin have a negative effect.

Keywords: DER, ROA, NPM, Company Value

I. INTRODUCTION

The condition of the manufacturing industry especially the goods and consumption sub-sector is experiencing a rapid increase. The increase that occurred in the manufacturing industry can be said to be supported by the goods and consumption sector even though economic conditions are still colored by uncertainty. Various negative factors such as rising gas prices, basic electricity tariffs, etc. still do not disturb this sector. Even though it has a negative factor, the goods and consumption sector will not feel a big impact because it is a publicly-listed and well-liked issuer so that it is quite divisive (Aniela, Deannes, and Annisa, 2017).

This competition causes many companies to think about always making improvements in all areas that are considered less useful for the company, including in how to measure the performance of company management. Existing competition can have a significant impact on the company itself and it has become common knowledge that the activities of each company are aimed at the prosperity and well-being of the company itself. Analysis of the development of financial performance can be obtained through an analysis of corporate financial data which is arranged in the financial statements (Maryam, 2012).

To assess a company's performance benchmarks are needed. Benchmark that is often used is the ratio. By reviewing the financial ratios, investors can find out how the company's performance and compare it with the performance of other companies. This is done by investors to set alternative investment decisions that are better. Because of course investors want their funds divested in companies that have better performance results, in order to ensure the sustainability of the increase in investment value (ST. Rukmini. T, 2016).

According to Desi and Altje (2014) companies have short-term and long-term goals. In the short term the company aims to obtain maximum profit by using existing resources. While in the long run the company's main goal is to maximize the value of the company. The company's value will be reflected in the price of the company's shares. High company value shows the prosperity of shareholders is also high. Maximum company value is the result of determining the optimal capital structure. Where the use of corporate debt can maximize company value.

Company value can be seen from the Price Book Value (PBV) which is a comparison between the stock price and the book value per share. The amount of PBV is inseparable from several policies taken by the company. One very sensitive policy is debt policy, profitability, and investment decisions (Mutiara Nur Fauziah, 2018).

II. LITERATUR REVIEW

Signaling Theory

Signal theory begins with the writings of George Akerlof in his 1970 work "The Market for Lemons", which introduces a term asymmetric information (assymetry information). Akerlof (1970) also learns about the phenomenon of imbalance information about the quality of a product between buyers and sellers by testing the used car market.

The condition where one party (the seller) who conducts a business transaction has more information about the other party (the buyer) is called adverse selection (Scott, 2015).

Debt Equity Ratio

According to Kasmir (2015) DER is a ratio used to assess debt with equity. This ratio is useful to know the amount of funds provided by the borrower (creditor) with the owner of the company. The ratio used to value debt with equity. This ratio knows every rupiah of own capital that is used as collateral.(Anah,Firdaus,& Alliffah, 2018).

Return On Assets

According to Brigham and Houston (2014) Return on Assets is a ratio of net income to total assets that measures returns on total assets after interest and taxes.

Price Book Value

Price Book Value or the ratio of the market price of a stock to its book value gives an indication of the investor's view of the company. Companies that are considered good by investors are companies with safe profits and cash flow and continue to experience growth with a higher book value ratio compared to companies with low returns (Brigham and Houston, 2014).

Hypothesis

Referring to the research objectives, namely to analyze financial statements as the book value of the prices of food and beverage companies listed on the Indonesia Stock Exchange, the research hypotheses proposed are as follows:

a. H1: DER has a positive and significant effect on PBV

b. H2: ROA has a positive and significant effect on PBV

c. H3: NPM has a positive and significant effect on PBV

Based on the hypotheses developed above, an illustration can be given in the form of a chart about the influence of the independent variables namely DER, ROA and NPM on the dependent variable, namely PBV as follows:

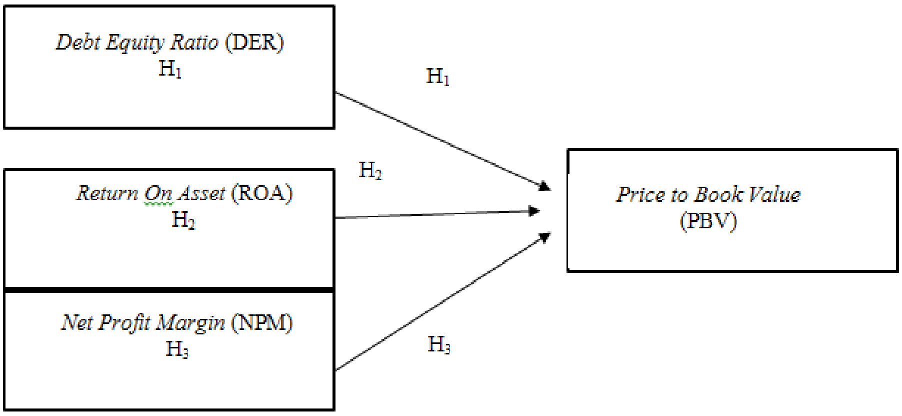

Figure 1.

Framework

III. RESEARCH METHODE

Operationalization of Variables and Measurement of Variables

Table1. Operationalization of Variables and Measurement of Variables

No	Variabel	Indikator	Skala
1	PBV	Stock Price per Share / book value per share	Rasio
2	DER	$\frac{\text{Total Liability}}{\text{Equity}} \times 100\%$	Rasio
3	ROA	$\frac{\text{EAT}}{\text{Total Asset}} \times 100\%$	Rasio
4	NPM	$\frac{\text{EAT}}{\text{Sales}} \times 100\%$	Rasio

Population and Research Samples

The population in this study are all food and baverage companies listed on the Indonesia Stock Exchange. This study uses secondary data from the financial statements of food and baverage companies in 2010 - 2018. Data in this study were taken by purposive sampling method, with the following criteria:

1. Food and baverage company
2. Publish financial statements in rupiah and issue audited financial statements as of December 31.
3. No de-listing during 2010 - 2018.
4. Have complete data following the needs of the author

Data Analysis Method

Data analysis was performed using the Eviews 9 program which included analysis as follows: 1) Test Descriptive Statistics. 2) Inferensial Statistic , Common Effect. Fixed Effect. Random Effect.3) Model Testing (Selecting the Data Panel Model); Uji Chow (F Statistik) and Haussman test. 4) Regression Testing Model 5) Feasibility Test Model consisting of Analysis of the Determination Coefficient (R2 test), Simultaneous Regression Coefficient Test (F Test) and Partial Test (t Test).

III. RESULT

Based on the panel data regression model testing that has been done, it can be concluded that the right panel data regression model used in the study is the fixed effect model. The results of the fixed effect model panel data regression analysis are as follows:

Tabel 1

Regression Analysis of the Fixed Effect Model Panel Data

Dependent Variable: PBV
Method: Panel Least Squares
Date: 04/19/20 Time: 14:42
Sample: 2010 2018
Periods included: 9
Cross-sections included: 6
Total panel (balanced) observations: 54

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-4.664388	3.924481	-1.188536	0.2409
DER	9.278041	2.221926	4.175676	0.0001
ROA	0.332954	0.166950	1.994339	0.0522
NPM	-0.078777	0.207711	-0.379264	0.7063

Effects Specification

Cross-section fixed (dummy variables)

R-squared	0.854104	Mean dependent var	8.097778
Adjusted R-squared	0.828167	S.D. dependent var	12.11219
S.E. of regression	5.020840	Akaike info criterion	6.216083
Sum squared resid	1134.398	Schwarz criterion	6.547581
Log likelihood	-158.8342	Hannan-Quinn criter.	6.343929
F-statistic	32.92980	Durbin-Watson stat	1.754489
Prob(F-statistic)	0.000000		

The value of the statistical F probability is less than 0.05 which is 0.000000. This shows that Ho is rejected and Ha is accepted, which means that the independent variables namely Debt Equity Ratio, Return On Assets and Net Profit Margin together or simultaneously have a significant effect on Price to Book Value.

The value of R-squared is 0.854104. This shows that 85.41% of the dependent variable Price to Book Value can be explained by the independent variables Debt Equity Ratio, Return On Assets and Net Profit Margin. The remaining 14.59% was explained by other factors not yet examined in this study.

Debt Equity Ratio (DER) variable probability value of 0.0001 <0.05 then H1 is accepted. The coefficient value of the DER variable is positive which is -9.278041 so it can be concluded that the Debt Equity Ratio variable has a positive and significant effect on the Price to book value variable.

Return on Asset (ROA) variable probability value of 0.0522> 0.05 then H2 is rejected. The coefficient value of the DPR variable is positive, that is 0.332954 so it can be concluded that the Return on Asset variable does not have a positive and significant effect on the Price to book value variable.

the probability value of the Net Profit Margin (NPM) variable is 0.7063> 0.05 then H3 is rejected. The coefficient value of the negative NPM variable is - 0.078777 so it can be concluded that the Net Profit Margin variable has no negative and significant effect on the Price to book value variable.

V. CONCLUSION

Based on the results of research and discussion about the effect of Debt Equity Ratio, Return On Assets and Net Profit Margin on Company Value, the author can draw the following conclusions:

a) Debt Equity Ratio has a positive and significant effect on the value of the company in the Food and Beverages companies 2010-2018 because with the existence of debt can be used to control excessive use of free cash flow by management, thereby avoiding wasted investments, thereby increasing the use of debt will increase the value of the company.

b) Return on Assets has a negative effect on the value of the company in the Food and Beverages company 2010-2018 because the greater profit obtained by a company does not guarantee that the company uses funding decisions that originate from debt, and tends to use internal funds to carry out the company's operational continuity.

c) Net Profit Margin has a negative effect on Company Value in the Food and Beverages companies 2010-2018. This illustrates that the higher the Net Profit Margin produced, the lower the value of the company. Vice versa, the lower the Net Profit Margin, the higher the value of the company. Negative effect indicates that net profit margin is seen by investors as an uncertain company condition.

d)

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