

The Influence of Financial Ratios on Firm Value

Sakina Ichسانی*, Dean Andrian, Dicky Pirmansyah, Haeroni, Zisko Zuarnel

Widyatama University, Indonesia

*sakina.ichسانی@widyatama.ac.id

ABSTRACT

The purpose of this study is to determine the effect of financial ratios consist of liquidity ratios, profitability ratios, leverage ratios), market ratios and company size to firm value in the agricultural sector listed on the Indonesian stock exchange for the period 2015-2019. The number of research population is 21 companies and the number of samples used in this study is 16 companies. Data processing is carried out using the IBM SPSS Statistics 20 system. Based on data analysis and research results, it can be concluded that it shows that simultaneously liquidity ratio, profitability ratio, leverage ratio, market ratio and company size affect firm value. Meanwhile the liquidity variable has a positive effect on firm value because it has a sig liquidity value of less than 0.05. But, the profitability, leverage, market, and size variables have no effect on firm value because it has a sig value of more than 0.05. Companies need to pay attention to the liquidity ratio; because it is proven that the liquidity ratio has a significant effect on firm value. For further researchers, it is suggested that they can research with other variables outside of this variable in order to obtain more varied results that can describe what things can affect company value, besides extending the observation period and expanding the scope of research on the effect of financial ratios on value companies in the agricultural sector.

Keywords

Financial ratios, firm value

Introduction

The capital market is a platform for funding a company or other institution (for example the government) and as an activity for means of investing. The capital market is a market that has various financial instruments that are intended as long-term investment that can be traded in the form of mutual funds, stocks, derivative instruments, bonds and other instruments (Azis et al., 2015). Capital market functions are to invest. Investment is like committing to number of resources or amount of funds currently invested, which aim in the future can get a lot of profit (Tandelilin, 2017). Investors who want to get profits by getting dividends usually do not pay much attention to the fluctuations that occur in the capital market. However, for investors who want to get short-term benefits by obtaining capital gains or the difference between the buying price and the selling price, investors must always look at the development of fluctuations in the capital market. In carrying out stock investment activities in the capital market, investors need to know and choose which stocks provide the most optimal return for the funds to be invested.

One of the sectors listed on the Indonesian stock exchange is the agricultural sector. Role in the biggest contributor to Gross Domestic Product

(GDP), the first is the industrial sector, the second is the agriculture sector and the third is the trade sector which has a role as national economic growth. Currently the Indonesian government is very aggressively launching programs that increase the production capacity of agricultural commodities in an effort to support one of the nawacita, namely the realization of Indonesian food self-sufficiency. The Ministry of Agriculture said that the achievement of agricultural GDP in 2019 exceeded the predetermined target. This proves that agricultural policies are capable of boosting national economic growth. The Central Statistics Agency (CSA) merili value of agricultural GDP income has increased significantly by 5.41% (www.agrofarm.co.id). The following is the agricultural sector GDP data.

Table 1. Gross domestic product based

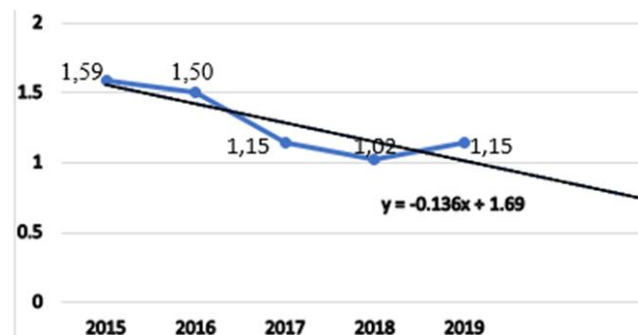
2015	IDR 906,8 trillions
2016	IDR 936,4 trillions
2017	IDR 969,8 trillions
2018	IDR 1.005,4 trillions
2019	IDR 1.119,2 trillions

Source: www.investment.com

Based on the table above, since 2015-2019 the agricultural sector GDP has consistently shown a positive trend. In 2015 the agricultural sector GDP was Rp. 906.8 trillion then increased in 2016 and 2017 by Rp. 936.4 trillion and Rp. 969.8 trillion and then again increased significantly in 2018 amounting to Rp. 1005.4 trillion, a significant increase occurred again in 2019 reaching Rp. 1,119.2 trillion. One of the factors that boosted the increase in Indonesia's agricultural GDP was an increase in subsectors such as food crops that grew 5.13 percent, horticulture 6.11 percent, plantations 4.45 percent and livestock 7.78 percent (www.agrofarm.co.id).

Maximizing the value of the company shows the current state of the company which can describe the prospects of the company in the future, so that the value of the company is able to influence the investors' assessment of the company. The price of a share can be a measure of a company's performance, which reflects the specific assessment of market participants on the value of companies that have gone public. In this study, firm value is proxied by Price to Book Value (PBV) is a comparison between the market price of a stock with book value. What is meant by book value is the ratio between the capital and the number of shares outstanding. PBV shows how much the companies are able to create value relative to the invested capital. Based on the PBV ratio, it can be seen that the company value is good when the PBV value is above one that is the book value is smaller than the market value. The higher a PBV value, the better the company value. Conversely, if the PBV is below the value of one, it reflects the company's poor value (Sampurna & Sari, 2018).

The increase in the agricultural sector that occurs is not in line with the value of the company being created. The following is a graph of company value reflected in the Price to Book Value.



Source: www.idx.co.id processed data

Figure 1. Development of the agricultural sector firm value period of 2015-2019

If seen in Figure 1, you can see the company's average movement linear line shows that it tends to decline. In 2015, firm value decreased by 23.56% due to the weakening of the currency exchange which is Rupiah to USD, thus suppressing the performance of agricultural issuers which resulted in an increase in prices for staples (www.republika.co.id), then an increase in 2016 was 2% due to an improvement in the investment climate through economic policy packages so as to increase domestic demand and export activities (www.satuharapan.com).

In 2017 and 2018 the average firm value in the agricultural sector again decreased by 26.17% and 9%. This happened because it was caused by the main factor, namely the net sell by foreign investors and the declining commodity price of Crude Palm Oil (CPO) (www.koranjakarta.com). In 2019, it again increased by 11.6% because exports in the agricultural sector experienced an increase in exports which was driven by the policy of the minister of agriculture regarding the three-fold movement of exports. (www.republika.co.id). This means that the value of companies in the agricultural sector which tends to decline will affect investment policy, where investors prefer companies that have firm values that tend to increase.

The company can achieve its objectives through the implementation of the financial management function by maximizing company value, that is, a financial decision taken can influence other financial decisions and have an impact on company value. Prediction of firm value is done by looking at the company's financial ratio factors. The financial ratios used in this study are liquidity

ratio proxied by Current Ratio (CR), profitability ratio proxied by Return on Equity (ROE), leverage ratio proxied by Debt to Equity Ratio (DER), and market ratio proxied by Price Earning Ratio (PER) and company size.

From the above background, research problems are formulated into, among others, is there an influence between the variable liquidity, profitability, leverage, market, and size on the value of the company either simultaneously or partially.

The results of the research we have made are expected to be used as material for evaluating company performance which aims to determine the best ratio that can affect firm value. This research is also expected to provide the development of knowledge that has been obtained with the realities in the field as additional information and references for further research.

Literature Review

Liquidity Ratio

Liquidity ratio which is the ratio to measure how a company can pay off its short-term obligations at the right time. Liquid asset means that assets who can easy to change to other liquid asset such as inventories, securities, cash, and accounts receivable.

Types of liquidity according to Brigham (2007) are as follows:

1. Current Ratio which is the financial ratio that can measure short-term liabilities using current assets with short-term debt as a comparison. In other words, to find out the amount of current assets available to cover short-term liabilities.
2. Quick or Acid Test Ratio which is the ratio to measure the most liquid short-term liabilities, but there is one current asset that is not taken into account, namely inventory because the most illiquid current asset is inventory.

In this study, the authors used the Current Ratio (CR). A high current ratio will indicate a good creditor position because it will allow the company's debt to be paid on time. However, a

Current Ratio that is too high it will be considered bad because it will show a lot of bad debts, accumulated cash, and stockpiling of inventories.

Leverage Ratio

Leverage ratio which is the financial ratio that measure the amount of debt that a company uses compared to the assets the company owns This ratio will show how many company assets are owned by shareholders when compared to assets owned by creditors (lenders). If the shareholder owns many assets, the company is less leveraged. However, if the creditors have many assets, then the company is said to have a high degree of leverage.

The types of leverage according to Van Horne (2012) are as follows:

1. Debt to Asset Ratio is a ratio used to compare the amount of assets owned by the company with total debt.
2. Debt to Equity Ratio is a ratio to compare the amount of total debt that must be settled by the company compared to the total equity held.
3. Long Term Debt to Equity Ratio, which is the ratio used to measure the level of long-term liabilities of the company obtained from its own capital.
4. Time Interest Earned Ratio, is to measure the amount of interest that must be paid by the company obtained from earnings before interest and corporate taxes.
5. Fixed Charge Coverage Ratio namely the ratio that will provide an overview of the amount of fixed expenses that must be met by the company, such as: interest, loan installments, leases, and preferred stock dividends on long-term debt owned by the company.

In this study, the authors used Debt to Equity (DER). A high DER number is considered financially dangerous because at a high DER number, company managers must work harder to maintain the company's cash flow. However, if the DER number shows a lower number, investors will appreciate it higher because the level of risk is lower.

Profitability Ratio

Profitability ratio which is the financial ratio to evaluate a company's business performance in generating profits. The aim is for investors to have an idea of how efficient the company is in using assets and operating in generating profits. The level of company profitability must be maintained because the goal of each company is to get high profitability results.

Types of profitability according to Brigham (2012) are as follows:

1. Profit Margin on Sales, is the ratio to calculate the level of company net income obtained from sales achieved.
2. Return On Asset, is the ratio for calculating the company profits obtained from all total assets.
3. Basic Earning Power, is a ratio that will show the amount of operating profit the company gets before taxes and interest from total assets.
4. Return On Equity, is a financial ratio to determine how the capital management of company for profit.

In this study, the authors used the Return on Equity (ROE). By measuring ROE, we can see the company's performance and measure the level of return on capital from the company. The higher the ROE number, it can be said that the company's performance is more effective. So that, it will increase the company's attractiveness to investors.

Market Ratio

Market ratio which is a ratio to measure a company's ability to create value for investors. This ratio will provide information on the investor's interest when buying company shares, so that by looking at the book value of the company investors will be willing to buy the company's shares at a higher price.

The types of market ratios according to Gitman (2015) are as follows:

1. Earning Per Share, which is the financial ratio to find out how the company generate profits per share of the owner.

2. Price Earning Ratio is the ratio to compare the share price with the profits that will be obtained by shareholders.
3. Market to Book Value Ratio, which is the financial ratio to find out book value compared to the stock price.

In this study, the authors used Price Earning Ratio (PER). PER will show how long it will take for the company to process the refund in a certain period by looking at the stock price level and the company's profits. Investors will have high expectations of the company's future performance, if PER shows a high number. This will also increase the company value and will attract investors.

Firm Size

Firm size which is a scale that will show how big the company is by looking at the number of fixed assets and the number of sales the company has. If the size of the company is getting bigger, the easier the assets in the company are to be used. The ease of controlling assets in the company will increase the good view of investors on company value.

The company can be said to be stable, and has a positive prospect if it has large total assets, and the company will be considered better when compared to small companies because the company will have better control over existing market conditions.

Firm Value

Firm value is the price that investors are ready to pay if the company is sold. The company's share price will be maximized if the company's value can be maximized so that it will provide prosperity to investors. The maximum company value will describe the current state of the company and will show a good prospect in the future, so that investors' perceptions of company value will also change by providing a better view.

The measurement of firm value according to Weston and Copeland (2008) is as follows:

1. Price Earning Ratio is a measure of the change in earnings ability that investors expect in the future.
2. Price to Book Value is to assess the stock market of a company compared to its book value.
3. Tobins' Q is a calculation that compares the stock market value with the book value of the company's equity as a combination of tangible and intangible assets.

In this study, the authors used the Price to Book Value. Because a good company is a company that has a PBV ratio of more than one, this means that the company's market value is greater than its book value. The company's value will be better if the PBV value is getting higher. The company will increasingly attract the attention of investors if the value of the company is getting better.

Research Hypothesis

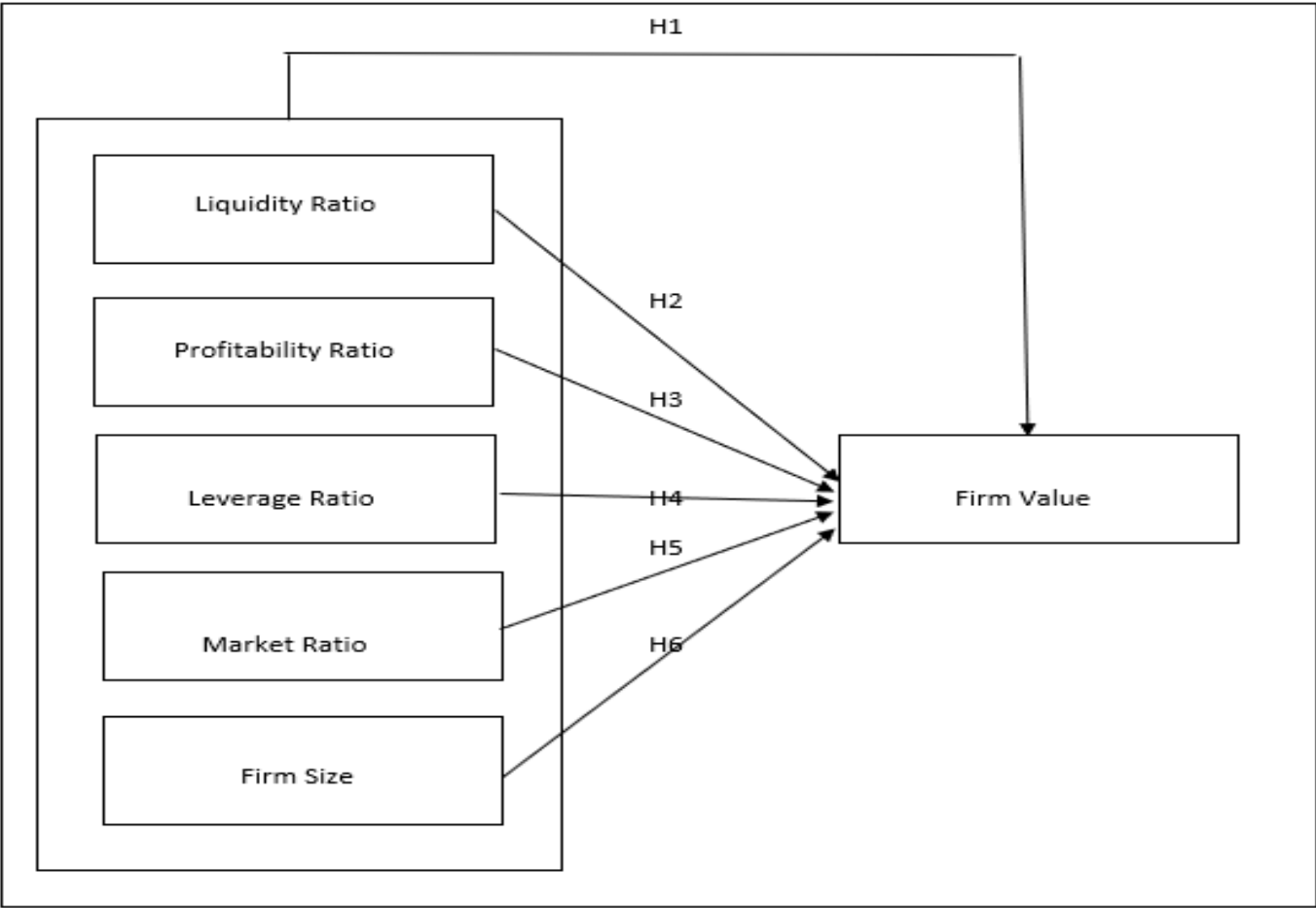


Figure 2. Research hypothesis

Hypothesis

- H1: Liquidity Ratio, Profitability Ratio, Leverage Ratio, Market Ratio, and Firm Size affect the Firm Value
- H2: Liquidity Ratio affect the Firm Value
- H3: Profitability Ratio affect the Firm Value
- H4: Leverage Ratio affect the Firm Value
- H5: Market Ratio affect the Firm Value
- H6: Firm Size affect the Firm Value

Methodology

The populations in this study were companies in the agricultural sector listed on the Indonesia Stock Exchange in the 2015-2019 periods. The numbers of population in this study were 21 companies. The names of these companies include:

Table 2. Research population

No	Issuer Code	Company Name
1	AALI	Astra Agro Lestari Tbk
2	ANDI	Andira Agro Tbk
3	ANJT	Austindo Nusantara Jaya Tbk
4	BEEF	Estika Tata Tiara Tbk
5	BISI	BISI International Tbk
6	BWPT	Eagle High Plantations Tbk
7	DSFI	Dharma Samudera Fishing Indust.
8	DSNG	Dharma Satya Nusantara Tbk
9	GOOL	Golden Plantation Tbk
10	GZCO	Gozco Plantations Tbk
11	JAWA	Jaya Agra Wattie Tbk
12	LSIP	PP London Sumatera Indonesia Tb
13	MAGP	Multi Agro Gemilang Plantation
14	MGRO	Mahkota Group Tbk
15	PALM	Provident Agro Tbk
16	SGRO	Sampoerna Agro Tbk
17	SIMP	Salim Ivomas Pratama Tbk
18	SMAR	Smart Tbk
19	SSMS	Sawit Sumbermas Sarana Tbk
20	TBLA	Tunas Baru Lampung Tbk
21	UNSP	Bakrie Sumatera Plantations Tb

Source: Author, data processed

The sample is part of the research used to determine the population size and the characteristics to be studied. The samples that will be the material for this research are companies engaged in agriculture that are listed on the IDX during the 2015 to 2019 period that have published their financial reports.

The considerations or criteria that meet the samples taken from the population in this study are as follows:

1. Agricultural industrial companies that have been listed on the Indonesia Stock Exchange (IDX) during the 2015-2019 period
2. Companies that always report financial statements completely and consistently during the 2015-2019 period
3. Presentation of annual financial statements presented as of December 31

Table 3. Criteria for research sampling

Criteria	Number of Companies
Companies that are consistently listed on the Indonesian Stock Exchange for the period 2015-2019 consecutively	21
Companies that do not have complete annual financial reports for 5 years from 2015-2019	(5)
Companies that do not present annual financial reports as of December 31	(0)
Total sample	16

Source: Data on the companies that are the research samples are attached

Based on the criteria in the table above, the numbers of research samples used in this study were 16 companies. The following are the names of the companies that were sampled in this study:

Table 4. Research sample

No	Issuer Code	Company Name
1	AALI	Astra Agro Lestari Tbk
2	BISI	BISI International Tbk
3	BWPT	Eagle High Plantations Tbk
4	DSFI	Dharma Samudera Fishing Indust.
5	DSNG	Dharma Satya Nusantara Tbk
6	GZCO	Gozco Plantations Tbk
7	JAWA	Jaya Agra Wattie Tbk
8	LSIP	PP London Sumatera Indonesia Tb
9	MAGP	Multi Agro Gemilang Plantation
10	PALM	Provident Agro Tbk
11	SGRO	Sampoerna Agro Tbk
12	SIMP	Salim Ivomas Pratama Tbk
13	SMAR	Smart Tbk
14	SSMS	Sawit Sumbermas Sarana Tbk
15	TBLA	Tunas Baru Lampung Tbk
16	UNSP	Bakrie Sumatera Plantations Tb

Source: Author, data processed.

Table 5. Variable operationalization

No	Variable	Indicator	Definition	Measurement	Scale
1	Liquidity Ratio	Current Ratio	$CR = \frac{\text{Current Asset}}{\text{Current Liabilities}} \times 100\%$	Percentage	Ratio
2	Profitability Ratio	Return On Equity	$ROE = \frac{\text{Net Profit}}{\text{Total Equity}} \times 100\%$	Percentage	Ratio
3	Leverage Ratio	Debt Equity Ratio	$DER = \frac{\text{Total Debt}}{\text{Total Equity}} \times 100\%$	Percentage	Ratio
4	Market Ratio	Price Earning Ratio	$PER = \frac{\text{Market Prices per share}}{\text{Earning Per Share}}$	Decimal	Ratio
5	Firm Size	Firm Size	$\text{Firm Size} = \ln (\text{Total Asset})$	Decimal	Ratio
6	Firm Value	Price To Book Value	$PBV = \frac{\text{Market Price Per Share}}{\text{Book Value Per Share}}$	Decimal	Ratio

Source: Author, data processed.

Results and Discussion

Classic Assumption Test

Classic assumption tests are carried out to obtain accurate research. In this research, the classic regression assumption test used was the normality test, multicollinearity test, autocorrelation test, and heteroscedasticity test.

Normality test

Table 6. Normality test
One-Sample Kolmogorov-Smirnov
Test

		Unstandar dized Residual
N		79
Normal Parameters ^{a,b}	Mean	.0000000
	Std. Deviation	.0094478
		6
Most Extreme Differences	Absolute	.192
	Positive	.192
	Negative	-.119
Test Statistic		.192
Asymp. Sig. (2-tailed)		.000 ^c

a. Test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

If you see the results in the table where the value of sig (2-tailed) is 0,000, it means that the data is not normally distributed because the sig (2-tailed) value is less than 0.05. Although the results of the data are not normally distributed, these data can still be used for further research, as has been suggested by McClave, et al. (2011) states that if the observed data ($n \geq 30$), it can be said that the data is normally distributed.

Multicollinearity test

Table 7. Multicollinearity test

Model	Unstandardized Coefficients		Coefficients ^a Standardize d Coefficients		t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta				Toleranc e	VIF
1 (Constant)	.011	.027			.396	.694		
Liquidity	.002	.001	.358	3.094	.003	.860	1.162	
Profitabil ity	-.002	.002	-.089	-.811	.420	.961	1.040	
Leverage	.000	.001	.052	.454	.651	.869	1.151	
Market	.002	.001	.133	1.215	.228	.965	1.036	
Size	-.008	.091	-.009	-.085	.932	.972	1.029	

a. Dependent Variable: Firm value

The theory put forward by Ghazali Imam (2016) states that if the result of tolerance has a value > 0.10 , it can be said that there is no multicollinearity in the model. If seen in the table, we can see that all of these tolerance values are greater than 0.10, meaning that it can be said that there is no multicollinearity relationship in the model. In addition to the tolerance table, it can also be seen in the VIF table where the value of the VIF table is 10 so it can be said that there is no multicollinearity in this model either. In addition to the tolerance table, you can also see the VIF table where the value of the VIF table is 10 so that it can be said that there is no multicollinearity in this model as well.

Autocorrelation test

Table 8. Autocorrelation test

Model	R	R Square	Model Summary ^b		
			Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.396 ^a	.157	.099	.00977	1.137

a. Predictors: (Constant), Liquidity, Profitability, Leverage, Market, Company size

b. Dependent Variable: Firm value

In the data table above, it can be seen that the result of Durbin-Watson is 1.137. Furthermore, these results will be used for comparison values with the table value of Durbin Watson at 5% signification. while the number of independent variables is 5 and the sample size is 16, this figure is then seen in distribution of the values of the Watson Durbin table, so that the dL value is 0.615 and the dU is 2.157. The Durbin-Watson value is 1,137 less than the dU limit, namely 2,157 and less than (4-du) $4-2,157 = 1,843$ as the basis for decision making in the Durbin Waston test above, the conclusion is there is no effect between the regression model with autocorrelation or regression free of interference from autocorrelation disorders.

Heteroscedasticity test

Table 9. Heteroscedasticity test

Model	Unstandardized Coefficients		Coefficients ^a Standardize d Coefficients		t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta				Toleranc e	VIF
1 (Constant)	.011	.027			.396	.694		
Liquidity	.002	.001	.358	3.094	.003	.860	1.162	
Profitabil ity	-.002	.002	-.089	-.811	.420	.961	1.040	
Leverage	.000	.001	.052	.454	.651	.869	1.151	
Market	.002	.001	.133	1.215	.228	.965	1.036	
Size	-.008	.091	-.009	-.085	.932	.972	1.029	

a. Dependent Variable: Firm value

In this test, we can find out the results of the sig value of several variables including the liquidity variable of 0.003, profitability of 0.420, leverage of 0.651, market 0.228 and Size 0.932. Where from these results it can be seen that there are four variables whose results are more than 0.05 therefore there are no symptoms in the heteroscedasticity model.

F-Test

Table 10. F-test

		ANOVA ^a			
Model		Sum of Squares	Df	Mean Square	F
1	Regression	.001	5	.000	2.715
	Residual	.007	73	.000	
	Total	.008	78		

a. Dependent Variable: Firm value

b. Predictors: (Constant), liquidity, profitability, leverage, market, size

It can be seen from the research above where the sig result of the T test is 0.026. then it can be said that the hypothesis is accepted because the sig value is less than 0.05 or it can be said that liquidity, profitability, leverage, market, and size simultaneously affect firm value.

T-Test

Table 11. T-test

		Coefficients ^a				Collinearity Statistics	
		Unstandardized Coefficients	Standardized Coefficients	t	Sig.	Tolerance	VIF
1	(Constant)	.011	.027	.396	.694		
	Liquidity	.002	.001	.358	3.094	.003	.860
	Profitability	-.002	.002	-.089	.811	.420	.961
	Leverage	.000	.001	.052	.454	.651	.869
	Market	.002	.001	.133	1.215	.228	.965
	Size	-.008	.091	-.009	-.085	.932	1.029

a. Dependent Variable: Firm value

From the results of the table, it can be seen where the variable liquidity affects the firm value because the liquidity sig value is less than 0.05. Meanwhile, the variables of profitability, leverage, market, and size have no effect on firm value because the sig value is more than 0.05.

Discussion

Based on the research results, it states that liquidity, profitability, leverage, market, and size simultaneously have an effect on the firm value. In accordance with the results of the significant F test with the results obtained that the sig value of 0.026 shows a smaller value than compared to the 0.05 significance level.

The results from the first hypothesis of this study are that liquidity has an effect on firm value in agricultural industrial companies that have been listed on the Indonesia Stock Exchange (IDX)

during the 2015-2019 period. In this study the result that liquidity has an effect on firm value, which means that the hypothesis is accepted. The liquidity of a company is said to be good if the availability of cash and current assets it has is able to be used to meet investment needs and is able to cover short-term debt and operational funds of a company. The closure of short-term debt and the use of internal funds results in a decrease in the proportion of debt as a whole so that the risk of the company is getting smaller. This will increase the stock price, because the high share price can also reflect the high value of a company. On the other hand, if the liquidity level is low, this means that less effective performance is shown in company management. In order to meet working capital needs, the company will issue securities such as bonds or external funds so that the value of a company will decrease and it can reduce the level of confidence of investors, regarding stock demand and share prices will be low. This support previous research which was examined by Purwanto and Agustin (2017) by obtaining the result that liquidity has an effect on firm value (PBV). However, this research is not in line with the researchers conducted by Lumoly et al. (2018) and Djameluddin et al. (2018) which found that liquidity had no effect on firm value.

The second hypothesis result in the t test for the effect of profitability on firm value in this study showed a result of 0.420 which means more than degrees of freedom or > 5%. With these results, it means that H_a is rejected and H_o is accepted. Therefore, it means that profitability is negative and does not have a significant effect on firm value. This study contradicts the results of previous studies which state that the higher the company's profitability, the higher the company's value. The amount of profit obtained from a company that attracts investors, in fact this shows that the value of profitability only describes the company's ability to generate profits with the investment of the owners, so it does not describe the development or prospects of the company so that investors do not really take the profitability value into account the investment. These are in line with the research conducted by Maga et al. (2016) who found that profitability had no effect on firm value (PBV). But, the result is not in line with previous studies by Lumoly et al. (2018) and

Djamaluddin et al. (2018) show that profitability as measured by using Return on Equity has an effect on Firm Value as measured by using Price to Book Value (PBV).

The outcome of the third hypothesis in the t test where the significant value is 0.651 means that the value is greater than the significant value, namely 0.05, so the results of this study indicate that leverage has no effect on firm value so that the hypothesis is rejected. Leverage that is not significant has an effect on firm value. Most stock investors do not pay much attention to the value of leverage, because the leverage value does not tend to affect stock prices in the capital market, the leverage assessment shows how the ability of a company to fulfill its obligations to pay debt. Where the greater the leverage value indicates that the company's capital structure uses more of the funds provided by creditors to generate this profit. Those results of this study are in line with the research presented by Djamaluddin (2018), Permatasari and Azizah (2018) which states that debt policy has no effect on firm value. This research is not in line with the research conducted by Purwanto and Agustin (2017), Dahar et al. (2019), Sampurna and Sari (2018) found that debt policy has an effect on firm value.

The fourth hypothesis outcome in the t-test where the significant value is 0.228, which means that a significance value of 0.05 indicates a greater, the results show that the market has no effect on firm value so that the hypothesis is rejected. This insignificant influence is not one of the main factors that affect firm value because this ratio is used as a measurement of the amount of profit that will be obtained in the future. These are in line with the research presented by Languju et al. (2016) which states that investment decisions have no effect on firm value. However, this study is not in line with research conducted by Sampurna and Sari (2018), Pasukodewo and Susanti (2020) which found that investment decisions have an effect on firm value.

The fifth hypothesis outcome is 0.932, which means that the value is greater than the significant value, namely 0.05 so there is no effect of firm size on firm value. which is because the size of the total assets as the size of the company has not

been able to make investors believe how the company is able to manage existing assets, so the natural logarithm (LN) of company size does not affect the value of the company because management will be able to use the company's assets more freely if the company has total assets, but freedom of management also has concerns that are felt by asset owners. If these conditions are seen from the owner size, the bigger of total assets will reduce the firm value, but if these conditions are viewed from the management side, where the flexibility that is owned in control will greatly increase a company value. The results are in line with the research presented by Languju et al. (2016), Purwanto and Agustin (2017), Lumoly, et al. (2018) and Dahar et al. (2019) the states that company size has no effect on firm value. However, this researcher is not in line with Hama and Santosa (2018), Gunawan et al. (2018), Susanti and Restiana (2018) found that company size has an effect on firm value.

Conclusion

Based on data analysis and research results, it can be concluded that it shows financial ratio consist of liquidity ratio, profitability ratio, leverage ratio, market ratio and firm size affect firm value. The liquidity ratio has a positive effect on firm value however other variable no effect on firm value. Companies need to pay attention to the liquidity variable in company management, because it is evident that the liquidity variable has a significant effect on company value. It is hoped that further researchers can research with other variables outside of this variable in order to obtain more varied results that can describe what things can affect company value, besides extending the observation period and expanding the scope of research on how financial ratios influence firm value in the sector agriculture.

References

- [1] Azis, M., Minarti, S., & Nadir, M. (2015). *Fundamental Investment Management, Technical, Behavior, Investment, and Stock Returns*. Yogyakarta: Depublish.
- [2] Brigham, Eugene F and Huston Joel F. 2007. *Fundamentals of Financial Management*. Thomson Learning.

- [3] Brigham and Houston, 2012, Fundamentals of Financial Management. Salemba Empat, Jakarta.
- [4] Dahar, Reni, Nino Sri Purnama Yanti, and Fitria Rahmi. 2019. "The Effect of Capital Structure, Company Size and Return On Equity on the Value of Property and Real Estate Companies Listed on the Indonesia Stock Exchange." *Jurnal Ekonomi & Bisnis Dharma Andalas*, 21(1): 121–132.
- [5] Djamaluddin, Said, . Maryadi, and Bambang Marsoem. 2018. "The Effect of the Fundamental Factors Against Price to Book Value on Building Construction Sub-Sector Companies in Indonesia Stock Exchange Period 2012-2016." *International Journal of Innovative Research and Development*, 7(11): 149–156.
- [6] Gitman, Lawrence J and Chad J. Zutter. (2015). *Principles of Managerial Finance*. USA: Pearson.
- [7] Ghozali, Imam. (2016). *Aplikasi Analisis Multivariate Dengan Program IBM SPSS 23*. Semarang: Badan Penerbit Universitas Diponegoro.
- [8] Horne, James C. Van and John M Wachowicz Jr. 2012. *Principles of Financial Management*. Jakarta: Salemba Empat.
- [9] Languju, Octavia. 2016. "The Effect of Return on Equity, Company Size, Price Earning Ratio and Capital Structure on Property and Real Estate Company Value Listed on the Indonesia Stock Exchange." *Efficiency Scientific Periodical Journal*, 16(2): 387–398.
- [10] Lumoly, Selin, Sri Murni, and Victoria N. Untu. 2018. Effect of Liquidity, Company Size and Profitability on Firm Value. *Journal of Economic Research, Management, Business and Accounting*, Vol 6, No 3, 2018, pp. 1108-1117.
- [11] Maga, Yulisa Lidya Virginia, Parengkuan Tommy, and Joy E Tulung. 2016. "Analysis of Capital Structure, Profitability and Asset Structure Against Stock Value in Textile and Garment Companies Listed on the Indonesia Stock Exchange (BEI) for the 2011-2014 Period." *EMBA Journal* 4 (3): 411–421.
- [12] McClave, James T., P. George Bendon., & Terry Sincich. 2011. *Statistics for Business and Economics*. Volume 1, page: 300. Jakarta: Erlangga.
- [13] Pasukodewo, T., & Susanti, N. (2020). The Impact of Profitability on Stock Valuation and Its Impact on Corporate Value. *International Journal of Finance & Banking Studies*, 9(2), 46-55.
- [14] Permatasari, Diana, and Devi Farah Azizah. 2018. "The Influence Of Capital Structure On Company Value (Study of Food and Beverage Sub Sector Companies Listed on the Indonesia Stock Exchange in 2013-2016)." *Journal of Business Administration*, 61 (4): 100–106.
- [15] Purwanto, P., and Jillian Agustin. 2017. "Financial Performance towards Value of Firms in Basic and Chemicals Industry." *European Research Studies Journal* 20(2): 443–460.
- [16] Sampurna, D. S., & Sari, M. N. (2018, June). Effect of Investment Decisions, Debt Policy, Dividend Policy and Profitability on Firm Value. *JAB*, Vol.4.
- [17] Susanti, N., & Restiana, N. G. (2018). What's the Best Factor to Determining Firm Value? *Jurnal Keuangan dan Perbankan*, 22(2).
- [18] Tandelilin, Eduardus. 2017. *Capital Markets: Portfolio & Investment Management*. Yogyakarta: PT Kanisius.
- [19] Weston, J.F and Copeland. 2008. *Fundamentals of Financial Management*. Jakarta: Erlangga.
- [20] <http://www.agrofarm.co.id>.
- [21] <http://www.investment.com>.
- [22] <http://www.republika.co.id>.
- [23] <http://www.satuharapan.com>.
- [24] <http://www.koranjakarta.com>.
- [25] <http://www.idx.co.id>.
- [26] <http://www.katadata.co.id>.