

The Influence Of Current Ratio, Return On Asset, Debt To Equity Ratio And Good Corporate Governance On Market Value Added (Empirical Study On Basic Industry And Chemical Companies Listed On Indonesia Stock Exchange)

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Abstract

The purpose of this research is to determine the influence of Current Ratio, Return on Asset, Debt to Equity ratio and, Good Corporate Governance on Market Value Added. The population used in this study is the basic industry and chemical companies listed on the Indonesia Stock Exchange within 2014-2016 with a total of 25 companies. The research used purposive sampling method. The method of purposive sampling and regression analysis logistics, are use for election sample. The variable Market Value Added and Good Corporate Governance are measured by dummy and other variables as CR, ROA and DER measured by the ratio. The results show that current ratio and debt to equity ratio has a significant influence on Market Value Added, while Return on Assets and Good Corporate Governance doesn't.

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INTRODUCTION

The increase in profits is expected by the company to be used for company development and increase prosperity for its shareholders. The more profit generated, the higher the stock price of a company. The company's stock price is increasing, it will show the company's value is increasing. The higher the stock price of the company, the higher the value of a company. In this case the stock price is an indicator of decision making for investors in selling or buying shares. So that the high stock price of the company is an indicator that the management of a company is getting better and increasing. The increase and decrease of stock prices are the main focus because investors have to be more careful in making decisions when they will sell or buy shares. The fluctuating movement of the rupiah exchange rate is also very influential on investment decisions where infrastructure development in Indonesia is not yet optimal. This is an obstacle for investors in investing their capital. According to www.cnnindonesia.com in Mareta (2019), it was stated that the stock prices of several companies on the Indonesia Stock

Exchange, especially in the basic and chemical industry sub-sectors, experienced a decline in the 2015 period, one of which was the share price of PT Semen Indonesia (SMGR) which fell by 4.33% to Rp. 14,350 then in the 2016 period the closing share price in that period also fell to Rp. 9.175,-. The decrease in net profit also occurred in several basic and chemical industry sub-sector companies, especially cement companies in 2016. This was due to an oversupply.

Table 1 Percentage Decrease in Net Profit of Cement Company 2015-2016

No	Company Name	Net Profit 2015	Net Profit 2016	Decrease
1	PT Semen Indonesia Tbk (SMGR)	Rp.3,54 trillion	Rp.2,92 trillion	8,4 %
2	PT IndocementTunggal Prakarsa Tbk (INTP)	Rp.3,08 trillion	Rp.3,14 trillion	2,2 %
3	PT Semen BaturajaTbk (SMBR)	Rp265 billion	Rp.174,7 billion	3,4 %
4	PT Holcim Indonesia Tbk (SMCB)	(Rp.372,2 billion)	(Rp.160 billion)	(132%)

(Source: www.cnnindonesia.com December 2, 2016)

In this case, the stock price becomes a reference in making investor decisions, the higher of stock price means good corporate governance. The performance of a company can be measured using financial ratios to measure whether the results of the company's financial statements increase. For example, Profitability is used to calculate and show the profits earned in a period. Current ratio to measure the company's ability to pay off its short-term obligations on current assets owned by the company. Debt to equity ratio is used to measure the company's performance to calculate how much debt is compared to the company's equity. In addition to financial ratios, corporate governance is one of the systems used to regulate procedures and ethical actions within the company. Good procedures then good corporate governance. Market Value Added (MVA) can be used as a measurement of company performance, Market Value Added (MVA) is to distinguish the market value of equity from equity (own capital) submitted to the company by shareholders. If the Market Value Added (MVA) is high, the prosperity of shareholders will be higher (Husnan and Pudjiastuti, 2006:65). The indicator for measuring MVA is, if $MVA > 0$, is positive, the company has succeeded in increasing the value of the capital invested by the funders, if $MVA < 0$ is negative, then the company has not succeeded in increasing the value of the capital invested by the funders (Young and O 'Byrne, 2001:27) in Mardiyanto, (2013:300). Based on the theory above, it can be concluded that the MVA value shows the company's ability to create value added capital for a share. The greater the MVA value, the greater the added value of capital given to investors, so that it will increase investor interest in the company's shares, which will increase the stock price, or MVA is positively related to stock prices.

In a previous research, Sitorus and Pangestuti (2016) examined the Analysis of the Effect of ROE,

ROA, EPS, DPS, DOL, and DFL on Market Value Added in the Manufacturing Industry in Indonesia in 2011-2014, where the results showed that DPS had a positive and significant influence on market value added, while ROE, ROA, EPS, DOL and DFL have no effect on market value added. In Mareta and Indradessiyanti's research (2019) which examines The Influence of Liquidity, Leverage and Profitability on Company Value (Empirical Study on Basic industry and Chemical Companies Listed on Indonesia Stock Exchange) where the results show that liquidity has a significant effect on firm value while leverage and profitability have no effect on firm value.

Table 2 Previous Research

Researcher	Research Title	Variables used	Research result
Purnomo (2011)	The Influence of Return on Assets, Earnings Per Share, and Economic Value Added on Market Value Added	Independent variable :ROA, EPS, EVA	Return on Assets (ROA) not significant to Market Value Added (MVA)
	Companies in the Indonesia Stock Exchange Case Study: Mining Sector Period 2007-2009	Dependent variable : MVA	Economic Value Added (EVA) dan Earning Per Share (EPS) significant Market Value Added (MVA)
Mertayasa, Cipta dan Suwendra (2014)	The Influence of Return On Assets and Economic Value Added on Market Value Added in Go Public	Independent variable :ROA, EVA	ROA not significant to Market Value Added (MVA)
	Banking Companies	Dependent variable : MVA	EVA significant Market Value Added (MVA)
Equilibrilla (2008)	Analisis Pengaruh Pengukuran Kinerja Internal (Return On Asset, Return On Equity, Earning Per Share, Economic Value Added) terhadap Market Value Added : Studi Kasus pada Industri Telekomunikasi dan Transportasi 2004-2006	Independent variable :ROA, ROE, EPS, EVA	ROA significant Market Value Added (MVA)
		Dependent variable : MVA	ROE, EPS dan EVA not significant to Market Value Added (MVA)

Thus, the phenomenon is the reason behind the author effort to re-examine The Influence of Current Ratio, Return on Asset, Debt to Equity Ratio and Good Corporate Governance on Market Value Added (Empirical Study on Basic Industry and Chemical Companies Listed on Indonesia Stock Exchange). The research problem is formulated on whether Current Ratio, Return on Asset, Debt to Equity Ratio and Good Corporate Governance affects the Market Value Added (Empirical Study on Basic Industry and Chemical Sub-Sector Companies in the Indonesia Stock Exchange).

METHODOLOGY

This research uses causal research method, which tests the hypothesis about the influence of independent variables on the dependent variable. The research object in the study are current ratio (X1), return on asset (X2), debt to equity ratio (X3), good corporate governance (X4) and Market Value Added (Y).

Table 3 Variables and Measurement

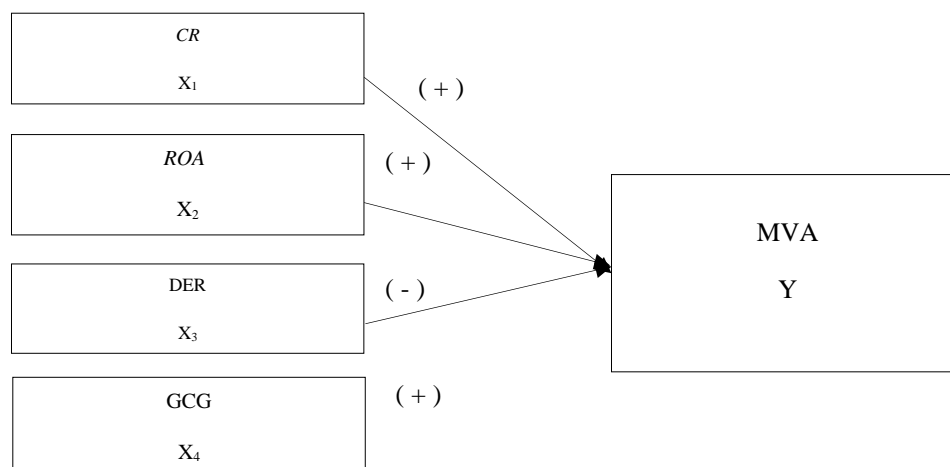
Variable	Indicator	Mensurement	Scale
MVA (Y)	Financial statements	$MVA = (\text{number of shares outstanding} \times \text{share price}) - \text{total common stock equity}$. Value 1 if $MVA > 0$ and value 0 if $MVA < 0$	Dummy
Current ratio (X1)	Financial statements	$\text{Current Ratio} = \text{Total current asset} : \text{Total current debt}$	Ratio
Return on assets (X2)	Financial statements	$ROA = \text{Earning After Taxes} : \text{Total Assets}$	Ratio
Debt to equity ratio (X3)	Financial statements	$DER = \text{Total Debt (Debt)} : \text{Total Equity}$	Ratio
GCG (X4)	Financial statements	Value 1 If the company meets the requirements of GCG and value 0 if it does not meet the requirements of GCG	Dummy

SAMPLES

The population in this research is companies in basic industry and chemical sector of the Indonesia Stock Exchange (IDX) in 2014 to 2016 and have published financial statements for three consecutive years on www.idx.co.id. This research uses secondary data type and is collected using the library research method.

FRAMEWORK

Based on the above main theories, we can conclude the following frame of mind:



STATISTICAL DESIGN

The results of the analysis was processed using SPSS 21 and carried out multivariately using logistic regression.

$$Ln \frac{MVA}{1-MVA} = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

Remarks:

$$Ln \frac{MVA}{1-MVA} = \text{Dummy variabel}$$

X1 = *current ratio*; X2 = *return on assets* X3 = *debt to equity ratio*; X4 = *good corporate governance*
 ;β= regression coefficient; ε = error term.

RESULTS AND DISCUSSION

The regression method used in this research is logistic regression with significant level (α) of 10%

The goodness of fit test in table 4 as measured by the Chi-square value at the bottom of the Hosmer and Lemeshow test, the probability number is 0.98, where 0.98 > 0.05, then Ho is accepted. This means that the regression model is feasible to be include in this research model, because there is no significant difference between the predicted classification and the observed classification.

Tabel 4 *Hosmer and Lemeshow Test*

Step	Chi-square	df	Sig.
1	1.534	7	.98

In table 3 the number -2 Log Likelihood (LL), where at the beginning (Block Number = 0) the number -2 LL is 103.638, while in table 4 Block Number = 1 the number -2 LL drops to 92,475. This decrease in likelihood log indicates that good regression model.

Table 5. *Iteration History*

Iteration	-2 Log likelihood	Coefficients
		Constant
Step 0	1	103.638
	2	103.638

- a. Constant is included in the model.
- b. Initial -2 Log Likelihood: 103.638
- c. Estimation terminated at iteration number 2 because parameter estimates changed by less than .001.

Table 6 shows the Cox & Snell R Square value of 0.138 and the Nagelkerke R value of 0.185, which means that the dependent variable variable that can be explained by the independent variable variable is 19%.

Table 6. Nagelkerke R Square

Model Summary			
Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	92.475 ^a	.138	.185

a. Estimation terminated at iteration number 5 because parameter estimates changed by less than .001.

The 2 x 2 classification table calculates the estimated true and false values. In the column are the two predicted values of the dependent variable $MVA > 0$ and $MVA < 0$, while the row shows the actual observed value of the dependent variable $MVA > 0$ and $MVA < 0$ as shown in Table 7.

Table 7 shows that in the prediction column for companies with $MVA > 0$ as many as 35 companies, while in the row, the actual observation results are companies with $MVA > 0$ as many as 22 companies, while for companies with $MVA < 0$ there are 40 companies, and in the row the actual observations are companies with $MVA < 0$ as many as 27 companies. So, the overall accuracy of this model is 65%.

Table 7. Classification Table

Observed		Predicted		Percentage Correct
		MVA < 0	MVA > 0	
Step 1	MVA < 0	27	13	67.5
	MVA > 0	13	22	62.9
Overall Percentage				65.3

a. The cut value is .500

Based on SPSS version 21 output, a hypothesis test result can be made through following equation:

Table 8 hypothesis test result

No	Variable	B	S.E.	Wald	Sig
1	CR	-0,233	0,116	4,047	0,044
2	ROA	0,956	1,855	0,265	0,606
3	DER	-0,838	0,452	3,429	0,064
4	GCG	-1,467	1,140	1,655	0,198

Based on the hypothesis test result, there are two variables whose significance value is less than 0.10, the current ratio and the debt to equity ratio variable. In the current ratio, Wald obtained 4.047 (Sig. 0.044), in the debt to equity ratio obtained Wald 3,429 (Sig. 0.064). These results indicate that the two variables affect the market value added at the level of 10%.

CONCLUSION

This research concludes that (a) current ratio (*CR*) and debt to equity ratio (*DER*) significantly affects the Market Value Added. (b). Return on Assets and Good Corporate Governance (*GCG*) does not affect the Market Value Added.

Further research are suggested to (a) conduct research with the same variables in different types of companies such as manufacturing companies, trading companies, plantation companies, and foundation managers, (b) conduct research with the same variables on Basic Industry And Chemical Companies with different analysis tools such as factor analysis, or using moderating or intervening variables, (c)

conduct research by adding other internal factors of financial performance, extend the research period and also add or use other factors, not only internal factors but also external factors, that affect the Market Value Added to produce more comprehensive research.

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