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Analysis of the Effect Using Financial Ratios, Ownership and Corporate Size on Corporate Value in Food and Beverage Corporate

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ABSTRACT

The food and beverage industry experienced a decline in share prices in the 2018-2020 period. The stock price is an indicator in considering investment steps and is used as a reflection of the corporate's value. This research is causality with the main objective of obtaining empirical evidence related to the impact of several financial ratios, the size of a corporate and ownership factors on the high or low corporate value by using the subjects of the consumer goods sector which experience a significant decline in stock prices every year. The author uses financial ratio analysis, ownership and impact on corporate size in influencing the formation of corporate value. The authors found that financial ratios (liquidity and profitability) form a positive relationship to corporate value in contrast to leverage, managerial ownership, institutions and corporate size which do not show any significant effect on corporate value These findings add empirical evidence to the variables tested on their effect on corporate value.

Keywords: Leverage, Liquidity, Profitability, Managerial Ownership, Institutional Ownership, Corporate Size, Corporate Value

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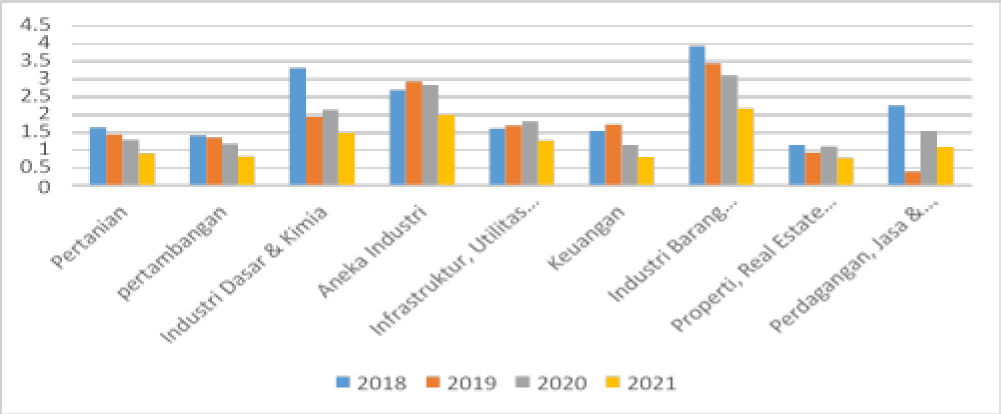
INTRODUCTION

Developments in the business world that accelerate significantly from time to time provide a positive stimulus for investment activities, especially in the capital market. However, in early 2020, the Covid-19 virus spread which was declared a pandemic and eventually had a negative impact on many sectors, especially the business world. Frequently changing regulations and drastic adaptation processes often make many companies finally declare bankruptcy. The Indonesian government is trying to recover from the economic side during the pandemic and is preparing to adapt to the new normal era. One of the financial activities that in recent years has begun to be familiar to the public, especially Indonesia, is investment activities involving products on the stock exchange, the period before and after the new normal provides challenges for every business entity to survive and always develop business conditions, so that after being hit by a pandemic, sources of financing or funding become a crucial aspect for every entity to recover and rise. The government began to focus on various recovery policies and activities to help the economy get back active. On the stock exchange or Indonesian capital market there are very many types of industrial sectors both mining, banking, agriculture, property, trading and many other industries. Each industry has its own role and function in an economic activity. Various sectors are of concern to the government as well as the basic necessities sector such as the consumer goods industry (food and beverages). Various sectors are of concern to the government as well as sectors of basic needs such as the consumer goods industry (food and beverages). The elasticity of business in this field can be said to be very high considering the importance of this industry as one of the basic needs of the community. This sector is quite complex, not only consisting of the food and beverage industry but also included in the industry that processes food from raw materials to become raw or ready-to-consume products. According to Aryani (2021) stated that successful businesses have lots of loyal customers support sales. Some corporates in this sector have even survived for decades and the products produced have been exported to various countries. examples of corporates in this industry such as PT. Mayora, PT. Indofood and PT. Ultra Jaya.

Data obtained on wartaekonomi.co.id (2021) shows that the consumption industry plays an important role in the formation of GDP (gross domestic product). In 2020 this sector makes up the majority of GDP by 7.02% in the third quarter and is the sector with the largest export value ranking in the January to November period so that this sector in the industry is expected to have significant growth. However, this data is not in line with the movement and display of share prices in the consumer goods (food and beverage) industry, along with stock price data for 2018-2021:

Figure 1



Source: Indonesia Stock Exchange

The figure shows that the consumer goods industry has the highest share price in 2018 but regularly declines in the following years without increasing compared to each year.

The author uses this phenomenon as a basis for examining several internal factors that can influence the formation of stock prices which are used as a reflection of corporate value. Rahman and Agusti (2015) states that investors will provide a fair price for companies that have a good reputation (value) so that corporate value is one of the considerations in investment activities. Corporate value is also a reflection of the corporate's internal condition which cannot be seen directly by potential investors so that the better the corporate value, the better market trust will be (Adeputra & Wijaya, 2015). There are quite a lot of factors that in theory and practical can influence the formation of good corporate value. In the internal aspect, of course, the condition of the corporate itself will be the main consideration, but not all parties can know for sure how the internal condition of a corporate is. Internal conditions themselves can include management, management characteristics, policies, finances to the targets referred to by the corporate itself. Turning to external aspects, of course, there are broader and more general factors that exert various influences on the corporate and its value. External aspects can include government policies on business entities, taxation, rules that must be obeyed, political conditions, interest rates, ownership of business entities by outsiders, global economic conditions or pandemics as occurred in the period observed by the author. The author categorizes every internal and external aspect that is often used as a consideration in investment activities. Potential investors often use various analyzes in determining the investment steps taken, theoretically and practically ratio-based analysis is often used to determine the condition of a corporate's ability to manage the corporate. The ratios that can be used are leverage, liquidity and profitability.

Leverage is an important indicator used in the capital market to predict a corporate's ability to maximize the use of capital originating from debt/loans in generating profits and fulfilling short/long term obligations on these debts. It is important in investing to know the financial health of a corporate related to debt, high debt but accompanied by optimal assets and profits can be a good signal, but low assets and profits followed by large liabilities will be bad news (Surmadewi & Saputra, 2019) . Signal theory illustrates that any good/bad news related to the corporate's condition will be a signal for the market. Investors will avoid leverage with a high percentage because it has a large risk and vice versa (Hendriani, 2019). In theory, this is consistent with the findings in the research of Dj, Artini, and Suarjaya (2012) and Sukarya and Baskara (2018) which show there are a not good effect of leverage on corporate value.
H1: Leverage affects corporate value in a negative directions

The second ratio that can be used is liquidity, in theory liquidity can be used as a predictor of a corporate's ability to pay debts that are current (Heriyanto, 2019). Many measurement tools are used to determine the percentage of liquidity from various perspectives such as quick ratio, net profit margin or cash ratio (Hanafi, 2012). On the stock market, investors are very avoiding liquidation risk, this risk in many cases triggers the bankruptcy of a business entity. So that good liquidity management will be a positive signal for the market because companies with high current assets are considered easier to finance each of the corporate's operational activities compared to companies that have low current assets but also low liquidity.
H2: Liquidity affects corporate value in a positif directions

The next financial ratio that has always been an analytical tool to find out a corporate's profit is profitability. The main view in investment activity is the profit generated by the corporate. Companies that have a high profit percentage will find it easier to attract and get a market response than companies that display loss-making information. Profitability is used as a measuring tool that can assess a corporate's profit ability from various sides, both from the corporate's investment, overall assets or capital (Rudangga & Sudiarta, 2016). The corporate's profits will have an impact not only on investment returns but also on the corporate's reputation and value.

H3: Profitability affects corporate value in a positif directions

Switching from the analysis side using various ratios, in theory the ownership structure can also affect corporate value, especially corporate ownership by internal parties. Managerial ownership can reduce conflicts of interest because the functions and roles of management dominate the corporate's operations (Sukrini, 2012). Managers have the flexibility in terms of information, monitoring and making each policy. Ownership by management can also reduce opportunistic risk by the corporate. Management will carry out good management because it has a vision and mission in line with various owners and this can have a positive influence on the running of the corporate and even have an impact on the trust of corporate owners or potential investors.
H4: Managerial Ownership affects corporate value in a positif directions

The next ownership structure is the ownership of corporate shares by institutions. As one of the owners of the corporate's shares in the form of an institution, this ownership is believed to increase supervision and control over the corporate's activities. Institutional ownership with a high percentage in theory can minimize the existence of opportunistic efforts made by internal companies (managers). Institutional ownership can also direct the corporate to each regulation so that the corporate does not deviate from the applicable rules (Yudistira, 2020). This is in line with what was stated by Sukrini (2012) in his test results which stated that institutions as corporate owners have a positive impact on corporate value.H5: Institutional ownership affects corporate value in a positif directions

The last factor is the size of a business entity (corporate size). Companies can be classified into several categories namely small, medium and large. The scale of each category can be based on asset ownership or total sales achieved by the corporate in one period. Companies with a large scale of operations and achievements are predicted to be more capable of maintaining their operational activities than companies with a small scale so that the market will be more interested in funding large companies (Sitorus, 2020). Large companies are also considered more secure in various aspects compared to start-ups. The same findings were also expressed by Anzlina (2010) and Wahyudi, Chuzaimah, and Sugiarti (2016) which stated that an increase in corporate size had a positive and significant impact on corporate value.
H6: Corporate size affects corporate value in a positif directions

LITERATURE REVIEWS

Signal Theory

Signal theory describes various phenomena that occur between internal and external parties of the corporate. There are various views that give rise to various conflicts of interest and information asymmetry. This can also affect investors' consideration of companies that have gone public on the stock exchange. Any information shared by management will be classified as a positive/negative signal and can also be considered news (bad/good). When a corporate is able to generate profits, optimize every use of debt, fulfill every obligation, prosper the owners and increase the size of the corporate will be considered a good signal, good news can affect the market and ultimately affect the value of the corporate.

This theory also describes a system or way of working management in providing codes to external parties about various kinds of information that lead to conclusions about the condition of the corporate that management wants to highlight. Good or bad disclosures will be assumed by the market with various reactions. Regarding the discussion of corporate value, this theory is the basis that both bad reputation and value of a corporate represented by looking at the stock price of a business entity or issuer on the stock exchange are strongly influenced by the clues shared by the internal issuer itself. Often a clue is used to predict the risk of bankruptcy of an issuer.

Some investors often use analytical calculations to assess the proportion of profits generated by issuers by comparing them with various elements in the annual report shared by the issuer. Sometimes profit alone is not enough for potential investors, but the condition of non-profit actually becomes very avoided so that the corporates profit aspect clearly affects the reputation of the issuer. The debt aspect is also an element that is often taken into account. Various calculations can be used to determine how issuers manage their debts and the ability to fulfill the issuers themselves both in short and long obligations, when issuers experience constraints in terms of obligations can be considered a red flag and an indication that investments involving related issuers contain liquidation risk.

Information that can be taken into account by potential investors is the ownership aspect or ownership composition of an issuer. The ownership rights of issuers themselves can consist of internal parties, an institution / organization and the public. This composition can influence every policy produced by the issuer, there is an element of ownership from management as the spearhead of the activities of a business entity and is supported by influence from the institutional side as the owner as well as parties who can supervise and direct the entity to continue to prioritize rules and stakeholders. A good indication is also if the corporate continues to grow so that the corporate enters a large-scale entity.

Financial Ratio, Ownership and Corporate Size
The formation of high or low corporate value is clearly theoretically and practically formed by various issues. Markets often use means that involve information in financial statements until they are deemed to reflect real financial health. One of the analyses used is to use a wide selection of financial ratios. investors can see how much the corporate's operating capital is sourced from debt and the corporate's ability to fulfill obligations on the debt in terms of equity and assets by calculating it using leverage (Surmadewi & Saputra, 2019). Still related to the corporate's obligations, potential investors can also assess the health of the corporate based on how the corporate pays each debt it has either long-term or short-term, this ability assessment can use liquidity measurement (Heriyanto, 2019). The profit aspect also did not go unnoticed by exchange investors. The profit assessment can be based or viewed in terms of capital, assets or total sales income. In this study, the analysis of profit with profitability ratio is specifically assessed from the number of assets with profits or corporate profits (Return on Asset). Loss-making corporates will find it harder to gain market confidence (Rudangga, 2016). The next aspect is from the point of view of ownership of a corporate. There are various ownerships, but in this study the author uses two aspects of ownership that come from internal and external to the corporate. Share ownership by internal (managerial) parties can obviously minimize any conflicts that often occur between management and other ownership, assuming more information and access to managerial ownership can trigger differences of opinion between stakeholders. The existence of shares owned by the top management will be able to create common goals and perceptions in each ownership. Unlike the ownership of the corporate by internal parties, the existence of an external owner can also help the corporate be on the appropriate regulatory path. Ownership of corporate shares by an institution will provide power in terms of supervision, agencies have the power to influence policies taken by internal parties of the corporate.

The author uses the size/scale of a corporate as one of the factors that can affect the high/low corporate value. The size of a business entity in general can be specified into small, medium or large business entities. On the stock exchange, investments made in large-scale corporates dominate compared to the other way around. corporates with a large scale are considered to have more trustworthy going concerns than start-ups. The higher the market interest in a corporate, the higher the stock price and will also have an impact on increasing the reputation or value of a business entity.

Food and Beverage Industry
On the stock exchange, there are many industrial sectors that have their own influence and role on economic growth. One of the most influential sectors is the consumer goods industry (food and beverages). The elasticity of business in this field can be said to be very high considering the importance of this industry as one of the basic needs of the community. Data showing that from 2020 to 2021 this industry experienced a significant increase in its contribution to GDP (gross domestic product) and also had an impact on economic revival in the new normal after the pandemic (kemenkeu.go.id). This sector is quite complex, not only consisting of the food and beverage industry but also included in the industry that processes food from raw materials to become raw or ready-to-consume products. Some corporates in this sector have even survived for decades and the products produced have been exported to various countries. examples of corporates in this industry such as PT. Mayora, PT. Indofood and PT. Ultra Jaya.

Investors today have a variety of different characteristics, ranging from differences in interest in investment returns where investors not only focus on dividends but many do not care about dividends because they focus on capital gains. So that broadly speaking, investors have a character that likes long-term and short-term investments. For investors who have an interest in defensive stocks, of course, the consumer goods sector can be an important consideration considering that household consumption is enough to support the economy. On the stock exchange, the consumer goods industry itself is categorized into many types, not only food and beverages, issuers that fall into the consumer goods category can also be issuers with the main products of cosmetics, cigarettes, drugs (pharmaceuticals) and business entities with the main products of household use (pots, pans and so on).

In recent years the classification of the consumer goods industry is no longer in the manufacturing category, the Indonesia Stock Exchange has given the latest classification in the cyclical and non-cyclical categories. This study used samples devoted to the main food and beverage industry so that samples were taken in the non-cyclical category. In terms of investment, shares of issuers of this industry are very suitable for long-term investment, this industry has quite a lot of advantages not only contributing to gross domestic product, this sector also has a very high resilience so that it can be said that the decline in profits or losses experienced by issuers in this sector rarely leads entities to bankruptcy, Where acquisitions or mergers are often a safe step and the industry is easy to adapt and develop innovation.
Specifically discussing food and beverages, this industry can be said to be a subsector of consumer goods. This industry group is quite immune in various conditions even in the research period where before and after the pandemic, of course, food and beverages remain the main staples compared to other secondary and tertiary needs. This group of business entities includes quite a lot of corporates such as cooking oil, coffee, sugar, snacks, rice, drinking water, health drinks, soft canned drinks and various food products, beverages and basic necessities products consumed daily so that in theory in investing this sector is quite considered.

RESEARCH METHOD

The author uses the consumer goods industry sector (food and beverage) as a research subject. 12 companies were used as samples to represent the sectors tested using years of observation from 2018 to 2020 so that the total observations (n) became 36. The authors used the non-participant observation method and tested using regression analysis. The use of multiple linear regression is aimed at causality research patterns involving several variables that are free on variables designated as bound variables. So that this test can later provide empirical results about the influence that occurs between X (independent) on y (dependent). The research model and measuring instruments used are presented in Figure 2 and Table 1 below:

Figure 2

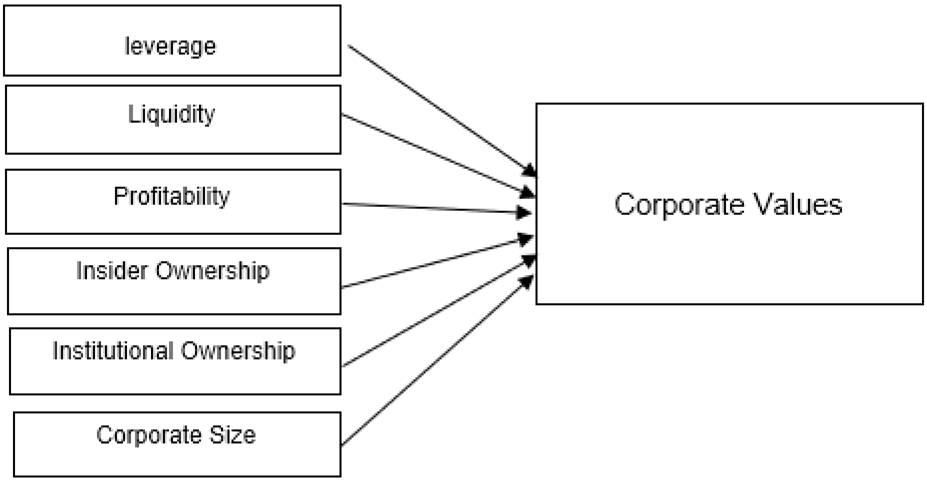


Table 1. Variable

Analysis	Variable	Proxy
Financial Ratios	leverage	DER (Debt to equity ratio)
	Liquidity	Current Ratio
	Profitability	ROA (return on assets)
Ownership	managerial	Management Shares/Total shares
	institutional	Institutional shares/Total shares
Size	Corporate Size	ln Total assets
	The value of the corporate	PBV (price book value)

This table describes the model involving each variable under study. The left column shows every aspect of the analysis under study, the middle column shows each variable used to represent the aspect under study and the right column shows each measuring instrument used to measure each variable.

RESULTS

Classic assumption test

Table 2 represents a series of classic assumption test results consisting of normality, multicollinearity, autocorrelation and heteroscedasticity based on 12 companies as samples for 3 years of observation with a total of 36 (n).

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Table 2. Test Results

Normality	Asymp Sig. (2-Tailed)	0.106	Normal
Multicollinearity	tolerance		Multicollinearity Free
	leverage	0.801	
	Liquidity	0.896	
	Profitability	0.907	
	Managerial ownership	0.845	
	Institutional Ownership	0.645	
	Corporate Size	0.682	
	VIF		Multicollinearity Free
	leverage	1,248	
	Liquidity	1.116	
	Profitability	1.103	
	Managerial ownership	1,184	
	Institutional Ownership	1,551	
	Corporate Size	1,466	
Autocorrelation	Durbin watson	1.897	Autocorrelation free
Heteroscedasticity	Significance		Free of Heteroscedasticity
	leverage	0.555	
	Liquidity	0.850	
	Profitability	0.391	
	Managerial ownership	0.666	
	Institutional Ownership	0.389	
	Corporate Size	0.101	

Table 2 presents the results of each classical assumption test suite that is part of the regression test. The normality in this study shows a score that is in accordance with the established standards of significance so that this research model can be said to be normal as a whole. For multicholinearity testing, it can be seen that each score obtained by each factor has met the value requirements where the tolerance score must be (<0.10) and in the VIF is set (<10) (Sugiyono, 2018) so that the numbers presented in table column 2 are in accordance with the requirements of the multicol asymptomatic model.

The third test is a test specifically for models that use a specific year or time period (autocorrelation). in general, the calculation of this test is seen from the DB / durbin watson acquisition score and the acquisition score shows that the research model with the year (2018-2020) does not contain autocorrelation. The last classical assumption testing is heteroskedasticity where significantly the set standard is greater than five percent and overall each factor tested passes on the heteros test.

Hypothesis testing

Hypothesis testing can be assessed based on the t value and also the significance of the test results, the standard applied as an influential result must be below 0.05. The results of hypothesis testing are presented in table 3 below:

Table 3. Multiple Linear Regression Analysis Results

Variables	coefficient	t-statistics	Significance	Conclusion
Constant	2,638	0.666	0.511	
Leverage (Levs)	0.209	1.138	0.264	H1 is rejected
Liquidity (Lik)	0.461	3.124	0.004	H2 is accepted
Profitability (Pro)	0.360	3028	0.005	H3 is accepted
Managerial Ownership (Man)	-3,458	-0.634	0.531	H4 is rejected
Institutional Ownership (Ins)	0.332	0.248	0.806	H5 is rejected
Corporate Size (Size)	-0.069	-0.595	0.556	H6 is rejected

Based on the results above, the regression equation produces:
Value = 2.638+0.209Lev+0.461Lik+0.360Pro-3.458Man+0.332Ins-0.069Size
In the left column describes each factor used and in the column the coefficient describes each score obtained and entered in the equation above, each number obtained describes the increase or decrease in the influence that each factor has on corporate value (if significant). Turning to the T column which reflects the direction for each factor if there is no sign (-) then the direction shown is positive but in managerial ownership and corporate size there is a negative direction which will still be adjusted to whether or not the factor is significant. For the significance column according to the provisions in the regression test, the absolute significance must be at a score below five percent and there are only two factors that meet the significance threshold. So that any direction shown in column T does not apply if the significance of the factor does not indicate any influence or can be said to have no effect. The conclusion of the acceptance of each hypothesis appears in the rightmost column of the table where there are only 2 accepted factors while the other four have different new findings.

DISCUSSION

Leverage Relationship on Corporate Value of Consumer Goods Industry (Food and Beverage)

The absence of significance according to the standard score on the t test reflects that there is no influence between high and low leverage on the corporate value of the sector being tested. Investors in theory will avoid companies with a high percentage of debt because they contain considerable risk, but in reality there are no companies that do not have debt and operations that are sourced from debt if accompanied by high profits and no problems in fulfilling each of the corporate's obligations are not becomes a negative thing for the market so that the number of different percentages in the sample studied doesnt affects the value of the corporates. In the scope described in signal theory, in theory the high percentage shown in terms of leverage can be specified as a red flag which often has a negative connotation where the high debt that is the source of operational activity will be avoided by investors. However, in the food industry where the sample in this study is a large-scale corporate, regardless of the percentage in terms of leverage, it is not always considered a bad signal because large corporates obviously require large capital.

The Relationship between Liquidity and Corporate Value in the Consumer Goods Industry (Food and Beverages)

In contrast to testing the first hypothesis, liquidity meets the significance requirements on the t test (0.004) so that empirically it can be said that liquidity have a good influence on the formation of corporate value. firm with good liquidity reflect that financially the corporate can be said to be healthy. This information will trigger investor confidence in the corporate and share prices can increase. This increase can be accompanied by a good assessment of corporate value as well. What is obtained in the results of this test is clearly in line with the literature review used. Many cases of bankruptcy are triggered by the corporate's inability to settle each of its current obligations, so that the condition clearly displays the corporate's bad finances. The high liquidity capability will attract market confidence with confidence in the corporate's financial condition in a healthy category.

Profitability Relationship on Corporate Value of Consumer Goods Industry (Food and Beverage)

The third hypothesis test shows about good affects between corporate profitability and corporate value. Profitability in this study is measured in terms of assets (ROA) so that it is empirically proven that the ratio of assets with high profits will greatly affect the corporate's stock price on the stock exchange. Investors obviously really avoid companies in a loss condition because apart from being risky, investors also consider a low rate of return or no dividend distribution. Losses are red flags and bad news (in signal theory) if the loss is caused by certain unpredictable factors then it is still in a reasonable stage, but significant losses due to the corporate's inability to streamline asset / capital ownership and also the inefficiency of the corporate or due to low sales will obviously be greatly avoided by potential investors so that the corporate's profit which is theoretically one of the main indicators has also been proven empirically in this study.

The Relationship of Managerial Ownership to the Corporate Value of the Consumer Goods Industry (Food and Beverages)

The fourth analysis using managerial ownership shows that there is no influence arising from the share ownership side by management. The absence of influence can be caused by various views of investors on the percentage of share ownership in a corporate, in theory high management shares can weaken conflicts between internal and shareholders but in some cases the high number of shareholdings by managers can also trigger opportunistic activity due to various access and ease of information owned by management. For corporates used as an overall sample, there are corporates whose management dominates shareholdings and some as minority ownership. Any control of the corporate will always create information restrictions for external parties. In practical terms, large ownership by internal parties can actually provide large opportunistic opportunities so that the market does not take into account the size of the shares owned by managers but still focuses on the published information.

Relationship of Institutional Ownership to Corporate Value of the Consumer Goods Industry (Food and Beverages)

The 5th hypothesis test shows that there is no influence between the shares owned by institutions and corporate value. This finding may occur due to the fact that institutional share ownership in the sector studied is relatively small when compared to the total number of outstanding shares. This causes the potential for monitoring and control that is given clearly cannot affect the formation of corporate value significantly. Shares dominated by business entities cannot always affect other corporates, the focus of business entities will be largely directed at their respective institutions not on the corporates they own shares in. The purpose of owning shares is not always to be able to control and direct corporate policies but can occur on the basis of investment and obtaining profits on paid-up capital. So that for investors, a high corporate value is not necessarily formed on the formation of share ownership.

The Relationship between Corporate Size and Corporate Value in the Consumer Goods Industry (Food and Beverages)

Testing the last hypothesis also shows that there is no significant effect because the significance score is not met on the table above. test results can occur because in this study corporate size is only measured based on simplified total corporate assets as a whole. In assessing a corporate's performance, investors often pay attention to profits and the corporate's ability to meet obligations because this ability has a significant effect on the corporate's financial and operational health. Assets that cannot be managed effectively in large quantities will also be considered as a negative signal. The scale of the corporate used as a sample has considerable assets, but the test results certainly explain different conditions, the exchange and parties involved in exchange transactions do not always look at the aspects of large asset ownership. Some cases involving bankrupt business entities actually show assets that are large enough but cannot be managed optimally so that they cannot bring profit.

CONCLUSION

Overall, the study yielded findings that financial ratios assessed in terms of profitability and liquidity empirically affect corporate value well, in contrast to leverage, elements of ownership (managerial and institutional) and corporate size, which in the sector studied did not show any significant influence. These findings cannot be generalized to different industrial sectors, but these results reinforce the theory and facts in the field that companies that are profitable and able to meet their current liabilities have good corporate value. Different authors may consider different industrial sectors or use mediation and moderation factors. Different factors such as stock price, governance implementation or CSR (corporate social responsibility) implementation can be used as mediating or moderating factors for different studies.

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3. All authors that we include in the reference list for various inspirations that we can cite and provide inspiration related to the topic under study
4. IJABIM (International Journal of Applied Business and International Management) as a place for publications that have received and provided suggestions and improvements to improve the quality of our written content

DECLARATION OF CONFLICTING INTERESTS

The author only conducts research on the consumer goods industry (food and beverages) with an observation that only covers the period 2018 to 2020 so that this result obviously cannot be generalized to different sectors, especially in food and beverage business entities that are not involved in the stock exchange. This study obtained findings that corresponded to the data collected by the researcher in accordance with the criteria and research model built by the author.

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