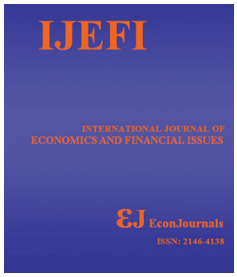

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Analysis of the Effect of Company Micro Fundamental Factors on Company Value in Companies Listed in LQ 45 Index

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ABSTRACT

This study shows the effect of the company micro fundamental factors on the company value registered in the LQ 45 Index (2012-2016). Company value is paid by prospective investors when a company is sold. The company is projected using the Tobin's Q ratio. The company micro fundamental factors in this study are current ratio (CR), Debt to equity ratio (DER), return on assets (ROA), and earning per share (EPS). CR is used to measure the ability of a company to fulfill its short-term obligate ions. DER is used to assess the debt with equity that reflects the ability of a company to fulfill its obligations. ROAs is used to measure the ability of company to generate profits with assets used. Earnings per share is used to measure the achievement of the management in Achieving profits for shareholders. The design of this study is panel data regression using EViews 9 program. The analysis of the data in this study is the F Test for simultaneous and correlation tests (Adjusted R-Square). In this study, DER and ROAs have positive and significant effect on the company's value (Tobin's Q). EPS has a negative and significant effect on company value (Tobin's Q). CR has no significant negative effect on company value (Tobin's Q). Simultaneously, CR, DER, ROAs, and EPS has significant impact on company value (Tobin's Q) with adjusted R-Square 0.972082. T means Tobin's Q 97.2082% can be explained from the combination of the four independent variables.

Keywords: Company Value, Current Ratio, Debt to Equity Ratio, Return on Assets, Earning per Share
JEL Classifications: E10, E32, E60

1. INTRODUCTION

In addition to generating profits, the main goal to be achieved by the company is to impose company value (van Binsbergen et al., 2011). Company value is the price that the prospective buyer is willing to pay if the company is sold where the development or value trend of a company that shows the development from year to year automatically states that there is an increase in the shareholders' benefits (Pouraghajan et al., 2012). Maximizing the value of the company means maximizing the present value of all profits that will be received by investors in the future or long-term oriented (Onat et al., 2014). Because the value of the company is long-term oriented, every decision making on the policies made by the company must consider the value of the company.

Analysis fundamental analysis to calculate the intrinsic value of stocks using financial data firm Fundamental analysis is an analytical tool to determine the value of a company to process data sourced from internal sources, especially financial statements issued officially by the company, then processed according to the needs analysis to find out the company's financial ratios, so that the value of the financial ratio will be known about the value of a company (Marti, 2004).

Some of the micro fundamental factor variables used in this study are measures of current ratio (CR), debt to equity ratio (DER), return on assets (ROA), earning per share (EPS). The LQ-45 stock index is a leading stock index on the Indonesia stock exchange. Shares that enter the LQ-45 Index are selected based on the level of liquidity, market capitalization and performance of the issuing

company. Changes in the composition of shares in the LQ-45 category are conducted every six months (February and August). Of course, stocks that are consistently in the LQ-45 index are companies that are stable in terms of LQ-45 criteria compared to other companies.

In this study the Company Values be measured with Tobin's Q Tobin's Q indicators to measure the performance of companies, especially on the value of the company, which shows a proforma management in managing the assets of the company. If the value of Tobin's Q of the company is more than one, then the market value of the company is greater than the listed company assets (Dietrich, 2007).

From Table 1, even though the average value of the company has a value of more than 1, in 5 years (2012-2016) the value of the company fluctuates and tends to decrease. Decreasing company value will certainly affect market perceptions of companies that will have an impact on the company's shareholders.

2. LITERATURE REVIEW

2.1. The Value of the Company

Companies use values N is a condition that has been achieved by a company as an overview of public confidence in the company after going through a process of several years, namely since the company was founded until now (Dietrich, 2007). Tobin's Q is calculated by comparing the ratio of market value of company shares to the book value of the company's equity (Morgan and Rego, 2009).

(van Binsbergen et al., 2011) proposed a simple formula for Tobin's Q which is called approximation Q, namely:

Approximate Q = (MVE + PS + Debt)/TA

Information:

MVE: Market price of company shares the number of shares outstanding,

PS: Value of preferred stock liquidation.

Debt: Total book value of short-term debt, long-term debt and other debts.

TA: The book value of the total assets of the company that is considered equal to the value of the replacement

2.2. CR

CR is a measure of liquidity ability, namely the ability to pay debts that must be fulfilled immediately by current assets (Graham and Harvey, 2002).

$$\text{Current ratio} = \frac{\text{Current asset}}{\text{Current debt}}$$

Table 1: Average financial performance and value of listed companies in the LQ-45 index

Variable	2012	2013	2014	2015	2016
CR (%)	249,629	206,248	188,7	194,55	194,322
DE R (X)	0,74	0,79737	0,84421	0,85947	0,83
ROA (%)	15,6384	14,5595	11,9521	9,4779	9,46895
EPS (Rp)	649,959	580,68	660,498	567,08	535,436
Tobin's Q (%)	35.489	38.528	34.022	28.955	29.522

2.3. DER

DER is a ratio that describes the ratio of debt and equity in corporate funding and shows the ability of the company's own capital to fulfill all its obligations (Pouraghajan et al., 2012).

$$\text{Debt to equityrRatio} = \frac{\text{Current asset}}{\text{Current debt}}$$

2.4. ROA

ROA is a ratio that describes the ability of a company's management in managing assets it controls to generate profits (Fama and French, 2004).

$$\text{Return on asset} = \frac{\text{Earning after tax}}{\text{Total asset}}$$

2.5. EPS

EPS is a form of profit given to shareholders from each share held (Ovtchinnikov, 2010).

$$\text{Earning per share} = \frac{\text{Net profit}}{\text{Number of shares}}$$

2.6. Framework

From Figure 1, can be formulated of hypothesis:

H_1:CR has an influence on the value of the company (Tobin's Q) simultaneously.

H_2: DER has an influence on firm value (Tobin's Q).

H_3: ROA has an influence on the value of the company (Tobin's Q).

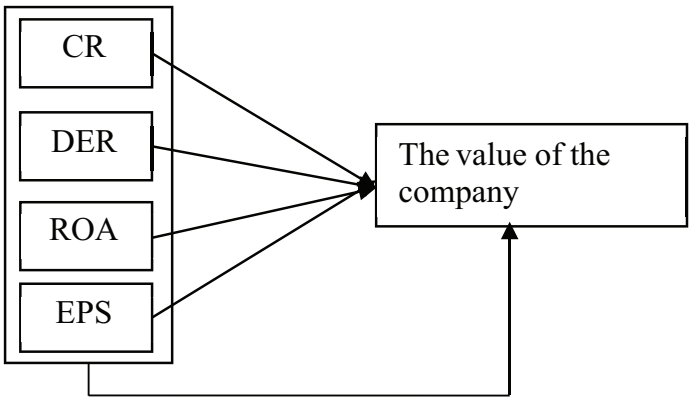
H_4: EPS has an influence on company value (Tobin's Q).

H_5: CR, DER, ROA, and EPS together have a significant effect on firm value.

3. METHODOLOGY

The population used in this study is a company that is listed on the LQ 45 Index. Where there are 45 companies which every 6 months are updated according to the LQ 45 Index criteria. While the sampling technique used is purposive sampling, namely sampling techniques with certain considerations. Based on the sample criteria there are 18 companies that meet the criteria to be sampled in this study.

Figure 1: Theoretical model



The model used in this study is a panel data regression model. In panel data regression there are three kinds of approaches which consist of the pooled least square approach, fixed effect approach and random effect approach (Lu-Andrews and Yu-Thompson, 2015).

4. RESULTS AND DISCUSSION

4.1. Effect of Liquidity Ratio (CR) on Corporate Value (Tobin's Q) Partially

Partial regression test results show there is an influence of liquidity but not significant (CR) on Corporate Value (Tobin's Q) on Corporate Value (Tobin's Q), this is shown from the results of t test obtained t count value of −1.359191 with a probability of 0.1786> 0.05, from the results of regression equation research above it can be seen that the regression coefficient for liquidity variables (CR) is negative at −0.239160, meaning that liquidity (CR) partially has a negative but not significant effect on Corporate Value (Tobin's Q) in LQ 45 indexed companies listed on the Indonesia Stock Exchange, this gives an indication that to increase Company Value (Tobin's Q) does not affect the company's liquidity (Dietrich, 2007; Gupta et al., 2011).

4.2. Effect of Leverage Ratio (DER) on the Profitability of Corporate Values (Tobin's Q) Partially

The regression test results partially show Leverage negative and significant influence on Corporate Value (Tobin's Q), this is shown from the results of t test with a value of t count of 3.193988 with a probability of 0.0021 < 0.05, from the results of the regression equation 1 obtained regression coefficient values for Leverage variable is negative at 1.728440, meaning that partial leverage has a significant effect on Corporate Value (Tobin's Q) inLQ 45 indexed companies listed on the Indonesia Stock Exchange, this has implications for changes in Corporate Value (Tobin's Q) (Graham and Harvey, 2002; Lipson and Mortal, 2009).

4.3. Effect of the ROA Ratio on Profitability of Corporate Value (Tobin's Q) Partially

The regression test results partially show there is an effect of ROA on Corporate Value (Tobin's Q) positively, this is shown from the results of t test obtained t value of 13.45803 with a probability of 0.0000 < 0.05, from the results of the regression equation research above it can be seen that the regression coefficient for the ROA variable is positive at 26.3952, meaning that ROA partially has a positive and significant effect on Corporate Value (Tobin's Q) and the variable ROA has the greatest influence compared to other variables in the regression model on LQ 45 indexed companies listed on the Indonesia Stock Exchange for the period of 2012-2016, implement can support the theory of Signaling Theory, this gives an indication of a positive signal that profitable companies can increase Company Value (Mulyani, 2017; Pouraghajan et al., 2012).

4.4. Effect of Growth Ratio (EPS) on Profitability of Corporate Value (Tobin's Q) Partially

The results of the regression test partially show the effect of the Earning PerShare (EPS) ratio on Corporate Value (Tobin's Q) indexed companies LQ 45 for the period 2012–2016 shows a negative and significant effect seen from the results of the t test obtained by the value of t −2.364986 with probability is 0.0209 <0.05, from the results of the regression equation research above it can be seen that the regression coefficient for the Ratio of EPS ratio is negative at -0.000972, meaning that EPS partially has a positive and significant effect on Corporate Value (Tobin's Q) - LQ 45 indexed companies that go public on the Indonesian stock exchange for the period 2012-2016, implement it can be said that profitable companies will be able to increase EPS (Al-Najjar & Taylor, 2008; Docherty et al., 2010; Pouraghajan et al., 2012).

4.5. Effect of Liquidity Ratio (CR), Leverage Ratio (DER), ROA ratio, and EPS Ratio, to Company Values (Tobin's Q) Together

Regression test results together showed no effect Liquidity Ratio (CR), Leverage Ratio (DER), Ratios ROA, and Ratio of Earnings Per share (EPS) jointly to Company Value (Tobin's Q) company - LQ 45 indexed companies listed on the Indonesia Stock Exchange for the period of 2012-2016, by conducting an F test of 148,565 with α = 5% and degrees of freedom 90 (df = 90-94), having a significant effect on statistical probability 0.0000 <0.05, this shows that the model regression equation can be estimated by panel data using the Fixed Effect Model (FEM) method. It can be concluded that the hypothesis says: There is an influence of the liquidity ratio (CR), leverage ratio (DER), ROA, and the Ratio of EPS together to Corporate Value (Tobin's Q) in companies LQ 45 indexed companies that go public on the Indonesia stock exchange for the period 2012-2016 are acceptable (Al-Najjar and Taylor, 2008; Farhi and Tirole, 2012; Hussain et al., 2015).

4.6. Individual Company Influence

Individually the company is affected by changes in Corporate Value (Tobin's Q) can be seen from the regression equation of each company is very sensitive negatively to changes in the Company Value Ratio (Tobin's Q) is a company is a company PT. Indonesian Telecommunications. Tbk (TLKM), meaning the change in the value of the variable liquidity ratio (CR), leverage ratio (DER), ROA, and the ratio of EPS to the Corporate Value Ratio (Tobin's Q) responded very quickly negative compared to other companies. The following is the regression equation of the company PT. Indonesian Telecommunications. Tbk (TLKM) individually as follows:

TQ_TLKM = −2.083078−0.332905−0.239160*CR_TLKM+1.728440*DER_TLKM+26.395208*ROA_TLKM−0.000972*EPS_TLKM.

Whereas the company that has the least sensitivity to changes in the Company Value Ratio (Tobin's Q) is the Unilever Tbk (UNVR) company, which includes changes in the value of the variable Liquidity Ratio (CR), leverage (DER), ROA) Ratio, and the ratio of EPS to the Corporate Value Ratio (Tobin's Q) is responded very slowly to the Corporate Value Ratio (Tobin's Q). The regression equation is the Unilever Tbk (UNVR) company, individually as follows:

TQ_UNVR=4.72169470459−0.332905161502−0.239160295018*CR_UNVR+1.72843971855*DER_UNVR+26.3952076224*ROA_UNVR−0.000972454111345*EPS_UNVR

5. CONCLUSIONS

There is a partial negative effect of liquidity (CR) but it is not significant towards Corporate Value (Tobin's Q) in LQ 45 indexed companies listed on the Indonesia Stock Exchange. There is a partial effect. Positive and significant leverage on company value (Tobin's Q) in LQ 45 indexed companies is listed on the Indonesia Stock Exchange. There is an influence of ROA partially. Leverage is positive and significant to Company Value (Tobin's Q) in LQ 45 indexed companies listed on the Indonesia Stock Exchange. There is a partial effect of EPS Leverage positively and significantly on Corporate Value (Tobin's Q) in LQ 45 indexed companies listed on the Indonesia Stock Exchange.

There is the influence of the liquidity ratio (CR), leverage ratio (DER), ROA ratio, and the Ratio of earnings per share (EPS) together with respect to corporate value (Tobin's Q). Individually the company is affected by changes in corporate value (Tobin's Q) where the company with the highest sensitivity to changes in the company value ratio (Tobin's Q) is the company PT. Telekomunikasi Indonesia Tbk (TLKM), while the company which has the least sensitivity to changes in the Corporate Value Ratio (Tobin's Q) is the Unilever Tbk (UNVR) company.

To maintain the stability of the operational activities of the companies indexed LQ 45 listed on the Stock Exchange are advised to keep the balance of short-term liquidity and long term, increase the Solvency Ratio Profitability control, so that the company's ability to structure financing which is the ratio between debt with manageable Asset with investment needs because micro-fundamental factors can affect the value of the company. For the next researcher, if you want to do similar research to add independent variables, such as Operating Profit Margin, Net Fixed Asset Turn Over, Sales Growth, Dividend Policy, and variables relevant to the research objectives, extend research time so that information can be obtained continuous.

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