

The Effect Of Current Ratio, Debt To Equity Ratio, And Price To Book Value On Financial Performance Of Property And Real Estate Sector Companies Listed On The Indonesia Stock Exchange In 2021-2023

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Abstract

This study examines the influence of the Current Ratio, Debt to Equity Ratio, and Price to Book Value on the financial performance of property and real estate companies listed on the Indonesia Stock Exchange during the period 2021 to 2023. Financial performance is measured using Return on Assets (ROA), while the independent variables consist of Current Ratio (CR), Debt to Equity Ratio (DER), and Price to Book Value (PBV). The study employs a quantitative method with an explanatory approach and uses secondary data from 83 companies over three years, resulting in 249 firm-year observations. Multiple linear regression analysis was used to examine the relationships among variables, with the assistance of SPSS software. The results show that simultaneously, CR, DER, and PBV have a significant effect on financial performance. Partially, CR and PBV have a positive and significant effect, while DER has a negative and significant effect on ROA. These findings highlight the importance of liquidity, capital structure decisions, and market valuation in enhancing company profitability. This study contributes to financial decision-making practices for company management and investors in the property and real estate sector.

Keywords: Current Ratio, Debt to Equity Ratio, and Price to Book Value, Financial Performance

INTRODUCTION

Indonesia's national income experiences winter every year. The development of a country's economy can be seen from the aspect of business development in the country, including Indonesia, which is a developing country in the Southeast Asia region. Indonesia is one of the developing countries and has economic advantages in the industrial sector, with a variety of industrial sectors from small to large scale. The Real Estate sector is one of the most important sectors in driving the economic growth of a country (Hasanah, 2017). Problems in the performance of this sector require an evaluation of the financial factors that affect the company's profitability. One of the most widely used profitability measuring instruments is Return on Assets (ROA). Financial ratios such as CR, DER, and PBV are considered capable of reflecting important aspects such as liquidity, solvency, and market perception of the company's value.

Based on data from the IDX and observations of the financial statements of 83 companies, there were fluctuations in the values of ROA, CR, DER, and PBV during the 2021–2023 period. Therefore, it is important to know how these three ratios affect financial performance so that management can optimize the right financial strategy.

the movement of the growth of the Property and real estate industry, there is an unstable increase and decrease in the growth rate of the Property and real estate sector. It can be seen from 2017 to 2018 the growth rate of the Property sector decreased by around 0.12%, but in 2018 to 2019 growth experienced a significant increase of around 2.28%. And experienced a decline in

growth again in 2019 to 2020 around 3.44%. However, there was an increase in growth again in 2021 around 0.46% and 2022 to 2023 experienced a decline (dataindustri.com, 2022).

Previous research on the effect of current ratio, debt to equity ratio and price to book value on financial performance has produced mixed results. For example, Zaudra Afifah Nurzaeni, Gendro Wiyono and Ratih Kusumawardhani (2023)

found that the activity ratio (CR) has a positive and significant effect on financial performance, this finding is consistent with Lely Diana and Maria Stefani Osesoga (2023) By looking at these three additional indicators, the analysis of financial performance becomes more comprehensive. CR describes short-term capabilities, DER reflects the capital structure, and PBV provides an overview of how the market assesses the company's potential. All three support the assessment of ROA in understanding the overall condition and prospects of the Property company being analyzed.

Most previous studies on corporate financial performance have focused on sectors such as manufacturing, banking, and consumption, with relatively limited attention to the property and real estate industry, especially in the Indonesian context. This sector has a strategic role in national economic development, given its ability to absorb labor, support the growth of other sectors, and contribute to state revenues through fiscal instruments.

Therefore, this study aims to fill this gap by focusing on property and real estate companies listed on the Indonesia Stock Exchange (IDX) during the period 2021–2023. Considering the unique characteristics of this industry which is capital intensive and tends to be sensitive to macroeconomic conditions, this study offers a new perspective on how Current Ratio, Debt to Equity Ratio, and Price to Book Value affect Return on Assets as the main indicator of financial performance. It is hoped that the findings of this study can provide practical contributions to company management in formulating more effective financial strategies, as well as being a consideration for investors in making more objective investment decisions.

RESEARCH METHODS

The type of research used in this study is quantitative research. Quantitative research according to Sugiyono (2019) is a type of research used to study a particular population or sample by collecting data using research instruments based on the philosophy of positivism.

Meanwhile, the method used is the explanatory method. Sugiyono (2019) stated that explanatory research is research that aims to explain the relationship between one variable and another to test a hypothesis. So it can be concluded that explanatory quantitative research is conducted to examine the population or sample with results in the form of numbers that can be used to determine the relationship or influence between the variables studied (Sugiyono, 2019).

The reason for using the explanatory quantitative research type is to be able to explain the relationship between independent variables such as Current Ratio (X1), Debt To Equity Ratio (X2), and Price to Book Value (X3) to the dependent variable (Y) Financial Performance. The independent variables in this study are:

- Current Ratio (CR): The ratio of current assets to current liabilities.
- Debt to Equity Ratio (DER): The ratio of total liabilities to equity.
- Price to Book Value (PBV): The ratio of the stock market price to the book value of the stock.
- The dependent variable is Return on Assets (ROA) as a performance indicator

The type of data used in this study is secondary data, which means that the type of data is already available or the original data is not created by the researcher but by another party and quoted by the researcher for the purposes of his research Juliandi et al., (2014). Secondary data in this study are in the form of financial reports on property and real estate sector companies listed on the Indonesia Stock Exchange for the period 2021-2023. Meanwhile, the data sources used in this study were obtained from the official website of the Indonesian Stock Exchange (www.idx.co.id). finance. A sample of 83 companies with observations for 3 years produced 249 panel data. The data analysis technique used multiple linear regression with classical assumption testing such as normality, multicollinearity, autocorrelation, and heteroscedasticity. Testing was carried out using SPSS software version 25.

RESULTS AND DISCUSSION

Descriptive Analysis

This study uses a data sample of 83 companies. Variable X1 (current ratio) has a value range of 0.57854, with an average of 0.7118. Variable X2 (Debt To Equity) has a value range of 0.45418, with an average of 0.6506. Variable X3 (Price To Book Value) has a value range of 0.03691, with an average of 0.0106 indicating a well-distributed data set. Variable Y (Financial Performance) shows minimal variation.

Classical Assumption Test Test

Normality

The normality test using the Kolmogorov-Smirnov method produced a Monte Carlo sig value (2-tailed) of .000, which exceeds the 0.05 significance level, thus confirming that the data distribution meets the normality assumption.

Multicollinearity Test

The multicollinearity test, which is based on the analysis of the coefficient table, shows that there is no multicollinearity problem, because all tolerance values are above 0.1 and the Variance Inflation Factor (VIF) value is below 10. These results indicate that the independent variables do not show a high correlation, thus allowing further analysis to be carried out.

Heteroscedasticity Test

The results of the heteroscedasticity test support the validity of the regression model, because all significance values exceed 0.05, which indicates that the variance between observations remains constant.

Autocorrelation Test

The test shows that the DW (Durbin Watson) value is 1.814. While the du value when viewed from the Durbin Watson table is 1.7085 with a sample size (n) of 249 and variables (k) of 3. So it can be concluded that the regression model does not have autocorrelation with the condition $du < d(DW) < 4-du$, namely $1,7825 < 1,814 < 2,2175$.

F Test (Simultaneous Test)

Simultaneous testing known as the F Test aims to evaluate whether the independent variables collectively have an impact on the dependent variable (Ghozali, 2018). From the results of the F Test analysis shown in the table, information is obtained that the significance value indicating the influence of Current ratio (X1), Debt To Equity (X2), Prece To Book Value (X3), on Financial Performance (Y) is 0.002 which is smaller than 0.005. This shows that the

hypothesis (H1) is accepted, which means that there is a significant influence of these variables on Financial Performance (Y)

Simultaneous Test Results (F Test)

ANOVA ^a						
	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.020	3	.007	5.349	.002 ^b
	Residual	.203	161	.001		
	Total	.223	164			
a. Dependent Variable: ROA						
b. Predictors: (Constant), PBV, CR, DER						

Source: SPSS 26 Data Processing Results

T-Test (Partial Test)

The t-test is an analysis tool used to assess the extent to which independent variables are able to explain dependent variables individually (Ghozali, 2018). In this study, the t-test was used to determine the effect of the Current ratio (X1), Debt To Equity (X2), Prece To Book Value (X3) variables on Financial Performance (Y) partially. If the calculated T value is greater than the T table, it can be concluded that the independent variables have a significant effect on the dependent variable.

Partial Test Results (t-Test)

Coefficients ^a						
	Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.009	.008		-1.184	.238
	CR	.006	.002	.231	2.995	.003
	DER	-.005	.005	-.071	-.917	.361
	PBV	.015	.006	.186	2.460	.015
a. Dependent Variable: ROA						

Source: SPSS 26 Data Processing Results

Based on the test results table above, it can be explained as follows:

- Current Ratio has a t-value of 2.995 and a significance value of 0.003, which means it is smaller than the significance requirement of 0.05. So it can be concluded that the Current Ratio variable has a positive effect on Financial Performance. In other words, H2 is accepted.
- Debt To Equity Ratio has a t-value of -0,917 and a significance value of 0.0361, which means it is smaller than the significance requirement of 0.05. So it can be concluded that the Debt To Equity Ratio variable has a negative effect on Financial Performance. In other words, H3 is accepted.
- Price To Book Value has a t-value of 2.460 and a significance value of 0.015, which means it is smaller than the significance requirement of 0.05. So it can be concluded that the Price To Book Value variable has a positive effect on Financial Performance. In other words, H4 is accepted

Test of Determination Coefficient (R2)

The determination coefficient test is used to measure the ability of a regression model to explain dependent variables (Ghozali, 2018). The R2 value has an interval between 0 and 1 (0 ≤

$R^2 \leq 1$). If the R^2 value is greater and approaches 1, the better the results of the regression model. However, conversely, if the R^2 value is smaller and approaches 0, the smaller the influence of the independent variable on the dependent variable (Ghozali, 2018).

Results of Determination Coefficient Test

Model Summary ^b				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.301 ^a	.091	.074	.03552
a. Predictors: (Constant), PBV, CR, DER				
b. Dependent Variable: ROA				

Source: Data processed by researchers

Based on the test results table above, it can be seen that the customized R^2 value is 0.74. This value shows that the independent variables (Current Ratio, Debt To Equity Ratio, Price To Book Value) affect the dependent variable (Financial Performance) by only 74%, while the remaining 26% (100% - 74%) is influenced by other variables not examined in this study such as Accounting Profit, Operating Cash Flow, Investment Cash Flow, Funding Cash Flow and Company Size (Nursita, 2021), Reference Interest Rate and Middle Foreign Exchange Rate (Pratama and Tjun, 2017), Financial Distress (Kewal et al., 2020), and Managerial Ownership, Foreign Ownership and Dividend Policy (Fauzan, 2018).

The Influence of Current Ratio, Debt to Equity Ratio, and Price to Book Value on Financial Performance

Based on the hypothesis test (H1) simultaneously obtained a significance value of the f test of 0.002 which means < 0.05 . So it can be concluded that the variables Current Ratio, Price To Book Value together (simultaneously) affect Financial Performance so that the Hypothesis is accepted. However, based on the results of the partial test (t test), it is known that not all independent variables have an effect individually.

The Current Ratio variable has a significance value of 0.003 and Price to Book Value of 0.015, both of which are less than 0.05. This shows that CR and PBV have a significant effect on Financial Performance. Meanwhile, the Debt to Equity Ratio (DER) variable has a significance value of 0.361 (> 0.05) and a t-count value of -0.917, so it can be concluded that DER does not have a significant effect on Financial Performance.

The results of this study are in line with the research of Zaudra Afifah Nurzaeni, Gendro Wiyono and Ratih Kusumawardhani (2023) which shows that the variables Current Ratio, Debt To Equity Ratio and Price To Book Value together affect Financial Performance in Telecommunication Sub-Sector industrial companies on the Indonesia Stock Exchange. These results indicate that the Current Ratio and market valuation factors have a very important role in determining the company's financial performance. In fact, the combination of these Ratios provides a comprehensive picture of the company's financial condition. The Current Ratio reflects the company's ability to meet its short-term obligations, the Debt to Equity Ratio shows the company's capital structure and level of financial risk, while Price to Book Value reflects how well the market assesses the company's net asset value in relation to its stock price.

Therefore, companies that have an optimal combination of Ratios tend to have more stable and prospective financial performance for investors.

The Influence of Current Ratio on Financial Performance

The results of the second hypothesis test (H2) which states that the Current Ratio has an effect on Financial Performance obtained the results of the calculation of the t-value of 2,995 and a significance value of 0.005 which means <0.05 . So it can be seen that the Current Ratio variable has a positive effect on Financial Performance. In other words, H2 is accepted.

If the company's Current Ratio is getting bigger, it will increase the company's financial performance. Because the bigger the Current Ratio shows the better the company is in maintaining its daily operational balance. The Current Ratio measured by (CR) is used to measure the company's ability to pay all its short-term obligations with existing activities. The greater the ratio of current assets to current liabilities, the higher the company's ability to cover its short-term obligations, which in turn can increase the company's financial stability and performance.

The results of this study are in line with the results of Fajaryani & Suryani's research (2018) which states that the Current Ratio has a positive and significant effect on Financial Performance. The higher the CR, the better the company's ability to pay off its short-term debts, so that the company's operations can run more stably and efficiently. Good financial stability will increase stakeholder trust in the company and reflect healthy financial performance. These results are also in line with the results of Diana's research (2020) which states that the current ratio proxied by cr affects financial performance. Yulliani, E's research (2021) also states that the current ratio affects financial performance. Therefore, maintaining the current ratio in the optimal range is very important for companies to maintain sufficient liquidity without causing excessive capital efficiency.

The Influence of Debt to Equity Ratio on Financial Performance

The results of the second hypothesis test (H3) which states that the Debt To Equity Ratio has no effect on Financial Performance obtained the calculation result of the t-value of -0.917 and a significance value of 0.0361 which means <0.05 . So it can be seen that the Debt To Equity Ratio variable has no effect on Financial Performance. In other words, H3 is rejected.

Debt To Equity Ratio as measured by (DER) shows that the higher the DER Ratio, the greater the debt burden that must be borne by the company, so that it can increase financial risk and reduce financial performance. The high DER Ratio indicates that the company uses more debt than its own capital, which can cause financial pressure due to interest and principal payments. Thus, company management needs to manage the capital structure optimally so that the use of debt does not have a negative impact on financial performance.

The results of this study are in line with the results of research by Sari et al. (2021) which states that the Debt To Equity Ratio has a partial negative effect on Financial Performance in Automotive Companies Listed on the Indonesia Stock Exchange. Therefore, company management needs to maintain a balanced capital structure so that debt usage can be managed well and does not hinder the company's profitability.

The Influence of Price to Book Value Ratio on Financial Performance

The results of the second hypothesis test (H4) which states that the Price To Book Value Ratio has an effect on Financial Performance obtained the results of the calculation of the t-value of 2.460 and a significance value of 0.015 which means <0.05 . So it can be seen that the Price

To Book Value variable has a positive effect on Financial Performance. In other words, H3 is accepted.

Price to Book Value is a valuation ratio that compares the market price of a company's shares with the book value of its equity. The higher the PBV ratio, the better the market's perception of the company's value. Investors and stakeholders often use PBV as a fundamental indicator in assessing the stability and profitability of a company. A high PBV indicates that the company is able to manage its assets efficiently and generate higher levels of profit, thus having a positive impact on financial performance.

The results of this study are in line with the results of the study by Khairudin Khairudin et al (2017) which states that Price to Book Value has a positive effect on Financial Performance in Mining Companies in Indonesia. These results are also in line with the results of Dewi's research (2016) which states that Price to Book Value has a positive and significant effect on financial performance in manufacturing companies listed on the IDX for the period 2011-2015. These findings are consistent with the results of your research, which shows that PBV has a positive effect on the company's financial performance. This is the importance of PBV as an indicator in assessing financial performance and the company's value in the eyes of investors.

CONCLUSION

Based on the results of data analysis, hypothesis testing, and discussion that have been carried out, the following conclusions can be drawn:

1. Simultaneously (together), the variables Current Ratio (CR), Debt to Equity Ratio (DER), and Price to Book Value (PBV) have a significant effect on Financial Performance as measured by Return on Assets (ROA). This is proven by the results of the F test which shows a significance value of $0.002 < 0.05$.
2. Partially:
 - a. Current Ratio (CR) has a positive and significant effect on Financial Performance. This means that the higher the CR, the better the company's ability to meet its short-term obligations, thus having a positive impact on financial performance.
 - b. Debt to Equity Ratio (DER) does not have a significant effect on Financial Performance. Although DER describes the capital structure and level of financial risk, this study did not find evidence that DER directly affects the company's financial performance.
 - c. Price to Book Value (PBV) has a positive and significant effect on Financial Performance. This shows that market perception of company value has a close relationship with the financial performance achieved by the company. This study confirms that the Current Ratio (CR) and market valuation (PBV) factors play a more important role in influencing the company's financial performance than the capital structure (DER). Therefore, company management needs to pay attention to the balance of liquidity and increase market confidence to encourage more optimal financial performance.

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