The Influence of Leverage, Profitability and Liquidity on Value with Corporate Governance as a Moderation in Food and Beverages Companies Listed on The Indonesian Stock Exchange

Ida Ayu Ratih Manuari[1] and I Gede Cahyadi Putra[1]

[1] Universitas Mahasaraswati Denpasar, Indonesia
ratih.manuari@unmas.ac.id

Abstract. The high price of a company's shares is a reflection of a company's performance, so this becomes an attraction for investors in investing in that company. This research aims to test and obtain empirical evidence of the influence of leverage, profitability and liquidity on company value with corporate governance as a moderating variable. The population in this research is Food and Beverages companies listed on the Indonesia Stock Exchange in 2019-2021, totalling 72 companies. The sample in this research was 26 companies. The sampling method used in this research is the purposive sampling method. The data analysis technique used is the Partial Least Square (PLS) analysis technique. The results of this research show that profitability and liquidity have a positive effect on company value, while leverage has no effect on company value. Corporate governance is able to strengthen the influence of leverage, profitability and liquidity on company value.

Keywords: Leverage, Profitability, Liquidity, Corporate Governance, Company Value

1 Introduction

Company value is the company's performance as reflected by the share price which is formed by the demand and supply of the capital market which reflects the public's assessment of the company's performance [1]. High share prices also have an impact on increasing company value which can increase market confidence not only in the company's current performance but also in the company's prospects in the future [2]. So, company value is very important in measuring company performance which is often linked to share prices. The market price of a company's shares reflects investors' overall assessment of each equity owned. Maximizing company profits and increasing company value are the interrelated goals of a company for the welfare of shareholders, which is none other than maintaining the situation and survival of the company [3]. By having a high company value, investors assess and believe in the company so they are interested in investing their capital in the company. Company value can also be influenced by leverage, profitability, and liquidity. The increase in business competition in the current era of globalization cannot be separated from the influence of developments in the economic, social and political environment and technological advances [4].

© The Author(s) 2024
K. Keni et al. (eds.), *Proceedings of the Twelfth International Conference on Entrepreneurship and Business Management 2023 (ICEBM 2023)*, Atlantis Highlights in Economics, Business and Management 2,
https://doi.org/10.2991/978-94-6463-508-9_15

The current global economy has created competition between domestic companies which indirectly has an impact on the Indonesian economy. The Indonesian economy is contributed by the capital market. The Indonesian Stock Exchange is a capital market that plays an important role as a means for people to invest, which is one alternative investment [5]. Based on the results of previous research regarding the relationship between leverage and company value, several results show dissimilarity. Profitability is a ratio to assess a company's ability to make a profit or gain in a certain period [17]. Profitability has a major role in all business prospects, because it indicates the efficiency of the company and reflects the company's performance. A company that can generate profits that exceeds the company's target shows that the company's performance is good, which will provide a signal to investors which has an impact on the company's share [6]. In this way, the company will further increase its profitability, because increasing profitability will ensure the survival of the company which will have an impact on increasing the value of the company [7]. High liquidity shows the company's strength in terms of its ability to meet current debts from its current assets, so this increases the trust of outsiders in the company [18]. The more liquid a company is, the more able the company is to finance its obligations so that investors will be encouraged to provide capital to the company so that the company's value can increase [8].

There has been a lot of research that has been carried out previously regarding the factors that influence leverage, profitability and liquidity on company value, but the results have been different and inconsistent so it is indicated that there are other variables that influence the relationship between the two in order to get more accurate results by adding one moderating variable in this research, namely Corporate Governance [9]. In November 2021, the fundamental performance of consumer goods industry companies in the consumer non-cyclical food and beverages sector saw their shares decline by 12.80% since the beginning of the year, which had an impact on company value. This is because the existence of PPKM causes the issuer's target projections to miss, resulting in an impact on the company's profits, resulting in the company being unable to fulfil its obligations. There are a number of consumer goods sectors whose shares experienced losers, including PT Indofood Sukses Makmur Tbk (INDF) down 8.03% ytd, PT Indofood CBP Sukses Makmur Tbk (ICBP) which fell 6.79% ytd, PT Mayora Indah Tbk (MYOR) down amounting to 12.92% ytd, PT Kino Indonesia Tbk (KINO) fell 23.16% ytd, and PT Unilever Indonesia Tbk (UNVR) experienced a decline in shares of 38.64% [10].

Based on the phenomena that occur and the results of previous research where there are still differences in research results, the researchers are interested in reviewing again to conduct research with the title "The Influence of Corporate Governance on the Relationship between Leverage, Profitability and Liquidity on the Value of Food and Beverage Companies Listed on the Stock Exchange Indonesia".

1.1 Research Issues

1) Does Leverage affect Company Value?
2) Does profitability affect company value?
3) Does liquidity affect company value?

4) Can Corporate Governance moderate the relationship between Leverage and Company Value?
5) Can Corporate Governance moderate the relationship between Profitability and Company Value?
6) Can Corporate Governance moderate the relationship between liquidity and company value?

2 Theoretical Basis

Signaling theory emphasizes the importance of information released by the company on the investment decisions of parties outside the company [13]. Complete, relevant, accurate and timely information is needed by investors in the capital market as an analytical tool for making investment decisions [14]. Investment decisions taken by the company will provide a positive signal regarding future growth, so that it can increase the share price which is used as an indicator of company value. When the information released by the company has spread widely to outside parties and all market players, they can interpret whether the information is a good sign (good news) or a bad sign (bad news). If the information that comes out is a good sign for investors, then the share trading volume will change, as investors increase their interest in investing their funds in the company, the company value will increase [15].

Good information about the company is the main thing that can encourage management to provide signals to investors in the hope of increasing company value. Companies with profitable future prospects will try to avoid selling company shares but instead seek new capital income through other means such as using debt that exceeds the normal capital structure target [7]. Conversely, companies with less profitable prospects will tend to sell their company shares. In other words, an increase in share prices or a high share price of a company is an indication that the company has high firm value. Therefore, company value can provide prosperity for shareholders as share prices increase. Signal theory is related to the value of the company, if the company fails or cannot convey a good signal regarding the value of the company, the value of the company will experience a mismatch with its position, meaning that the value of the company can be above or below its true value [16].

2.1 Research Model

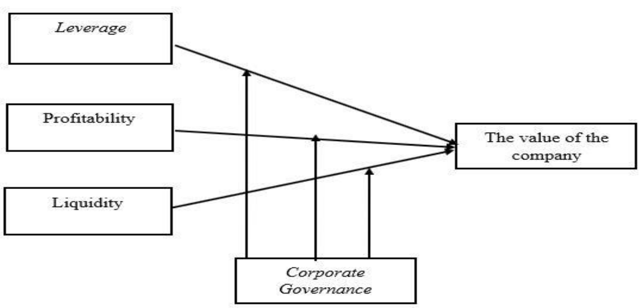

Figure 1. Research Model

From the research model above and based on the theory that has been described, the following hypothesis can be drawn:

H1: Leverage has a negative effect on company value

H2: Profitability has a positive effect on company value

H3: Liquidity has a positive effect on company value

H4: Corporate governance is able to moderate the relationship between leverage and company value.

H5: Corporate governance is able to moderate the relationship between profitability and company value.

H6: Corporate governance is able to moderate the relationship between liquidity and company value

3 Research Methodology

Research sites on this research was conducted at PT. Indonesia Stock Exchange (BEI) for the 2019-2021 period for Food and Beverages companies, by accessing it via the website www.idx.co.id. The operational definition of a variable is a complete guide to what must be observed and measured in a variable or concept to test the perfection of the operational definition of a variable, namely:

3.1 Company Value

Company value is measured using Tobin's Q. The formula used is as follows:

PBV = (Share Price Per Share) / (Book Value Per Share) x 100%

Tobin's Q = (MVE + DEBT) / TA x 100%

Information:
MVE = Market value of equity (closing price x number of shares outstanding)
DEBT = Book value of total debt (short term liabilities + long term liabilities)
TA = Total assets

3.2 Corporate Governance

Corporate governance in this study is measured using proxies for managerial ownership, independent board of commissioners, audit committee, and institutional ownership:

Managerial ownership is a condition where management owns a proportion of company shares, with the following formula:
KM = (Number of Managerial Shares) / (Number of Outstanding Shares)

The independent board of commissioners is an independent commissioner who has no business ties and acts to supervise management. With the following formula
DKI = (Number of independent commissioners) / (Total board of commissioners)

The audit committee is an internal auditor formed by the board of commissioners. By using the following formula (Debby et al. 2014):
KA = Number of audit committee members

Institutional ownership is company shares owned by institutions or agencies. With the following formula:
KI = (Institutional share ownership) / (Total shares)

3.3 Leverage

Leverage is a tool used to measure a company's ability to finance all of its obligations. In this research, leverage uses two calculation methods, namely through Debt-to-Equity Ratio (DER) and Debt-to-Asset Ratio (DAR).

Debt-to-Equity Ratio (DER) is the ratio used to assess debt versus equity, which is calculated using the following formula: Debt-to-Equity Ratio (DER) x 100%

Debt-to-Asset Ratio (DAR) is a ratio used to measure the comparison between total debt and total assets, which is calculated using the following formula:
Debt-to-Asset Ratio (DAR) = (Total debt) / (Total assets) x 100%

3.4 Profitability

Profitability is a ratio to assess a company's ability to earn profits or returns in a certain period. In this research, profitability is proxied using Return on Assets (ROA) and Return on Equity (ROE) expressed as a percentage:

Return on assets is a ratio used to measure net profit obtained from the use of assets. The formula for calculating profitability using ROA as follows:
Return On Assets (ROA) = (Net profit) / (Total assets) x 100%

Return on equity (ROE) is a ratio used to measure net return on equity. This ROE measurement is based on the income available to company owners for the capital invested in the company. The formula for calculating profitability using return on equity is as follows:
Return On Equity (ROE) = (Net profit) / (Total equity) x 100%.

3.5 Liquidity

Liquidity is a ratio that describes a company's ability to meet short-term obligations. In this research, liquidity is proxied using the current ratio (CR) and quick ratio (QR). CR is a ratio that provides information about the ability of current assets to cover current liabilities. Meanwhile, QR is a balance between the amount of current assets minus inventory, and the amount of current liabilities. The formula for calculating liquidity in this research in percentage is as follows:

Current Ratio (CR) = (Current assets) / (Current liabilities) x 100%

Quick Ratio = (Current assets - Inventory) / (Current liabilities) x 100%

The following is a table for determining the research sample:

Table 1. Research Samples

Number	Sample Characteristics	Total
1	Food and beverages companies listed on the Indonesia Stock Exchange in 2021	72
2	Food and beverages companies that are not consecutively listed on the Indonesia Stock Exchange during 2019 – 2021	46
3	Food and beverages companies whose financial reports cannot be accessed during 2019-2021	0
4	Food and beverages companies that do not have complete data regarding variables (leverage, profitability, liquidity and corporate governance) in 2019-2021	0
Food and beverages companies selected as samples for the 2019-2021 period		26
Food and beverages company x 3 years		78

The data analysis method in this research uses PLS (Partial Least Squares) with the Smart PLS 3.0 program tool. The reason for using PLS in this research is to confirm previous theories and research regarding the role of corporate governance as a mediator of the influence of leverage, profitability and liquidity on company value on the Indonesian Stock Exchange [11].

4 Research Results

4.1 Average Variance Extracted (AVE)

An indicator is declared to have convergent validity if the average variant extracted (AVE) value is ≥ 0.05. Where the average value of the variance of all indicators explained by the latent variable is at least 50 percent. The following are the AVE values in this research:

Table 2. The Results of AVE

	AVE	Result
CG	0.937	Valid
CG*LD	1.000	Valid
CG*LV	1.000	Valid
CG*PR	1.000	Valid
LD	0.996	Valid
LV	0.670	Valid
NP	0.976	Valid
PR	0.991	Valid

The table above shows the average variant extracted (AVE) value showing results above 0.5 for each variable, which means all indicators are declared valid.

4.2 Reliability

The reliability test on PLS is used to measure the reliability value of indicators on a variable. A variable can be declared to meet composite reliability greater than 0.7 and the recommended Cronbach alpha value is above 0.6. The following are the composite reliability and Cronbach alpha values used in this research:

Table 3. The Results of Reliability Tests

	Cronbach's Alpha	Composite Reliability	Result
CG	0.980	0.984	Reliable
CG*LD	1.000	1.000	Reliable
CG*LV	1.000	1.000	Reliable
CG*PR	1.000	1.000	Reliable
LD	0.996	0.998	Reliable
LV	0.753	0.801	Reliable
NP	0.975	0.988	Reliable
PR	0.991	0.995	Reliable

Based on the table above, the composite reliability value for the corporate governance, company value, leverage, profitability, and liquidity variables are greater than 0.7 and the Cronbach alpha value for each variable is above 0.6. So, the data above can be declared reliable.

4.3 R-Square

Changes in the R-Square value can be used to see whether the influence of the independent variable on the dependent variable has a substantive influence in this research. The R-Square value has limits in three classifications, namely: 0.75 (strong), 0.50 (moderate) and 0.25 (weak). The following are the R-Square values in this research:

Table 4. R-Square

	R Square	R Square Adjusted
NP	0.681	0.647

Based on the table above, it shows that the R-Square value of the company value variable is 0.681, which means that the leverage, profitability and liquidity variables are able to explain 68% of the company value and the remaining 32% is not explained in this research. The R-Square value of company value is categorized as moderate.

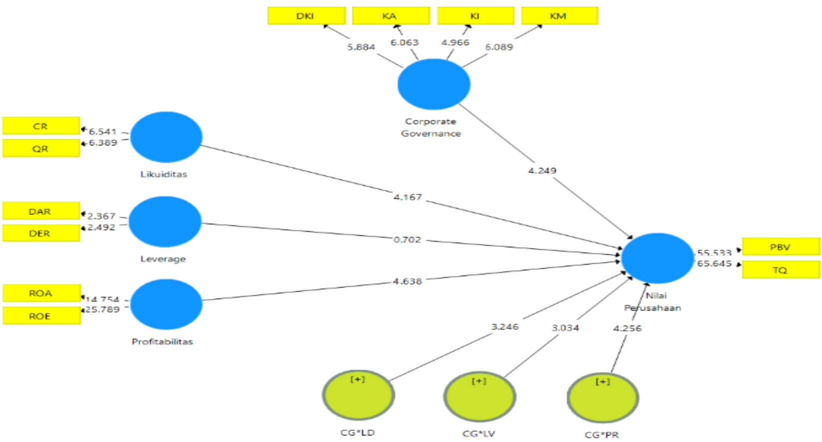

Figure 2. PLS Bootstrapping Output Results

Table 5. The Results of Significance Tests

	Original Sample (O)	P Values	Result
LV -> NP	0.013	0.220	No significant
PR -> NP	0.522	0.000	Significant
LD -> NP	0.429	0.000	Significant
CG*LV -> NP	0.342	0.005	Significant
CG*PR -> NP	0.464	0.000	Significant
CG*LD -> NP	0.351	0.000	Significant

5 Conclusion

Based on the results of the analysis and discussion regarding the influence of corporate governance on the relationship between leverage, profitability and liquidity on the value of Food and Beverages companies listed on the Indonesia Stock Exchange, the following conclusions can be drawn:

1) Leverage has no effect on company value. This means that the level of leverage owned by a company cannot affect the value of the company. The size of the debt is not really seen by investors, because most investors see how the company performs in generating added value for the company through the use of funds.
2) Profitability has a positive effect on company value. This shows that the higher the profitability value, the higher the company's ability to generate profits which can provide a positive signal for investors and become an attraction for investors to own company shares which will have an impact on increasing share prices while increasing company value.
3) Liquidity has a positive effect on company value. Companies that have high liquidity can be said to have good performance by investors. Higher liquidity means the company is able to handle its short-term obligations well and this can provide a signal for investors to invest in the company, thereby increasing the company's value.
4) Corporate governance is able to strengthen the relationship between leverage and company value. Managing a company well can be seen through managing the company's capital structure. Companies that implement good corporate governance can minimize irregularities in the use of debt, so that the amount of debt in the capital structure if the company can manage debt well in order to increase profits, will give a signal to investors to invest in the company, so that this can increase the value of the company.
5) Corporate governance is able to strengthen the relationship between profitability and company value. The application of corporate governance in companies is used to manage companies in increasing company profitability. Companies that have high corporate governance values will provide positive signals to stakeholders, the better they are at managing the company, the higher the company's profitability will be, so that this can increase the value of the company.
6) Corporate governance is able to strengthen the relationship between liquidity and company value. Implementing effective governance can increase financial and operational transparency. Where a high level of liquidity indicates that the company is able to fulfil its financial obligations on time, which means the company is in a liquid state so that it can influence investors to invest in the company which will result in increased demand for shares and an increase in share prices and company value.

Acknowledgments. Authors would like to thank Universitas Mahasaraswati Denpasar for funding our participation in the International Conference on Economics and Business Management (ICEBM) 2023.

Disclosure of Interests. The authors have no competing interests to declare that are relevant to the content of this article.

References

1. Adilla, M. (2022). Dampak Good Corporate Governance Terhadap Nilai Perusahaan Dengan Profitabilitas Sebagai Variabel Moderasi pada Perusahaan Otomotif dan Bagian-Bagian yang Terdaftar di Bursa Efek Indonesia. Jurnal Ilmiah Mahasiswa Ekonomi dan Bisnis [JIMEIS], 2(1).
2. Aisyah, S., DP, R. W., & Ermawati, E. (2019). Pengaruh Profitabilitas, Likuiditas, Leverage, Dan Firm Size Terhadap Nilai Perusahaan. Counting: Journal of Accounting, 2(2), 147-154.
3. Angeline, Y. R., & Tjahjono, R. S. (2020). Tata Kelola Perusahaan Dan Rasio Keuangan Terhadap Nilai Perusahaan Manufaktur. Jurnal Bisnis dan Akuntansi, 22(2), 305-312.
4. Bintara, R. (2018). Pengaruh profitabilitas, growth opportunity, dan struktur modal terhadap nilai perusahaan dengan good corporate governance sebagai variabel pemoderasi (Studi empiris pada perusahaan manufaktur yang terdaftar di Bursa Efek Indonesia tahun 2012-2015). Profita: Komunikasi Ilmiah dan Perpajakan, 11(2), 306-328.
5. Buana, B. A. R., & Idayati, F. (2022). Pengaruh Good Corporate Governance, Profitabilitas, Dan Leverage Terhadap Firm Value. Jurnal Ilmu dan Riset Akuntansi (JIRA), 11(4).
6. Dewi, L. A., & Praptoyo, S. (2022). Pengaruh Ukuran Perusahaan, Profitabilitas, Dan Leverage Terhadap Nilai Perusahaan. Jurnal Ilmu Dan Riset Akuntansi (JIRA), 11(3).
7. Dewantari, N. L. S., Cipta, W., & Susila, G. P. A. J. (2019). Pengaruh ukuran perusahaan dan leverage serta profitabilitas terhadap nilai perusahaan pada perusahaan food and beverages di BEI. Prospek: Jurnal Manajemen Dan Bisnis, 1(2), 74-83.
8. Faley, H. G. (2020). Pengaruh Tata Kelola Terhadap Nilai Perusahaan Dengan Pengungkapan Tanggung Jawab Sosial Sebagai Variabel Mediasi (Studi Kasus Pada Peserta ICSRA Perusahan Publik yang Terdaftar di BE I) (Doctoral dissertation, STIE MALANG KUCECWARA).
9. Farizki, F. I., Suhendro, S., & Masitoh, E. (2021). Pengaruh profitabilitas, lever age, likuiditas, ukuran perusahaan dan struktur aset terhadap nilai perusahaan. Ekonomis: Journal of Economics and Business, 5(1), 17-22.
10. Frabella, Y. N. N., & Maryanti, E. (2021). Pengaruh ROA, ROE, CR Terhadap Nilai Perusahaan Dengan Good Corporate Governance Sebagai Variabel Moderasi. Jurnal Akuntansi dan Keuangan Kontemporer (JAKK), 4(2), 205-211.
11. Ghozali, I., & Latan, H. (2015). Konsep, Teknik dan Aplikasi Menggunakan Program SmartPLS 3.0. Semarang: Universitas Diponegoro Semarang.
12. Hidayat, R. (2021). Profitabilitas sebagai Pemoderasi Pengaruh Corporate Governance, Leverage Terhadap Nilai Perusahaan. Journal of Business and Economics (JBE) UPI YPTK, 6(2), 88-95.
13. Indrayani, N. K., Endiana, I. D. M., & Pramesti, I. G. A. A. (2021). Pengaruh Ukuran Perusahaan, Profitabilitas, Kebijakan Dividen, Akuntansi Lingkungan, Leverage Dan Likuiditas Terhadap Nilai Perusahaan. Kumpulan Hasil Riset Mahasiswa Akuntansi (KHARISMA), 3(1).
14. Kolamban, D. V., Murni, S., & Baramuli, D. N. (2020). Analisis Pengaruh Leverage, Profitabilitas Dan Ukuran Perusahaan Terhadap Nilai Perusahaan Pada Industri Perbankan Yang Terdaftar Di Bei. Jurnal EMBA: Jurnal Riset Ekonomi, Manajemen, Bisnis Dan Akuntansi, 8(3).
15. Putra, I. G. C., Manuari, I. A. R., & Puspayanti, N. K. D. (2022). Pengaruh Corporate Governance Terhadap Profitabilitas dan Nilai Perusahaan Manufaktur yang Terdaftar di Bursa Efek Indonesia (BEI). WACANA EKONOMI (Jurnal Ekonomi, Bisnis dan Akuntansi), 21(1), 105-118.
16. Saputri, C. K., & Giovanni, A. (2021). Pengaruh profitabilitas, pertumbuhan perusahaan dan likuiditas terhadap nilai perusahaan. Competence: Journal of Management Studies, 15(1), 90-108.

17. Tumanan, N., & Ratnawati, D. (2021). Pengaruh Likuiditas, Profitabilitas, Leverage Terhadap Nilai Perusahaan, CSR Sebagai Pemoderasi. E-Bisnis: Jurnal Ilmiah Ekonomi dan Bisnis, 14(1), 123-136.
18. Wasista, I. P. P., & Putra, I. N. W. A. (2019). Pengaruh Profitabilitas dan Ukuran Perusahaan Pada Nilai Perusahaan Dengan Good Corporate Governance Sebagai Variabel Pemoderasi. E-jurnal akuntansi, 29(3), 928-942.

Open Access This chapter is licensed under the terms of the Creative Commons Attribution-NonCommercial 4.0 International License (http://creativecommons.org/licenses/by-nc/4.0/), which permits any noncommercial use, sharing, adaptation, distribution and reproduction in any medium or format, as long as you give appropriate credit to the original author(s) and the source, provide a link to the Creative Commons license and indicate if changes were made.

The images or other third party material in this chapter are included in the chapter's Creative Commons license, unless indicated otherwise in a credit line to the material. If material is not included in the chapter's Creative Commons license and your intended use is not permitted by statutory regulation or exceeds the permitted use, you will need to obtain permission directly from the copyright holder.