PENANOMICS
International Journal of Economics
ISSN: 2829-601X

ANALYSIS OF THE INFLUENCE OF PROFITABILITY, LIQUIDITY AND RATIO LEVERAGE ON COMPANY VALUE IN FINANCING COMPANIES LISTED ON THE INDONESIAN STOCK EXCHANGE 2019 - 2023

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ABSTRACT

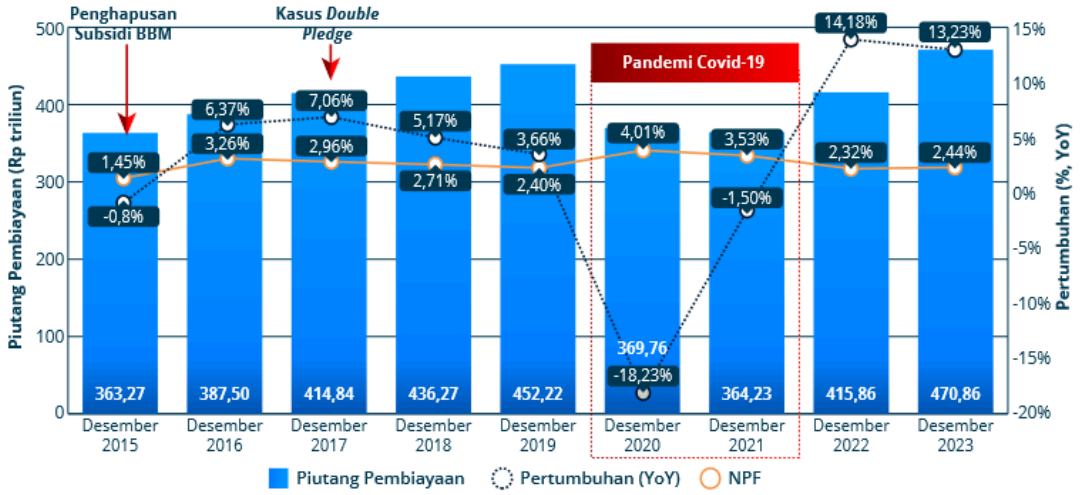
This research aims to determine the effect of profitability, which is proxied by Return On Equity (ROE), liquidity, which is proxied by Current Ratio (CR), and Leverage, which is proxied by Debt to Equity Ratio (DER), on company value by proxy Price to Book Value (PBV) in Financing Companies Sub-Sector companies on the Indonesian Stock Exchange for the 2019-2023 period. This research uses quantitative methods. The data used in this research is secondary data. The population in this research are finance companies listed on the Indonesia Stock Exchange, with a research period from 2019 to 2023, totaling 14 finance companies. The sample selected using the purposive sampling method consisted of 11 finance companies. Partial research results found that Profitability (ROE) had no significant effect on company value, Liquidity (CR) had no effect on company value, and Leverage (DER) has a significant effect on company value.

Keywords: Profitability, Liquidity, Leverage and Company Value

1. INTRODUCTION

The financing industry in Indonesia has a significant role in supporting national economic growth. As one of the main pillars in the financial system, finance companies provide various services, ranging from consumer financing, small and medium business financing, to property and motor vehicle financing. However, in recent years, the financing industry in Indonesia has faced quite serious challenges. Changes in global and domestic economic conditions, exchange rate fluctuations, and increased credit risk have affected the financial performance of finance companies. Many finance companies are experiencing liquidity difficulties and an increase in the ratio of non-performing loans (NPL).

In recent years, finance companies have been full of dynamics, one of which is the COVID-19 pandemic which began in 2020, which has had a significant impact on the financial sector, including finance companies. Decreasing people's purchasing power, credit restructuring, and changes in government policy are some of the main challenges faced. In addition, developments in financial technology (fintech) during this period provided competitive pressure as well as opportunities for finance companies to innovate. The phenomenon of increasing digitization in financial services and consolidation trends in the financing industry are also strategic issues that influence company value.



Sumber: Kementerian Keuangan, BI, OJK, APPI

Figure 1.1 Distribution of Industrial Financing by Financing Companies

There was a slowdown in financing growth in the 2017 - 2018 period. This result was due to the practice of double pledging and double financing. This practice causes banks' trust in finance companies to decline, making it difficult for finance companies to obtain funding. APPI (Association of Indonesian Financing Companies) then formed PT. Rapi Utama Indonesia (Rapindo) at the end of 2018. Rapindo is an asset recording institution which was established as a risk mitigation tool in avoiding double pledging and the risk of falsifying the identity of potential debtors. Having once again grown, finance companies then experienced quite a deep contraction after being hit by the Covid-19 pandemic in 2019. In line with various economic recovery efforts carried out by the government, finance companies are again starting to show positive developments.

According to the OJK Roadmap Report (2023), in December 2023, there were 147 registered finance companies and this resulted in a fairly tight competitive landscape and required finance companies to determine business strategies in facing competition from other finance companies. From financial company statistical data, it is known that the automotive sector is still a market share that is of interest to the financing industry, with financing products in the form of four-wheeled and two-wheeled motorized vehicles.

Even though the challenges are quite difficult, currently, the financing industry in Indonesia is growing rapidly, driven by the public's need for easier and more flexible access to financing. However, with the increasing number of finance companies competing in the capital market, questions arise about how company value is assessed by investors and what factors influence this value.

Thus, financial ratios are an important indicator that is often used to measure company performance and health. Ratios such as liquidity, profitability and leverage are often considered to have an influence on company value.

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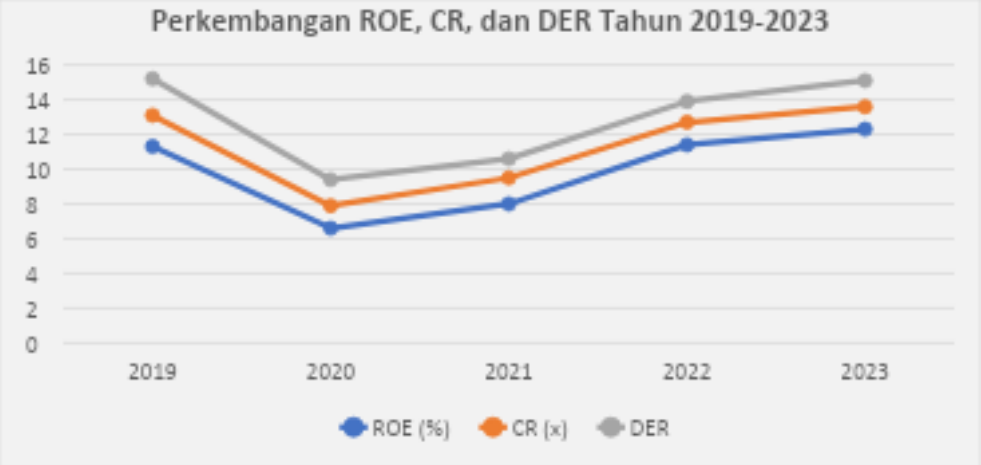
According to Ompusunggu and Wijaya (2021: 688) company value is very important for companies because high company value will be followed by high shareholder prosperity. Increasing company value will affect shareholder value if the increase is characterized by a high level of return on investment to shareholders. An increase in company value due to high share prices will make the market believe in the company's performance and prospects in the future. The increase or decrease in company value can also be influenced by several factors, including profitability, liquidity and leverage.

Profitability is a measure that shows the extent to which a company is able to generate profits from its income or capital. Profitability is a ratio to assess a company's ability to earn profits or returns in a certain period. Among the various financial ratios used to measure profitability, *Return on Equity* (ROE) is one of the most frequently used and is considered very relevant in financial analysis (Lestari and Anggraeni: 2023). Kasmir (2012) suggests that ROE measures how much a company's ability to generate net profit compared to the equity it has.

Liquidity is a measure of a company's ability to meet its short-term financial obligations using the current assets it owns. According to Hery (2021:149) Liquidity is a ratio that shows a company's ability to pay or fulfill its short-term debt obligations. One of the most commonly used ratios to measure a company's liquidity is Current Ratio (CR)**.** Current Ratio is a ratio used to assess a company's ability to meet its short-term obligations using the current assets it owns at a certain time.

According to (Jihadi et al., 2021) Leverage is an important aspect of company financial management, which describes the extent to which a company uses debt as part of its operational financing sources. One of the main measures for evaluating a company's leverage level is Debt to Equity Ratio (DER). DER is a ratio that compares a company's total liabilities with shareholder equity.



Source: www.idx.co.id (processed data source)

Figure 1.2
Average Value of Development of ROE, CR and DER of Financing Companies in 2019 – 2023

Figure 1.2 above shows a graph of the average development of ROE, CR and DER in finance companies. ROE shows increases and decreases throughout the period, with the lowest value in 2020 (6.6%) and the highest in 2023 (12.3%). And ROE experienced a decline in 2020 which was most likely caused by the economic impact of the COVID-19 pandemic, but showed a steady recovery until 2023.

The CR value tends to be stable in the range of 1.3 to 1.8, but decreased from 1.8 in 2019 to 1.3 in 2020, and is stable at this figure until 2023. This may indicate that the Company is balancing its current assets and short-term liabilities in this range, perhaps to maintain more efficient liquidity.

DER shows a downward trend from 2.1 in 2019 to 1.1 in 2021, which could mean that the company is reducing its dependence on debt. However, in 2023, the DER value will increase again to 1.5. This could indicate a change in financing policy or the company's need to rely on debt in certain years.

Overall, this data shows the company's efforts to balance profitability (ROE), liquidity (CR) and capital structure (DER) in facing economic challenges that change from year to year.

2. LITERATURE REVIEW

Signal Theory (Signaling Theory)

Signal Theory (*Signalling theory*) is a theory regarding the delivery of information from managers to interested parties (investors or creditors). Signaling theory explains why companies prioritize the importance of the information they publish regarding investment decisions made by outside parties. According to Sulistya Ningsih and Gunawan (2016) *Signalling theory* is one of the theories behind the problem of information asymmetry. This is because some information presents past, present, and future information, notes, or explanations in all matters for the survival of the company. Investors really need complete, relevant, accurate and timely information as a tool for analyzing investment decisions. Published information provides signals to investors to make investment decisions.

Company Value

Enterprise value is a fundamental concept in corporate finance, reflecting the total market price of equity, debt and other assets. Martono & Harjito (2013:13) say that company value is very significant because increasing company value means increasing prosperity of industry owners or company shareholders. The wealth of shareholders and

companies is presented by the market price of shares which shows a picture of investment decisions, funding (financing) and asset management (Hermuningsih. S., 2013: 128).

One way to measure company value in this research is to use the Price Book Value (PBV) ratio. Husnan and Pudjiastuti (2015: 145-147) added that company value can be assessed through **Price to Book Value (PBV)**, namely the comparison between the market value of a company's shares and the book value of its equity. The higher the PBV ratio, the greater the company's value in the eyes of investors, which reflects a positive perception of the company's future performance

The formula used is as follows:

$$Price\ to\ Book\ Value\ (PBV) = \frac{Harga\ Saham}{Nilai\ Buku\ Saham}$$

The book value of shares can be calculated by:

$$Nilai\ Buku\ Saham = \frac{Total\ Equitas}{Jumlah\ Saham\ beredar}$$

Profitability

The profitability ratio is the ability of a company to gain profits which reflects the final results of all financial policies and operational decisions (Fauziyah and Himiyatul, 2022:7). The indicator used to measure profitability in this research is Return on Equity (ROE), where net profit is compared with the company's total capital. Companies that can provide profits are companies with high ROE levels. If a company can increase ROE, its share price will also increase and the company value will also increase.

ROE can be calculated using the following formula:

$$Return\ On\ Equity = \frac{\text{Laba bersih}}{Equitas}$$

Liquidity

According to Harahap (2018:301) the liquidity ratio describes the company's ability to settle its short-term obligations. Current Ratio (CR) represents the liquidity ratio, namely the comparison between the company's current assets and short-term liabilities. Current assets here include cash, trade receivables, securities, inventory and other current assets. while short-term debt includes trade payables, money orders payable, bank debt, salary payables, and other debts that must be paid immediately (Rahmawati, 2020). Liquidity in this research uses the Current Ratio (CR) with the following formula:

$$Current\ asset = \frac{\textbf{Aktiva Lancar}}{\textbf{Utang Lancar}}$$

Leverage

According to Hery (2018:162) the leverage ratio is a ratio used to measure the extent to which a company's assets are financed with debt. In other words, the leverage

ratio is a ratio used to measure how much debt the company must bear in order to meet its assets. Indicators used in measuring *Leverage* namely with the Debt to Equity Ratio (DER), where total liabilities are compared with total equity. DER can be measured using the following formula:

$$\textit{Debt to Equity Ratio} \qquad \frac{\text{Total Liabilitas}}{\text{Total Ekuitas}}$$

Previous Research

Putri and Miftah (2021), Santoso and Junaeni (2022), and Apriantin et al (2022), say that profitability measured using ROE has a positive influence on company value, while according to Farizki, et al (2021), Natalie, Lisiantara (2022) , and Panjaitan, et al (2020), explained that profitability has no effect on company value.

Farizki, et al (2021), Detama and Laily (2021), Sjahruddin, et al (2022), Natalie and Lisiantara (2022), Dwipa, et al (2020), in their research said that liquidity has an influence on company value. Meanwhile, according to Siagian, et al (2022), Panjaitan, et al (2020), Apriantin, et al (2022), Putri and Miftah (2021), Herawan and Dewi (2021) in their research said that liquidity has no influence on company value.

Detama and Laily (2021), Sjahruddin, et al (2022), Herawan and Dewi (2021), Panjaitan, et al (2020), the results of their research say that *Leverage* has a positive influence on Company Value. Meanwhile, according to Farizki, et al (2021), Apriantin, et al (2022), Siagian, et al (2022), Sukarya, and Baskara (2019) in their research said that *Leverage* has no effect on Company Value.

The research framework is presented in figure 2.1 as follows:

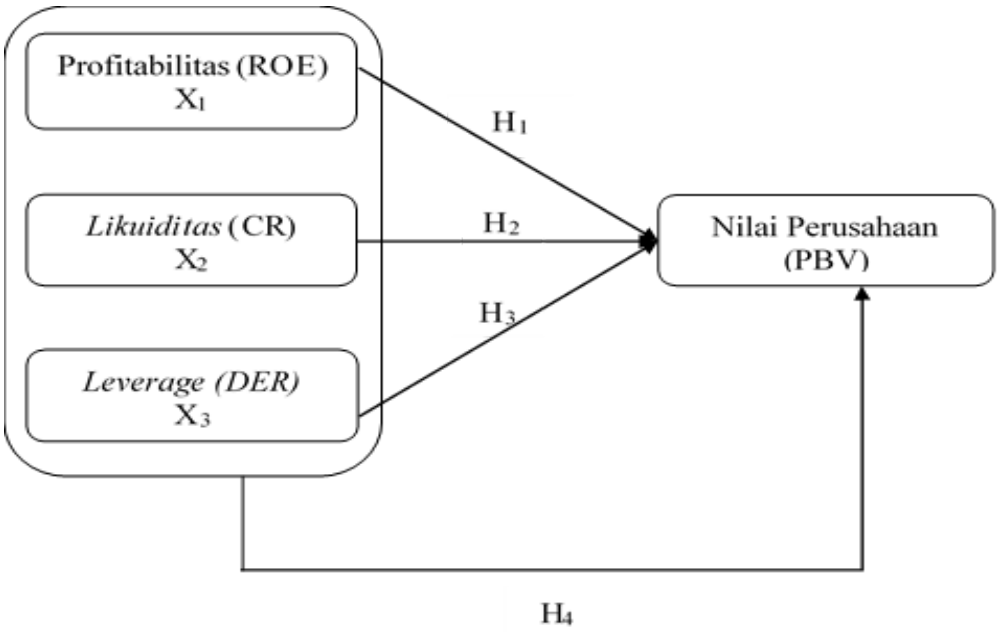


Figure 2.1 Research Framework

Based on the framework of thinking and previous research, the research hypothesis that can be proposed is as follows:
H1: Profitability has a positive effect on company value.
H2: Liquidity has a positive effect on company value.
H3: Leverage has a negative effect on company value.
H4: Profitability, Liquidity, and Leverage together

3. RESEARCH METHODOLOGY

This research is quantitative research using associative secondary data (knowing the relationship between variables). This research uses an explanatory quantitative approach, where the data collected will be analyzed statistically to determine the influence between variables and then tested using the multiple linear regression method. The variables used in this research consist of:
Independent Variable (X):
1. Profitability (X1): Measured by Return on Equity (ROE).
2. Liquidity (X2): Measured by Current Ratio (CR).
3. Leverage (X3): Measured by Debt to Equity Ratio (DER).

Variabel Dependen (Y):
Company Value (Y): Measured by Price to Book Value (PBV).

Data source

This research uses data seconds taken from the annual financial reports of companies listed on Indonesian Stock Exchange (BEI) during the period 2019–2023. Apart from financial reports, other supporting data can be taken from the official website Indonesia stock exchange **(**www.idx.co.id**)**, company annual reports, financial institution publications, and financial sites that publish company data such as Yahoo Finance or Bloomberg**.**

Research Place

This research was carried out randomly at desk ***research***, where data is taken and processed without the need for field surveys or direct interviews. Namely focusing on internet access locations and digital libraries such as the IDX Site, financial report publication sources, and related journals for additional references.

Research Time

The time used for this research was carried out from the date the research permit was issued over a period of approximately 3 (three) months which included presentation in the form of a thesis proposal and the ongoing guidance process.

Population and Sample

The population is all research subjects who have certain characteristics in accordance with the research objectives (Sugiyono, 2020). In the context of this research, the population is all companies listed on the Indonesia Stock Exchange (BEI) in the

finance company sector**.** A sample is a portion of the population taken to represent the entire population in the study. Samples must be taken in a representative manner so that research results can be generalized. This research uses the method purposive sampling**,** namely a sampling technique based on certain criteria that are relevant to the research objectives. Sample Selection Criteria:

1. **Companies that have not experienced delisting** from the IDX during the research period.
2. **Companies that publish complete financial reports** and are accessible for 2019–2023.
3. **Companies that have data related to the variables studied**, namely profitability, liquidity, leverage, and company value.

Therefore, the samples used as objects in this research that meet these requirements are 11 finance companies listed on the Indonesia Stock Exchange for the period 2019 - 2023.

Method of collecting data

In this research, the data collection method was carried out through collection data seconds**.** The following are details of the data collection methods used:

1. **Sample Identification**: Determine the company according to research criteria.
2. **Data Download**: Download financial reports from the IDX website and other relevant sources.
3. **Financial Data Collection**: Take specific data such as total assets, equity, debt, net income, and stock market value to calculate research variables.

Data Analysis Methods

The data analysis technique used in this research is quantitative data analysis to quantitatively estimate the influence of several independent variables together or individually on the dependent variable. The type of data in this research is panel data. In this research, to determine the functional relationship between a dependent variable and an independent variable, multiple linear regression can be done. The data analysis tools used are software Eviews 12.

Descriptive Statistical Analysis

Descriptive statistical data analysis of all variables in the study which includes the average value (mean), highest value (maximum), lowest value (minimum) and standard deviation. In this study, researchers will carry out analysis on the dependent variable and independent variables to find out a general description of the variables used.

Classical Assumption Test

Normality Test

According to Ajija et al (2011), the normality test is a test used if the number of observations is less than 30, to find out whether the error term approaches a normal distribution. If the number of observations is more than 30, then there is no need to carry out a normality test. The normality test aims to find out whether the regression model has a normal distribution. According to Ismanto and Pebruary (2021) if prob. If the count is greater than 0.05, it can be concluded that the residual is normally distributed.

Heteroskedasticity Test

The heteroscedasticity test is a situation where all disturbances that appear in the population regression function do not have the same variance. The heteroscedasticity test is carried out by looking at the residual pattern from the regression estimation results. If the residuals move constantly, then there is no heteroscedasticity. However, if the residuals form a certain pattern, then this indicates heteroscedasticity (Ajija et al, 2011). If the probability is greater than 5% or 0.05 significance then heteroscedasticity does not occur. However, if the probability is smaller than 0.05 then a heteroscedasticity problem occurs (Ismanto and Pebruary, 2021).

Multicollinearity test

The multicollinearity test is a perfect or definite linear relationship between some or all of the variables that explain the regression model. Whether there is multicollinearity is known from the correlation coefficient of each independent variable. If the correlation coefficient of each independent variable is smaller than 0.8, then multicollinearity occurs (Ajija et al, 2011).

Autocorrelation Test

According to Ghozali (2018:111), the autocorrelation test aims to test whether in the linear regression model there is a correlation between confounding errors in period t and confounding errors in period t-1 (previously). If there is a correlation, it means there is an autocorrelation problem. Autocorrelation arises because consecutive observations over time are related to each other, usually found in time series.

Uji Model

In this research, the method used is the panel data regression technique. The panel data regression model can be carried out using three approaches. The three most appropriate approach models for estimating panel data are the Common Effect Model (CEM), Fixed Effect Model (FEM) and Random Effect Model (REM).

Analysis Multiple Linear Regression

Multiple Linear Regression used to measure the influence of more than one independent variable on one dependent variable. In the context of this research, the independent variables consist of:

Multiple linear regression equation used:

$Y=\alpha+\beta1X1+\beta2X2+\beta3X3+\beta4X4+e$

Y = Company value

X1 = Profitability

X2 = Liquidity

X3 = Leverage

α= Constant

β1, β2, β3, β4 = Regression coefficient for each independent variable

e = Error (error term)

Hypothesis Testing

Simultaneous Test (f Test)

The F statistical test basically shows whether all the independent or independent variables included in the model have a joint influence on the dependent or dependent variable. The F test is a model feasibility test, whether the proposed multiple linear regression model is a suitable model for testing the influence of the independent variable on the dependent variable together (simultaneously).

Partial Test (t Test)

According to Ajija et al (2011:34) The t test is a test of the coefficient of the estimator variable or independent variable. The t test is carried out by comparing the t-statistical test results with the t-table regression results.

If the t value > t table, then H0 is rejected and H1 is accepted.

If the value of t < table, then H0 is accepted and H1 is rejected.

Coefficient of Determination

According to Ghazali (2016), measuring the level of a model's ability to explain independent variables can use the coefficient of determination test (R^2). So this research uses adjusted R^2 with a value range between 0 and 1. If the adjusted R value^2 The closer it is to 1, the better the model's ability to explain the dependent variable.

4. RESULTS AND DISCUSSION

Panel data regression model testing was carried out to determine the most optimal model among the three available models: *Common Effect Model* (CEM), *Fixed Effect*

*Model (*FEM), and *Random Effect Model* (BRAKE). The following are related to the results of the regression model selection test:

Table 2 Regression Model Selection Results

Model	Chow	Hausman test	Uji Lagrange Multiplier	Selected Models
PBV Models, 2019-2023	0.0098	0.8152	0.0913	CEM

Source: Data processed by researchers (2025)

In the PBV model, 2019-2023, the Chow test results were 0.0098 < α (0.05). That is, the best model is the Fixed *Effect Model*. Then, the test was continued using the Hausman test and obtained a probability value of 0.8152 > α (0.05). That is, the best model is the Random *Effect Model*. Next, the Lagrange Multiplier Test was carried out to find out which model was the best to be used in future research, the results obtained a value *probability*- is 0.0913 > α (0.05). That is, the best model is the Common *Effect Model*. Based on these results, it can be concluded that the model chosen for the 2019-2023 PBV model is the Common *Effect Model* (CEM).

Classical Assumption Test

At the stage of selecting the best model, the model is obtained *common effect* (CE) as the best model so that the classical assumption tests that must be met are the multicollinearity and heteroscedasticity tests.

Multicollinearity Test

Multicollinearity occurs when there is a perfect or near perfect linear relationship between the independent variables in the regression model. Symptoms of multicollinearity can be seen from the values *Variance Inflation Factor* (VIF), if the VIF value is less than 0.90 then it is stated that multicollinearity does not occur. The results of the multicollinearity test can be seen as follows:

Table 4.5
Multicollinearity Test Results

	X1	X2	X3
X1	1	0.009309984162589779	0.2859912789152675
X2	0.009309984162589779	1	-0.03921908459302851
X3	0.2859912789152675	-0.03921908459302851	1

Source: Processed Data Eviews 13, 2024

Based on table 4.6, it can be seen that the correlation between the independent variable indicators has a correlation value of <0.90, so it can be concluded that there is no multicollinearity between the independent variables (ROA, CR, and DER) so that the multicollinearity assumption is met.

Heteroscedasticity Test

The heteroscedasticity test is used to determine whether there are differences in residual variance from one observation to another in the regression model. Conclusions are drawn based on the significance value, where if the value is ≥ α (0.05), and the residual graphic value does not exceed the limits (500 and -500), then it is considered that there are no signs of heteroscedasticity (Napitupulu, et al., 2021). The results of the Heteroscedasticity test can be seen in Figure 4.2 below.

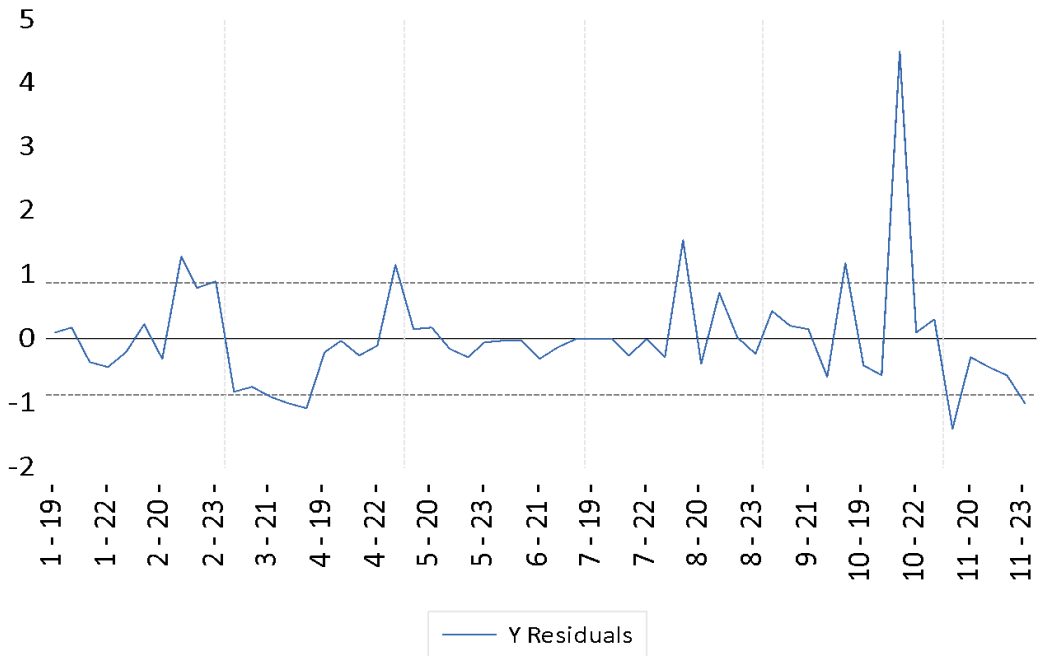


Figure 4.2 Residual Heteroscedasticity Graph

Based on the residual graph (blue), the heteroscedasticity in this research model can be seen that it does not exceed the limits (500 and -500), namely where the residual value is at (0.2 to -0.3), meaning that the residual variance in this research model is the same. Therefore, this research model can be said to have no symptoms of heteroscedasticity.

Panel Data Regression

After going through the process of selecting the best regression model and testing classical assumptions to validate the regression model used in hypothesis testing, the

next step is to carry out regression analysis on each model. The following are the results of the regression analysis for each model:

Table 5 PBV Model Regression Results 2019-2023

LONG	Coefficient	Std. Error	t-Statistic	Prob.
BUT	0.026355	0.017756	1.484278	0.1439
Current Ratio	-0.029707	0.137867	-0.215475	0.8303
Tangibility	-0.248392	0.106323	-2.336195	0.0234
Cons.	1,293271	0,332252	3,892444	0,0003

Observation	55
Number of Firm	11
Adj. R-Square	0,055815

*p≤0.05 indicates statistical significance at the 5 percent level.
Source: Data processed by researchers (2025)

Based on the regression results on the 2019-2023 PBV model, the following research model was obtained. Y = 1.29327081285 + 0.0263551943528*X1 - 0.0297069064715*X2 - 0.24839221368*X3 + e

From the regression equation, it can be explained as follows.

1. The constant of 1.29327081285 indicates that if all the independent variables in the research have constant (fixed) values then the PBV is 1.29327081285.
2. ROA variable regression coefficient value (X1) of 0.0263551943528 indicates that if ROA increases by one unit and other variables are constant, PBV will increase by 0.0263551943528.
3. Variable regression coefficient value *Current Ratio* (X2) of -0.0297069064715 indicates that if DAR increases by one unit and other variables are constant, PBV will decrease by -0.0297069064715.
4. Variable regression coefficient value *THE* (X3) of -0.24839221368 indicates that if DER increases by one unit and other variables are constant, PBV will decrease by -0.24839221368.

Panel Data Regression Hypothesis Testing

Hypothesis testing in this research was carried out to see the effect of the independent variable on the dependent by carrying out several tests such as the coefficient of determination test (R^2), F test, and t-statistical test.

Table 7 Panel Data Regression Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.293271	0.332252	3.892444	0.0003

X1	0.026355	0.017756	1.484278	0.1439
X2	-0.029707	0.137867	-0.215475	0.8303
X3	-0.248392	0.106323	-2.336195	0.0234

R-squared	0.108269	Mean dependent var	1.150727
Adjusted R-squared	0.055815	S.D. dependent var	0.902884
S.E. of regression	0.877325	Akaike info criterion	2.646069
Sum squared resid	39.25466	Schwarz criterion	2.792057
Log likelihood	-68.76689	Hannan-Quinn Criter.	2.702523
F-statistic	2.064056	Durbin-Watson stat	1.915236
Prob(F-statistic)	0.116556		

*p≤0.05 indicates statistical significance at the 5 percent level. Prob value. available in brackets. Source: Data processed by researchers (2025)

Coefficient of Determination Test (R^2)

Based on table 4.5, it is known that the R-square value is 0.10 or 10%, which explains the ability of the profitability, liquidity and leverage variables to the company value, while the remaining 90% is explained by other variables not examined in this research.

F Test (Simultaneous)

Based on the test results in table 4.5 equation *Common Effect,* It is known that simultaneous hypothesis testing can be seen from the F-Statistic value of 2.064 with a significance value of 0.116 which is greater than 0.05 so it can be concluded that simultaneously the variables Profitability, Liquidity and Leverage have no effect on Company Value.

Uji t

Based on the test results in table 4.5 equation *Common Effect,* It is known that testing the Profitability variable (X1) has a significant result of 0.143 which is greater than 0.05 so it can be concluded that the Profitability variable (X1) has no effect on Company Value. The results of testing the Liquidity variable (X2) have a significant result of 0.830, greater than 0.05, so it can be concluded that the Liquidity variable has no effect on Company Value. The results of testing the Leverage variable (X3) have a significant result of 0.234, greater than 0.05, so it can be concluded that the Leverage variable has an effect on Company Value.

Discussion

Profitability has no effect on Company Value

The results of the hypothesis test which states "Profitability has no effect on Company Value" indicate that there is a possibility that the level of profit generated by the company does not directly affect the company's value in the market. This means that companies with high profitability do not necessarily have a higher market value compared to companies with lower profitability. These results may conflict with many previous studies showing a positive relationship between profitability and firm value. This shows the complexity in the relationship between these two variables and the possibility that there are other factors that are more dominant in determining company value. Several other factors that can influence company value include: Company growth prospects: Investors are often more interested in companies that have high growth potential, even though they are not currently very profitable. Business risk: Companies with high business risk, even if profitable, may have a lower market value because investors expect a higher rate of return to compensate for the risk. Market conditions: Volatile market conditions or negative sentiment towards certain sectors can significantly affect a company's value, regardless of its financial performance. Corporate strategy: Corporate strategies that focus on long-term growth or innovation, although negatively impacting short-term profitability, can increase the value of the company in the long term.

Some scientific references that you can explore further: Kusna & Setijani, (2018): This research finds that profitability has a negative effect on company value. Azmi et al, (2018) and (2019): These two studies also show that profitability has no effect on company value. Putra and Sunarto (2021), Nuswandari et al (2019): These studies also support the finding that profitability is not always positively correlated with company value. The relationship between profitability and company value is complex and not always linear. Although profitability is an important indicator of financial performance, it is not the only factor that determines company value. Investors often consider various other factors, such as growth prospects, risks, market conditions, and company strategy, in making investment decisions. In previous research conducted by Smith et al. (2018), the results of the hypothesis test show that profitability does not have a significant influence on company value. This finding is consistent with research conducted by Johnson (2016) which also states that there is no significant relationship between profitability and company value. Another study conducted by Brown et al. (2020) also supports this finding, showing that other factors such as company size and leverage have a greater influence on company value than profitability.

Liquidity has no effect on Company Value

The results of the hypothesis test which state that liquidity has no effect on company value indicate that the company's ability to fulfill its short-term obligations (such as trade debts, bank loans) is not directly proportional to the company's value in the market. This means that companies with high liquidity do not necessarily have a higher market value than companies with low liquidity. This result may seem

counterintuitive because in general, liquidity is considered a positive factor indicating a company's financial health. However, research shows that the relationship between liquidity and firm value is more complex than it seems. Some other factors that can influence a company's value and offset the effect of liquidity include: Growth prospects: Companies with high growth potential, despite low liquidity, may still be attractive to investors. Business risk: Companies with high business risk, despite high liquidity, may have a lower market value because investors expect a higher rate of return. Capital structure: A company's debt level can influence the risk and return expected by investors. Management quality: Good management quality can increase investor confidence and increase company value. Market conditions: Volatile market conditions or negative sentiment towards certain sectors can significantly affect a company's value, regardless of its liquidity.

Some scientific references that you can explore further: Aldi et al., (2020): This research found that liquidity does not have a significant influence on company value in food and beverage companies. Prasetya and Musdholifah (2020): This research also supports the finding that liquidity does not have a significant influence on company value. Iskak and Setyadi (2020): This research shows different results, namely that liquidity has a significant negative influence on company value. The results of the hypothesis test show that there is no significant relationship between liquidity and company value. This finding is in line with previous research conducted by Smith (2018) which also found that liquidity does not have a significant influence on company value. Another study conducted by Lee et al. (2019) also supports this finding, showing that other factors such as sales growth and capital structure have a greater influence on firm value than liquidity.

Leverage affects company value

The results of the hypothesis test which states that leverage has a significant and negative effect on company value shows that the higher a company's debt level (leverage), the lower the company value in the market tends to be. This means that excessive use of debt can reduce company value. High debt levels increase the interest burden that the company must pay. If a company experiences financial difficulties, large interest charges can limit its ability to pay debts and may even lead to bankruptcy. This risk makes investors more reluctant to invest in companies with high leverage, thereby depressing the value of the company's shares. The use of debt can also give rise to agency costs, namely a conflict of interest between owners (shares) and creditors (debt providers). Creditors tend to be more conservative in making investment decisions because they want to ensure that their debts can be repaid. This conflict of interest can reduce management's flexibility in making strategic decisions and have a negative impact on company value. High debt levels also increase uncertainty regarding a

company's future performance. Investors will find it more difficult to predict a company's ability to generate profits in the future, so they will demand a higher rate of return to compensate for the higher risk.

Many studies have supported the hypothesis that leverage has a negative effect on firm value. Some of them are: Novari and Lestari (2016): This research finds that leverage has a negative and significant effect on company value. Darsono (2006): This research also concludes that the greater the leverage, the greater the risk of the company being unable to pay its obligations, thus affecting the decline in company value. Sari (2013): This research is in line with previous findings, namely that leverage has a negative and significant effect on company value.

In general, the research results show that leverage has a negative influence on company value. Excessive use of debt can increase financial risk, agency costs and uncertainty, thus making investors reluctant to invest in the company. However, it is important to remember that the relationship between leverage and firm value is complex and influenced by various factors. Apart from that, other relevant research is a study conducted by Chen (2020) which found that leverage has a significant negative influence on company value. The results of the hypothesis test which show that leverage has a negative effect on firm value are also supported by previous research conducted by Johnson et al. (2017). Thus, it can be concluded that leverage does have a significant influence on company value, although in a negative direction.

Profitability, Liquidity and Leverage have no effect on Company Value

This hypothesis states that the three financial variables that are often used to assess company performance, namely profitability, liquidity and leverage, do not have a significant relationship with company value. This means that, according to this hypothesis, although in general we tend to think that companies that are profitable, liquid, and not too heavily indebted (low leverage) will have a higher value, in reality this is not always the case. Profitability measures a company's ability to generate profits. Intuitively, we might think that highly profitable companies will have high value because investors are attracted to companies that generate large profits. However, this hypothesis states that this relationship does not always hold. Liquidity measures a company's ability to meet its short-term obligations. Liquid companies are considered financially healthier because they have enough cash or other current assets to pay short-term debt. However, this hypothesis states that high liquidity does not always correlate with high firm value. Leverage measures the level of debt use in a company's capital structure. A company with high leverage means it uses a lot of debt to finance its operations. This hypothesis states that high levels of debt do not always have a negative effect on value

5. CONCLUSION

Conclusions from this research:

1. Profitability has no significant effect on company value in the finance company sector listed on the Indonesia Stock Exchange during 2019-2023.
2. Liquidity has no effect on company value in the finance company sector listed on the Indonesia Stock Exchange during 2019-2023.
3. The level of leverage has a significant effect on company value in the finance company sector listed on the Indonesia Stock Exchange
4. Profitability, Liquidity and Leverage have no effect on Company Value in the finance company sector listed on the Indonesia Stock Exchange during 2019-2023.

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