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Effect of capital structure, company size, profitability and liquidity on company value: evidence from Indonesia manufacturing companies

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Abstract

This research was conducted to determine whether PBV is influenced by capital structure, company size, profitability and liquidity. This research uses two kinds of theories: signaling theory and agency theory. The data used is secondary data from the Financial Statements of Manufacturing Industry Companies listed in the Indonesia Capital Market Directory in 2018-2021. This study used panel data with a sample of 74 from 135 companies during 2018-2021. Sampling technique using purposive sampling. The results were obtained in IDX manufacturing sector the debt equity ratio and firm size has a negative and insignificant effect on price book value. Return on equity negative and significant to price book value. Current ratio has a positive and insignificant effect on price book value. The purpose of this study also to determine the significance of the effect of debt equity ratio, firm size, return on equity and current ratio on price book value.

Keywords debt equity ratio; firm size; return on equity; current ratio and price book value

INTRODUCTIONS

Globalization in the industrial world today has made company competition extremely tight and competitive. The increasing number of companies in Indonesia pushed business owners to practice more effectively and efficiently in order to increase business profit. In general, the objectives of establishing the company are: obtaining optimal profits, prospering shareholders, and increasing company value (Setyabudi, 2021).

According to Janice & Toni (2006) company value is the price that prospective buyers are willing to pay in the capital market, especially regarding stock prices. The company's value is a priority to obtain because it reflects the company's performance. The company’s value also influenced investors' perception of the company. Company value is also one of the indicators to measure company performance and important objectives for establishing a growing and profitable company. An increase in the value of the company sends a positive signal to investors, resulting in a good perception of the company and leading to investor interest in investing in companies. Thus, company value impacts to higher rise in company stock price.The value of the company is important for potential investors on the exchange because it is an indicator to assess the company as a whole (Setyabudi, 2021). The company’s goal to maximize the value of the company, which is reflected in its share price. Ofcourse the higher the share price of a company, the higher the value of the company. The high value of the company indicates the high prosperity of shareholders.Investor welfare, which is the company's main goal, depends on the increase and decrease in the price book value (PBV). A higher price book value indicates greater market confidence in the company's future prospects, which will attract more investors to buy shares, thereby increasing share prices (Sudaryo et al., 2020). The importance of PBV for investors and companies makes research into the factors that influence PBV very necessary. So this research will examine the factors that influence PBV. Factors thought to influence

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Table 1.
Average value of DER, Firm Size, ROE, CR, PBV manufacturing companies in 2018-2021

NO	Variable name	2018	2019	2020	2021
1	*DER (%)*	1146,72	1134,22	1160,69	1279,47
2	*Firm Size (%)*	514,09	517,62	515,49	546,48
3	*ROE (%)*	983,37	867,98	768,50	881,66
4	*CR (%)*	195,16	230,33	234,26	257,43
5	*PBV (%)*	125,26	126,19	131,94	169,26

Source: Annual Report processed 2022

PBV are capital structure, company size, profitability, and liquidity.

Fahmi (2015:184) states that the capital structure is a form of industrial funding proportion, between the capital owned which comes from financial institutions who financing the companies by long-term liabilities and own capital (share holders equity) which is the source of financing for an industry. The higher the Return on Equity shows that the higher the rate of return on investments made and the lower the Return on Equity of a company, the lower the rate of return will be. While company productivity increases, there will be more customer trust in the company and the value of the company will also increase (Bahraini et al., 2021). The size of the company can be reflected in the amount of equity or from the total assets owned. The greater the total assets owned by the company, the larger the size of the company (Hasangapon et al., 2021).

Investors getting positive perceptions and increasing confidence and make it easier for the company to find another additional capital in the form of shares (Wahyuni & Gani, 2022). Then according to (Brigham & Houston, 2018), The current ratio indicates the company's ability to cover current liabilities with the company's assets expected to be converted into cash in the near future. The importance of capital structure, company size, profitability, and liquidity for investors in making investment decisions makes research on PBV interesting to do.

High Price to Book Value (PBV) describes that a company in the coming period;, this is what underlies the confidence of a market (Harahap et al., 2020). Investor could analyze companies's performance through PBV ratio since investor could make a comparison between value of money they sacrifice and value of company they get. Based on Table 1, Price Book Value in 2018-2021 increased significantly. The Price Book Value in 2018 was 125.26 and gradually increased until year 2021 PBV for the manufacturing sector hits 169,26 this is a gap phenomenon that causes companies to focus company's book value more often. While for Debt Equity Ratio (DER) on table 1, the highest level occurred in 2021 1279.47% but the number for DER were randomly fluctuated between 2018 – 2021, the level of the Debt Equit Ratio (DER) 2018 was 1146.72%, 2019 decreased to 1134.22%, in 2020 it increased quite significantly to 1160.69%. Fluctuations in the Debt Equity Ratio (DER) will be one of case phenomenon. Table 1 also shown the change of Firm Size (FS) from 2018-2021 the highest was occurred in 2021 546.48, while actually in 2019 firm size was increase to 517.62 compare to 2018 before it going down in 2020 to 515.49, in particular case it may the impact of Covid pandemic. Better condition of Firm Size (FS) was on 2021 it improved to 546.48, This another a case phenomenon, due to Firm Size (FS) fluctuations. Another phenomenon based on Table 1 focused on companies ROE. Fluctuation trends of ROE values occurred in years 2018 to 2021.The highest value of ROE was in 2018 at 983.37%, while in 2019 it decreased to 867.98%. In years 2020 it quite significantly decreased to 768.50% maybe another impact of Covid 19, while in 2021 it significantly increased compared to 2019 and 2020, ROE in 2021 reach 881.66%. Current Ratio (CR) Based on Table 1 have same trend as PBV,h it increased from 2018 195.16, 2019 increased to 230.33, 2020 another increase number to 234.26, while in 2021 it experienced a significant increase compared to 2018 and 2020 of 257.43. This is a case phenomenon, due to Current Ratio (CR) fluctuations.As we knew, comparison between the amount of long-term debt and own capital are show company capital structure. It involved Long-term debt that financing company and matured more than one year. We could analyze how far the company asset finance by creditors (debt ratio) by dividing total long-term debt by total assets. The higher the debt ratio, the greater the amount of borrowed capital used in generating profits for the company. Own capital is a company's long-term funds provided by company owners (shareholders), consisting of various types of shares such as preferred stock and ordinary stock (Riyanto, 2010).The size of the company is seen from the total assets owned by the company. Large companies tend to have a good level of stability by manage their asset. Large asset also leads to investors preference of stock since they see large asset company identic with stability and smaller risk. Those preference create large demand on company stock with large assets, stock prices will follow going up. This is in line with research (Elisa & Amanah, 2021) which states that firm size has a positive effect on price to book value. But contrary with research (Hasangapon et al., 2021) which states firm size has no effect on price to book value.According to Hery (2017:192) Profitability is a ratio that describes the company's ability to generate profits through all its capabilities and resources, namely those derived from sales activities, the use of assets and the use of capital. Profitability describes a company's ability to make a profit at a certain level combination of sales, assets, and share capital. Before deciding to invest, potential investors seek the return on equity ratio of a company in order to find out how attractive company stock from profitability performance. (Wijaya, 2022) stated that a high Return on Equity is a positive signal from the company, increasing investor confidence and management easier to increase own capital in the form of shares.Current ratio (CR) is used to measure short-term solvency, it describes the ability of company to pay short-term debt or obligations maturity. The higher current ratio, the greater company's ability to overcome short-term debt. Investors will have positive perception on stock with great level current ratio ,this in line with research (Colline, 2022; Dewi & Sembiring, 2022) which states that the current ratio has a positive effect on price to book value. But this is not in line with the research (Elisa & Amanah, 2021) current ratio has no effect on price to book value.

LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

Signaling theory

Signal theory (signaling theory) states the importance of company information disclose and disseminate open for public .Information that needed by parties outside company for their investment decisions. It is essential for stakeholders for instance investors and businessman know the company performance and conditions from the news, document or report disclose. When Investors decide to invest in stock market one of analytical tool they need are by using complete, relevant, accurate and timely information. Information being published either as an announcement will mean signals for investors decides investment.

If the announcement contains a positive value, it is expected that the market will react when the announcement is received by the market (Atmaja, 2017). The relationship between signal theory and this research shows that high profitability, the company's ability to pay off debt, and companies that have large size or assets will be considered to show strong company value, so that investors will respond better to signals and increase company value.

Agency theory

Agency theory describes a connecting between managers and shareholders also relation shareholders and creditors. Fund providers delegate decision-making, strategic, and operational management to company managers. Ideally, managers will act and make decisions to maximize shareholder value and ensure that debts are repaid (Dang et al., 2019). However, as agency theory explains, managers have an incentive to use their position and power for their own benefit. In this case we can think of management as an agent of the owner (principal). The relationship between profitability and agency theory is that if the company is good, stakeholders consisting of creditors, suppliers and investors will see the extent to which the company can generate profits from company sales and investments. Good company performance will also increase company value.

Firm value

Company value is an indicator whether a company is in good performance or not and also one of the important goals of establishing a company (Wijaya, 2022). Company value is an investor's perception of a company's success rate, which is often linked to the stock price. As explained by signaling theory about how the company should signal to users reports in the form of information about what the company has done in realizing the wishes of the owner.

The value of a company in this study is measured using the ratio of a stock's market price to its book value, known as the Price-to-Book Value (PBV) ratio. PBV is an investment appraisal ratio that investors often use to compare stock market value with its book value in making investment decisions (Putri & Budyastuti, 2021). The PBV ratio shows how many shareholders are financing the company's net assets.

Debt equity ratio

Several ratios can be used to describe the company's solvency level. One of these ratios is the Debt-to-Equity Ratio, which describes how owner capital can cover debts to outside parties. This ratio is calculated by comparing all debt, including current debt, with equity. A smaller ratio indicates better solvency (Balqish, 2020).

Firm size

The term firm size refers to the size of an organization determined by total assets, total sales, and average sales (Elisa & Amanah, 2021). One element that is taken into account in financial research is the size of the company. The size of the company can be reflected in the amount of equity or from the total assets owned. The greater the total assets owned by the company, the larger the size of the company (Hasangapon et al., 2021).

Return on equity

A high profitability ratio also indicates good asset performance in making a profit. In line with signaling theory, high profitability reflects the good performance of the company's assets which are also responded positively by the market (Irawan et al., 2022). The growth of ROE shows company's strength from the growing profitability .It show the effectiveness of equity being used to produce profit. Investors getting positive perceptions and increasing confidence and make it easier for the company to find another additional capital in the form of shares (Wahyuni & Gani, 2022)

Current ratio

One commonly used liquidity ratio is the current ratio. The current ratio measures a company's capability to meet its short-term obligations or debts. In simple terms, it shows how much current assets are on hand to cover short-term liabilities or debts that will soon be due (Nofriser, et al., 2022).

The effect of debt-equity ratio on company value

Capital structure is a balance or comparison between the amount of long-term debt and own capital (Riyanto, 2010). Companies with a large level of business development will require large sources of funds, so additional funds from external parties are needed as an effort to increase the need for funds in the business development process. Companies with a good level of business development in the long run will provide large profits to investors. This will have an impact on increasing the value of the company.

A good capital structure will have an impact on the company and indirectly the company's financial position will increase and the company's value will be high (Febrinita, 2019). A high debt to equity ratio indicates that the company relies on debt to finance its development. So, a high or low debt to equity ratio can influence company value. Results of research conducted by (Manoppo & Arie, 2016) which states that the capital structure has an effect on the value of the company. Based on the description above, the hypothesis can be concluded as follows:

H1: Debt equity ratio has a significant positive effect on the value of the company.

The effect of firm size on company value

The size of the company describes the asset size of a company where large asset companies will more easily access loans and additional capital from outside company since large companies are accompanied by a fairly good reputationk (Sartono, 2017). The size of the company is expressed by total assets. The greater the total assets and sales, the greater the size of a company. Large asset also leads to investors preference of stock since they see large asset company identic with stability and smaller risk. Those preferences create large demand on company stock with large assets, stock prices will follow going up. This is in line with research (Elisa & Amanah, 2021) which states that firm size has a positive effect on price-to-book value. But contrary with research (Hasangapon et al., 2021) which states firm size has no effect on price to book value.

A large company size indicates that the company is experiencing development so that investors will respond positively and the company's value will increase. The higher the size of a company, the higher the value of the company. Results of research conducted by (Jayanti, 2018) which states that the size of the company affects the company's value. Based on the description above, the hypothesis can be concluded as follows:

H2: Firm size has a significant positive effect on company value.

The effect of return on equity on company value

Profitability is the company's ability to generate net profit from activities carried out in the accounting period (Manoppo & Arie, 2016). Companies with a high level of profitability indicate that the company has good financial performance, so investors will be interested in investing in the company, and the company's value will be high (Febrinita, 2019). In line with research by (Jayanti, 2018) and (Febrinita, 2019) which states that Company's value affecting by profitability.

Wijaya (2022) stated that a high Return on Equity is a positive signal from the company, increasing investor confidence and management easier to increase own capital in the form of shares. Companies with large profits are companies that are in demand by investors. This is because investors always try to benefit from the investments they invest, companies with a high level of profit will be more valuable in the eyes of investors, the greater the profitability of the company, the greater the value of the company. The description leads the hypothesis as follows:

H3: Return on equity has a significant positive effect on the value of the company.

The effect of current ratio on company value

Liquidity is a company's ability to meet or pay its short-term obligations in a timely manner (Lumoly et al., 2018). Research results by (Hasania et al., 2016) and (Sintarini & Djawoto, 2018) Liquidity affects the value of the company. But Research by Elisa & Amanah, (2021) and Kusmawati & Ovalianti, (2022) which states that the current ratio has no effect on price to book value, so the size of the current ratio value will not affect the price to book value.

A company that has a high level of liquidity means that the company is able to pay its short obligations on time or liquid, while a company that has a low level of liquidity means that the company has not been able to pay its short obligations on time or illiquid. The condition of companies that have enormous of liquidity indicates growth opportunities are also high. Company's good liquidity increase level of creditor confidence in providing funds, this is another way to make valuing company seen by creditor and potential investors. The logical relationship before lead the hypothesis as follows:

H4: Current ratio has a significant positive effect on the value of the company.

METHODS

Quantitative approach is being used which the method uses numbers from data collection which is then processed and interpreted. This study will look for empirical evidence whether there is a relationship between independent variables (Debt Equity Ratio, Firm Size, Return On Equity, Current Ratio) and dependent variables (Price Book Value). This research uses the annual financial statements of manufacturing companies listed on the Indonesia Stock Exchange for four consecutive periods, namely in the 2018-2021 period as a research population, amounting to 82 companies. Sampling is examining a portion of the elements of the population (Indriantoro & Supomo, 2016). The determination of samples in this study is based on the non-probability sampling method with sampling techniques using purposive sampling, namely sampling based on consideration of certain criteria. The criteria used in sampling are: 1) manufacturing sector listed on the IDX for the 2018-2021 period; 2) manufacturing

Table 2.
Measurements

Variable	Definition	Measurement
PBV	The value of the company in this study is proxied with PBV (Price to Book Value). PBV is a ratio that can show a comparison of the price of a stock between similar companies.	$PBV = \frac{Price\ Per\ Share}{Book\ Value\ of\ Shares}$ *Source: (Suwardika & Mustanda, 2017)*
DER	The capital structure in this study is proxied with DER (Debt to Equity Ratio), DER is a ratio used to see the comparison between total liabilities and total equity of the company.	$PBV = \frac{Price\ Per\ Share}{Book\ Value\ of\ Shares}$ *Source: (Ayerza, 2019),*
FIRM SIZE	size or scale that indicates the size of a company.	$Size = LN\ (Total\ Asset)$ *Source:* (Hasangapon et al., 2021)
ROE	Profitability in this study is proxied by ROE (Return on Equity), ROE a measure of financial performance calculated by dividing net income by shareholders' equity	$Size = LN\ (Total\ Asset)$ *Source: Kasmir (2019:204)*
CR	Liquidity is the company's ability to meet its financial obligations in the short term with available current funds Liquidity is measured using the Current Ratio).	$CR = \frac{Current\ asset}{Current\ liabilities} x100\%$ *Source: (Kasmir, 2017:204)*

Source: Previous Research 2018-2021

companies that present financial statements in rupiah for the 2018-2021 period; and 3) manufacturing companies that have profits or do not experience losses for the 2018-2021 period.

Research data is obtained from the Indonesia Stock Exchange’s annual reports on in the form of secondary data. Variable measurements can be seen in the following table.This descriptive statistic aims to provide an overview (description) of a data so that the data presented becomes easy to understand and informative (Ghozali, 2016). Descriptive statistics describes various characteristics of data such as mean, standard deviation, variance, minimum and maximum.

In this study, classical assumption testing will be used against the regression model that has been processed. Because before testing the hypothesis, classical assumptions are first tested which are a requirement for multiple linear regression analysis. Classical assumption testing aims to produce good regression models. To avoid errors in classical assumption testing, the number of samples used must be free of bias. Classical assumption tests carried out include normality tests, multicollinearity tests, autocorrelation tests and heteroscedasticity tests (Ghozali, 2016).

This study used multiple linear regression analysis method because the independent variable in this study was more than one. The multiple linear regression equation in this study is:

$$Y= a + b1X1 + b2X2 + b3X3 + b4X4 + e$$

Information:

Y = Company Value
a = Constant
b = Regression Coefficient
X1 = Capital Structure
X2 = Company Size
X3 = Profitability
X4 = Liquidity
E = Error

The measurement for each variable is presented in Table 2. The t test is one of the statistical tests used to test the truth or falsity of the hypothesis which states that between

Table 3.
Descriptive statistics

	N	Minimum	Maximum	Mean	Std. Deviation
DER	83	6.34	9.45	8.2650	.71594
FS	83	5.71	15.15	10.5881	3.55428
ROE	83	3.30	9.63	7.8353	1.15477
CR	83	4.32	8.52	6.5609	.79137
PBV	83	4.90	7.70	6.0830	.72697
Valid N (listwise)	83				

Source: Annual Report processed 2022

Table 4.
Normality test: One-sample Kolmogorov-Smirnov test

		Unstandardized Residual
N		83
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	.68788629
Most Extreme Differences	Absolute	.102
	Positive	.102
	Negative	-.069
Kolmogorov-Smirnov Z		.929
Asymp. Sig. (2-tailed)		.355

a. Test distribution is Normal.
b. Calculated from data.

two mean samples taken randomly from the same population, there is no significant difference (Anas Sudijono, 2010). This test is done to find out whether the independent variable has an individual effect on the dependent variable. Test F aims to determine the effect of independent variables together (simultaneously) on the dependent variable (Imam Ghozali, 2018:98). The significance level used is 5% or 0.05. If the significance value is more than 5% or 0.05, it can be interpreted that the independent variable simultaneously affects the dependent variable or vice versa (Ghozali, 2016). The coefficient of determination test is a test performed to measure how far the model can explain the variation of the independent variable (Ghozali, 2018). The value of determination is determined by R square.

RESULTS AND DISCUSSION

Descriptive statistics

Descriptive statistics variables display a description of the research data in the form of, mean value, and standard deviation value of each variable presented in Table 3.

The results of descriptive statistical testing contained in table 3 show that the dependent variable PBV has an average value of 6.0830, a maximum of 7.70, a minimum of 4.90, and a standard deviation of 0.72697. DER has an average value of 8.2650, a maximum of 9.45, a minimum of 6.34, and a standard deviation of 0.71594. Firm Size has an average value of 10.5881, a maximum of 15.15, a minimum of 5.71, and a standard deviation of 3.55428. ROE has an average value of 7.83553, a maximum of 9.63, a minimum of 3.30, and a standard deviation of 1.15477.

Data normallity test

Normality test results can be seen in Table 4. Based on the Kolmogrov-Smirnov test shown by table 4 above, where the probability value or Asymp.Sig (2-tailed) is 0.355 Therefore, the probability value is greater than 0.05 or 0.355 > 0.05 then this research data is normally distributed.

F-test

From the F statistical test, it can be known that the calculated F value is 56.850 with a probability of 0.000. Because the probability is much smaller than 0.05, regression models can be used to predict price book value or it is said that DER, FS, ROE and CR together affect price book value.

Coefficient of determination (R^2)

For the results of the coefficient of determination (R^2) to measure how far a model is able to explain dependent

Table 5.
F-test

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	4.535	4	1.134	2.279	.028[b]
	Residual	38.801	78	.497		
	Total	43.336	82			

a. Dependent Variable: PBV

b. Predictors: (Constant), DER, FS, ROE, CR

Table 6.
Coefficient of determination (R^2)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.823[a]	.705	.659	1.70530	2.759

a. Predictors: (Constant), DER, FS, ROE, CR

b. Dependent Variable: PBV

variations. The results of the coefficient of determination test in this study can be seen in the Table 6.

From the results of the coefficient of determination test, it can be seen that the Adjusted R^2 figure in manufacturing companies is 0.659. This means that 65.9% of the variable price book value of manufacturing companies can be explained by variables debt to equity ratio, dividend payout ratio, return on equity, assets. While the remaining 34.1% was influenced by other variables not included in the regression model.

Multiple linear regression analysis

Multiple linear regression aims to examine the relationship of influence between one dependent variable to more than one independent variable from table 7 can be obtained a multiple regression equation model as follows:

Y = 7.521 – 0.088 – 0.007 – 0.179 + 0.117 + e

This equation suggests that the value of the Debt Equity Ratio (X2) coefficient of -0.088 means that every increase in the Debt equity ratio will decrease the Price Book Value value by -0.088. The value of the Firm Size coefficient (X4) of -0.007 means that every increase in Firm Size will decrease the Price Book Value value by -0.007. The value of the Coefficient of Return On Equity (X1) of -0.179 means that every increase in Return On Equity will decrease the value of Price Book Value by -0.179. The value of the Current Ratio coefficient (X5) of 0.117 means that every increase in the Current Ratio will increase the Price Book Value value by 0.117

T-test

The statistical test t shows how far one independent variable has singly influence on the dependent variable. This test is carried out by assessing the value of significance. if the significance value (P-value) of 0.05 indicates that there is no significant influence of the independent variable on the dependent variable, then it can be concluded that the hypothesis is rejected (Ghozali, 2016).

Debt equity ratio is negatively and insignificantly related to the Price Book Value. The Effect of Debt equity ratio on Price Book Value It is known that manufacturing companies use their debt greater than their own capital. The use of high debt will cause bankruptcy costs, agency costs, there are increasingly large interest expenses and so on. It is known that if the cost of bankruptcy increases, the level of profit demanded by shareholders is also higher. In addition, the cost of debt capital will also be high because it is caused by lending will charge high interest which results in compensation for the increased risk of bankruptcy. This is what keeps companies using forests if the benefits of debt (tax savers from debt) are still greater than the cost of bankruptcy. Optimal debt

Table 7.
Multiple linear regression analysis

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.	Collinearity Statistics Tolerance	Collinearity Statistics VIF
1	(Constant)	7.521	1.378		5.458	.000		
	DER	-.111	.111	-.087	-.798	.428	.968	1.033
	FS	-.007	.022	-.035	-.317	.752	.950	1.053
	ROE	-.179	.069	-.284	-2.607	.011	.969	1.033
	CR	.117	.101	.127	1.155	.252	.947	1.056

a. Dependent Variable: PBV

levels occur when additional tax savings equal additional bankruptcy costs. So the Trade Off theory explains that before reaching the maximum point, debt will be cheaper than selling shares because of the tax shield. The implication is that the higher the debt, the more the value of the company. But after reaching the maximum point, the use of debt by the company becomes unattractive because the company has to bear agency costs, bankruptcy and interest costs that cause the company's value to fall.

Firm size has a negative and insignificant effect on price book value, the results of testing the influence of firm size can be concluded differently from the hypothesis caused by the use of assets that are less than optimal so that large-scale manufacturing companies cannot guarantee higher profit income from manufacturing companies that have assets smaller than them. In addition to firm size which negatively affects price book value can be due to investor behavior when investing. The implication is that the behavior of Indonesian investors tends to be lacking in managing and jevaluating company business performance information before making decisions. Partially. In addition, so far Indonesian investors are more likely to prioritize profitability ratio as the main factor compared to firm size.

Return on equity has a negative and significant effect on price book value. This result can be concluded in contrast to the hypothesis obtained which is caused by the actions of investors in investment activities in addition to paying attention to the company's rate of return also paying attention to the company's environmental conditions at that time. This makes doubts for investors in making their decisions if the company has a high rate of return but the company's environmental conditions are not good. This situation makes the high return on equity value reduce investor interest and ultimately negatively affect the value of the company. current ratio has a positive insignificant effect on the price book value. The results of this research indicate that high or low liquidity cannot indicate the availability of funds for dividend payments, financing company operations and investment so that company value is not affected.

CONCLUSION

Based on the research results, it shows that price to book value is not influenced by capital structure, company size, profitability, and liquidity. Companies must always prioritize anything that affects company value because this can be a positive signal for investors to consider making an investment. For investors, investors can pay more attention to other aspects besides capital structure, company size, profitability, and liquidity so that when making investments, investors also pay attention to company development.

Limitations

Based on the results of the research that has been described, there are still some limitations in this study. First, the value of the coefficient of determination (R Square) for the PBV variable is 0.59. This means that 50.9% of the Price Book value (PBV can be described by DR, FS, ROE, CR, while the remaining 40.1% PBV can be influenced by other variables outside the model. Second, samples are only taken from manufacturing companies with positive PBV (+) so that it cannot explain the effect of PBV on companies with large financial stress conditions, and the variables used are relatively few in explaining the influence.

Suggestion

The suggestions that can be taken into consideration in following up matters related to this research are as follows. First, based on the results of the research conducted, the suggestions that can be submitted are for manufacturing companies listed on the IDX, companies in the manufacturing sector listed on the IDX are advised to pay more attention to Firm Size, which is owned to increase Company Value through improving company performance such as increasing company profits which can later attract investors to invest, and determine the right funding decisions to increase the value of a company.

Second, it is expected that future researchers who will conduct research on similar topics are advised to add other independent variables as factors that affect company value. Apart from the four independent variables used in this study, namely Debt equity ratio, Firm Size, Return On Equity, Current Ratio. which still cannot include the influence on the value of the company. Other variables besides the four variables that can affect the value of the company include Dividend Payout Ratio and Total Asset firm size that has been studied by (Putra & Lestari, 2016) which shows that both variables have a significant effect on the value of the company.

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