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The Influence of Debt to Equity Ratio and Current Ratio to Return on Equity and Price to Book Value: Subsector Food and Baverages Industry of Company Listedat Indonesian Stock Exchange Period 2014-2019

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ABSTRACT: Market confidence in a company is determined by the size of the company's value. This trust is not only in the current financial performance but includes the company's prospects in the future. Reilly & Brown (2011) said that among the methods that can be used to determine firm value is by comparing stock prices to relevant variables that affect the stock value such as price to book value (PBV). The price to book value (PBV) is the comparison between the market price per share and the book value per share or the comparison between the market value (market price) and its book value (original value). Based on previous research, there are several factors that can affect firm value, including: funding decisions, dividend policy, investment decisions, CSR, company growth, and company size. Some of these factors have an inconsistent relationship and influence on firm value. This study aims to determine the effect of DER and CR on ROE and PBV in the Food and Beverages industry sub-sector companies listed on the Indonesia Stock Exchange for the period 2014-2019. The company that became the population in this study were 32 with a sample of 12 companies determined by purposive sampling method. Research data processing and hypothesis testing using path analysis techniques with SPSS version 22 application tools.

The results of this study indicate that, simultaneously or partially DER and CR have a positive and significant effect on ROE, DER and CR simultaneously have a negative and significant effect on PBV, but partially DER and CR have a negative and insignificant effect on PBV. ROE has a positive and significant effect on PBV, and ROE is proven to be an intervening variable or a mediating variable for the effect of DER and CR on PBV.

KEYWORDS: Debt to Equity Ratio, Current Ratio, Return on Equity, and Price to Book Value

INTRODUCTION

The Indonesia Stock Exchange (IDX) or the Indonesia Stock Exchange (IDX) is a stock exchange market owned by Indonesia as a result of the merger of two stock exchanges, namely the Jakarta Stock Exchange (JSX) and the Surabaya Stock Exchange (BES). The merger of these two stock exchanges aims to serve as a stock and bond market (a market for trading securities issued by the government or companies with a certain period of time) and a derivatives market (bilateral contracts or trading contracts used as investment instruments). This stock market has been operating since December 1, 2007 under the name Indonesia Stock Exchange (IDX). After twelve years of operation, namely in 2019, the Indonesia Stock Exchange won an award as one of the Best Companies to Work for in Asia for three consecutive years (2017, 2018, 2019). This award is based on an assessment of employee engagement, development opportunities and culture.

In 2019 IDX succeeded in achieving various achievements compared to previous years, such as an increase in the number of investor participation, an increase in the quantity and quality of listed companies, as well as the highest trading frequency in the Southeast Asia (ASEAN) region. The activity of listing new shares/IPO (Initial Public Offering) on the IDX is ranked 7th in the world. No less than 55 new companies listed their shares on the IDX in 2019, bringing the total number of companies to 668 with a market capacity of IDR 7.2 trillion. The following is a graph of the number of companies listed on the IDX from 2014-2019:

Figure 1. Chart of Companies Listed on the IDX 2014-2019
Source: www.idx.co.id 2019 annual report

In 2019, IDX succeeded in increasing the number of stock investors by 29.61% or worth 1.1 million SID (Single Investor Identification) so that the total number of investors owned was 2.48 million. This number increased by 53.41% from 2018 with an average increase of 44.85% per month. The following is a graph of the increase in investors from 2014-2019:

Figure 2. Graph of Investor Increase in IDX 2014-2019
Source: www.idx.co.id 2019 annual report

Companies listed on the Indonesia Stock Exchange are divided into groups based on the sector they manage. Among these companies are the food and beverage industry sub-sector companies (food and beverage industry) which are included in the Consumer Goods Industry group (consumer goods industry sector). In 2017 there were 15 sub-sector companies listed on the IDX and increased to 21 in 2018, in 2019 it increased to 27, and in 2020 it increased to 32 companies.

This food and beverage industry sub-sector company has a fairly large growth potential in this country, because it is supported by abundant natural resources and high community needs. The food and beverage industry is expected to remain a leading sector that contributes to national economic growth. The Ministry of Industry noted that throughout 2018, the food and beverage industry sub-sector grew by 7.91%, exceeding the national economic growth of only 5.17%, and supported the increase in national investment by contributing IDR 56.60 trillion or 26.67%, an achievement its export value reached USD 29.91 billion. In 2019, the gross domestic product (GDP) of the food and beverage industry reached 6.77%. This value is greater than the national industrial GDP growth of only 5.07%. This sector contributed 35.58% to the GDP of the non-oil and gas industry and 6.35% to the national GDP and was able to attract an investment of USD 383 million or Rp. 8.9 trillion, absorbing a workforce of 1.2 million people. The food and beverage industry sub-sector contributed 36.4% to manufacturing GDP in 2020 with growth reaching 3.9% and export value reaching USD 13.73 billion or Rp. 203.9 trillion. (kemenperin.go.id)

Taking into account the large contribution of the food and beverage industry sub-sector companies to the development of the national economy, it is only natural that this industrial sub-sector becomes one of the targets for investors to make their investment choices. The stock market is an effective means for investors to choose which companies have more potential as

investment destinations. The purpose of investing in stock securities is to get a return (better return) in a predetermined period, although this activity has risks, because return and risk are inseparable matters in investment activities.

Reilly & Brown (2019), describes one of the methodologies that investors can use to determine the value of the economic entity of a company (company value), is by conducting a fundamental analysis of the company's stock price with relevant variables that can affect the value of the company's shares. These methods, such as analysis of income, cash flow, book value, funding and sales or also known as relative valuation techniques. This method is carried out, among others, through price earnings (PE), price cash flow (PCF), price to book value (PBV), and price sales (P/S). These models are called multiplier models, and the one that is often used to analyze firm value is price to book value (PBV).

Price to book value (PBV) is the ratio between the market price per share and the book value per share or the comparison between the market value (value/market price of a share) and its book value (original value of a share). This ratio is used to complete the book value analysis. In book value analysis, investors only know the capacity per share of the stock value, but in the PBV ratio investors know how many times the market price per share is valued from the book price (Herry, 2015). The following table presents the average PBV value of Food and Bevarages Sub-Sector Companies for the period 2014-2019:

Table 1. Average PBV Value

No	Companies	*Price to Book Value (X)*					
		Years					
		2014	2015	2016	2017	2018	2019
1	Budi Starch & Sweetener Tbk.	0,48	0,46	0,46	0,43	0,39	0,34
2	Wilmar Cahaya Indonesia Tbk.	0,83	0,79	1,14	1,58	0,89	5,50
3	Delta Djakarta Tbk.	8,17	7,35	4,92	3,71	4,09	4,61
4	Indofood CBP Sukses Makmur Tbk.	5,08	5,71	11,36	5,29	5,80	4,88
5	Indofood Sukses Makmur Tbk.	1,44	1,57	1,84	1,69	1,43	1,28
6	Multi Bintang Indonesia Tbk.	0,26	33,95	33,96	29,68	34,39	28,55
7	Mayora Indah Tbk.	4,75	5,34	5,00	7,60	7,82	4,63
8	Nippon Indosari Corpindo Tbk.	8,90	6,05	6,21	3,14	2,71	2,80
9	Sekar Bumi Tbk.	4,18	2,86	2,29	1,48	1,20	0,62
10	Sekar Laut Tbk,	1,48	1,77	0,85	2,47	3,16	2,92
11	Siantar Top Tbk,	4,61	3,97	5,03	4,18	3,08	2,75
12	Ultrajaya MI dan Trading Co. Tbk.	4,74	4,44	4,14	14,69	3,32	3,43
Average		3,74	6,19	6,43	6,33	5,69	5,19

Table 1. above shows that there has been a fluctuation in the PBV value of the Food and Beverages industry sub-sector companies from 2014-2019. The average PBV in 2015 and 2016 increased and decreased again in 2017-2019. The average PBV in 2015 increased by 65.5% and 3.8% in 2016. The increase in the average PBV was driven by high expectations and investor confidence in the company's prospects (Wira, 2020), although the net profit generated in 2015 of 826.4 billion, lower than 2014's profit of 857.7 billion rupiah, however, current assets and equity owned by the company increased from 5.6 trillion to 6.1 trillion and the company managed to achieve revenue of 1.113 trillion rupiah in 2016 which was followed by an increase in the value of PBV.

In 2017-2019 the company's revenue continued to increase from 1.137 trillion to 1.401 trillion rupiah, but in the same period the PBV value decreased due to the decline in stock prices of several companies such as PT. Delta, Mayora, Siantar, Ultrajaya and Wilmar. The decline in stock prices on the Stock Market, could occur due to decreased investor confidence in the company's financial performance (Brigham and Houston, 2020). However, the average PBV of companies in the Food and Beverages sub-sector is still in the range of 5 or 6 times compared to its book value and is still above the industry average (1.7 times). This means that the average share price is still valued at 5 to 6 times the book price. This information is an attractive signal for investors because the company is considered to have good and promising prospects. This positive signal will create a high level of demand for shares and simultaneously can encourage share prices to rise in the Stock Market (Wulandari, 2019).

Brigham and Houston (2020) say the better the market assesses the company's prospects, the more successful the company is in creating value for the company and shareholders. Mirsan (2017) in his research said, the increase or decrease in the value of shares depends on how effective the company's financial performance is. According to Herry (2015), assessing the

company's financial performance is done through an analysis of the ratios presented in the financial statements related to solvency (debt), liquidity (current assets), and profitability (profit).

Solvency ratio proxied through Debt to equity ratio (DER) is used to analyze financial performance through debt level. This ratio compares the total debt to equity or capital owned by the company. Debt as an asset financer is expected to provide higher income for the company, but debt that is too high has a risk for the company to the risk of bankruptcy. The average value of DER in the Food and Bevarages industry sub-sector companies for the 2014-2019 period can be seen from the following table:

Table 2. Average DERValues

No	Companies	*Debt to Equity Ratio (%)*					
		Years					
		2014	2015	2016	2017	2018	2019
1	Budi Starch & Sweetener Tbk.	1,71	1,95	1,52	1,46	1,77	1,33
2	Wilmar Cahaya Indonesia Tbk.	1,39	1,32	0,61	0,54	0,20	0,19
3	Delta Djakarta Tbk.	0,30	0,22	0,18	0,17	0,19	0,17
4	Indofood CBP Sukses Makmur Tbk.	0,66	0,62	0,56	0,56	0,51	0,45
5	Indofood Sukses Makmur Tbk.	1,08	1,13	0,87	0,88	0,93	0,77
6	Multi Bintang Indonesia Tbk.	3,03	1,74	1,77	1,36	2,12	1,53
7	Mayora Indah Tbk.	1,51	1,18	1,06	1,03	1,06	0,92
8	Nippon Indosari Corpindo Tbk.	1,23	1,28	1,02	0,62	0,51	0,51
9	Sekar Bumi Tbk.	1,04	1,22	1,72	0,59	0,70	0,76
10	Sekar Laut Tbk,	1,16	1,48	0,92	1,07	1,20	1,08
11	Siantar Top Tbk,	1,08	0,90	1,00	0,69	0,60	0,34
12	Ultrajaya MI dan Trading Co. Tbk.	0,29	0,27	0,21	0,23	0,16	0,14
Average		1,21	1,11	0,95	0,77	0,83	0,68

The company's equity level exceeds the growth of debt ownership in each period of the year, causing the DER value to decrease from year to year. This DER ratio is no less important to get the attention of investors when conducting a fundamental analysis of the company's financial performance. The average value of DER in 2014 was 1.21 due to the total debt owned 5.68 trillion while the total equity was 5.63 trillion. The average DER in 2015 and 2016 decreased and was followed by an increase in PBV in 2015 and 2016. In 2017 the DER and PBV both decreased, while in 2018 the average DER increased again while the PBV fell. The increase in DER was triggered by the relatively higher level of debt, although equity continued to experience positive growth.

The addition of the company's debt is assumed to be able to have a positive influence on the achievement of profits. In 2019, the company's average net income increased to a value of 1.4 trillion and the average value of DER decreased, followed by a decrease in the value of PBV. The average DER for the last 5 years is still relatively high because it is still above the industry average of (0.4) or 40% (Utari, 2014). The average DER in 2019 was 0.68 or 68%. The high ratio of debt to equity can provide a high risk for the company and will affect the stock price in the Stock Market. However, for 5 years running, the company's financial performance has shown a very satisfactory achievement with high profit growth. This achievement is also accompanied by relatively high debt ownership.

Kasmir (2015) said that DER has an effect on PBV because the higher the DER, the higher the company's financial risk. In unfavorable economic conditions, the level of debt must be low so that the burden of return and interest is low. However, in good economic conditions, the level of debt may be higher because it is expected to boost higher income from asset financing. Therefore, a large level of debt can provide opportunities for companies to finance their assets effectively which in the end is expected to increase company profits and provide positive signals and sentiments to the market. These positive sentiments and signals can affect stock prices and firm value (PBV). This theory is in line with the results of Firdaus (2019)'s research which revealed that DER has a positive and significant effect on PBV. Research conducted by Annisa (2017), concluded the same results that DER had a positive and significant effect on PBV. However, Handayani's research (2020) concludes that DER has no effect on PBV.

Weston (1986) once explained, the company's ability to meet its short-term obligations as they mature, depends on how strong the level of liquidity it has. This means that if the company is billed, the company is able to fulfill these obligations. Not much different from Weston's opinion, Kasmir (2015) in his book states, to measure how much liquidity a company has, it is done by analyzing the current ratio in the financial statements. The current ratio explains how much investment can be converted into

cash or money in a short time to pay expenses, bills and all other obligations that are due. This ability can be realized if the amount of current assets is greater than current liabilities. Companies that have a good level of liquidity will gain the trust of investors if they are judged to be able to utilize their liquidity effectively and generate profits. Information on the average current ratio (CR) or current ratio of companies in the Food and Beverages industry sub-sector for the period 2014-2019 is presented in the table below:

Table 3. Average CR Values

No	Companies	*Curren Ratio (%)*					
		Years					
		2014	2015	2016	2017	2018	2019
1	Budi Starch & Sweetener Tbk.	104,59	100,08	100,14	100,74	100,32	100,65
2	Wilmar Cahaya Indonesia Tbk.	146,56	153,47	218,93	222,44	511,30	574,96
3	Delta Djakarta Tbk.	447,32	642,37	760,39	863,78	720,09	805,05
4	Indo CBP Sukses Makmur Tbk.	218,32	232,60	240,68	245,46	195,17	253,57
5	Indofood Sukses Makmur Tbk.	180,74	170,53	150,81	150,27	107,91	127,21
6	Multi Bintang Indonesia Tbk.	51,39	58,42	67,95	82,57	63,61	73,19
7	Mayora Indah Tbk.	208,99	236,53	225,02	238,60	265,46	342,86
8	Nippon Indosari Corpindo Tbk.	136,64	205,34	296,23	225,86	357,12	169,33
9	Sekar Bumi Tbk.	147,71	114,51	110,72	163,53	138,33	149,30
10	Sekar Laut Tbk,	118,38	119,25	131,53	126,31	122,44	129,01
11	Siantar Top Tbk,	148,42	157,89	165,45	264,09	184,85	284,60
12	Ultrajaya MI dan Trading Co. Tbk.	334,46	374,55	484,36	419,19	439,81	444,41
Average		186,96	213,80	246,02	258,57	267,20	287,84

The average Curent Ratio (CR) value for the Food and Beverages industry sub-sector for the period 2014-2019 continues to increase. In 2015 the average CR increased by 14.3% from 1.8 times to 2.13 times. This positive trend continued to occur in 2016 increasing by 15% to 2.46 times, in 2017 by 5% to 2.58 times, in 2018 by 3.3% to 2.67 times and in 2019 by 7.7% to 2.87 times. The stable level of corporate liquidity does not always give a positive sentiment to the value of the company (price to book value), the increase in the current ratio (CR) value in 2015 and 2016 was followed by an increase in the PBV value but an increase in the current ratio (CR) in 2017, 2018 and 2019 it was followed by a decrease in the value of the PBV. In general, the company is able to maintain a stable comparison between current assets and current liabilities. The average value of the current ratio (CR) is still above the industry average (2.0) which indicates that the company has very good liquidity. However, this situation is inversely proportional to the PBV value. This means that the market still responds negatively to the number of assets owned by the company. Market attitudes tend to negatively affect stock demand so that it can affect prices due to low demand. Therefore, when the market price per share falls, it will automatically affect the PBV value.

Munawir, (2017) explains that the current ratio (CR) affects the value of the company Price to Book Value (PBV) because the current ratio (CR) shows the level of security (margin of safety) of short-term credit. The high or low level of liquidity of a company has implications for investor confidence and market sentiment which in turn can affect stock prices, so it can be assumed that the current ratio has an effect on Price to Book Value (PBV).

Hidayat (2019) in his research supports the above theory with research results stating that the current ratio (CR) has a positive effect on Price to Book Value (PBV). However, Khairunnisa (2019) in her research said that the current ratio (CR) had a negative effect on Price to Book Value (PBV). Likewise, research by Setyawan (2013) says that a high level of current ratio (CR) reflects the adequacy of the company's cash. The higher the level of company liquidity will increase the level of investor confidence and affect the value of the company.

The ultimate goal to be achieved by a company is the achievement of profit or profit as much as possible from the management of its assets. Therefore, management is required to meet the predetermined achievement targets. This means that the amount of profit to be achieved must be in accordance with expectations. To analyze the amount of income achieved by the company during its operating period, it can be done by means of an analysis of the profitability ratios. Profitability ratio is a ratio used to measure how capable the company is in managing its assets to generate the expected profit. In other words, this ratio

provides information about the level of management effectiveness in generating profits from sales and investment. Among the profitability ratios that can be used is Return on Equity (ROE).

Return on Equity (ROE) compares the level of net profit after tax against own capital. Return on equity (ROE) shows the extent to which the company can manage its own capital effectively. This ratio is very useful for investors as a decision-making consideration tool. The higher the return on equity (ROE), the better the company is valued by investors and shows a high level of return for shareholders. The higher return on equity (ROE) has a positive correlation with firm value.

The following is the average Return on Equity (ROE) in the food and beverage industry sub-sector companies for the 2014-2019 period.

Table 4. Average ROE Values

No	Companies	*Return on Equity (%)*					
		Years					
		2014	2015	2016	2017	2018	2019
1	Budi Starch & Sweetener Tbk.	3,12	1,91	3,32	3,82	4,11	4,98
2	Wilmar Cahaya Indonesia Tbk.	7,63	16,65	28,12	11,90	4,22	12,51
3	Delta Djakarta Tbk.	37,68	22,60	25,14	24,44	26,34	26,19
4	Indo CBP Sukses Makmur Tbk.	16,83	17,84	19,63	17,43	20,52	20,10
5	Indofood Sukses Makmur Tbk.	12,48	8,60	11,99	11,00	9,94	10,89
6	Multi Bintang Indonesia Tbk.	207,00	88,14	160,87	167,15	95,40	105,24
7	Mayora Indah Tbk.	9,99	24,07	22,16	22,18	20,61	20,60
8	Nippon Indosari Corpindo Tbk.	19,64	22,76	19,39	4,80	0,69	7,65
9	Sekar Bumi Tbk.	28,03	11,67	6,12	2,53	1,53	0,09
10	Sekar Laut Tbk,	10,75	13,20	6,97	7,47	1,21	11,82
11	Siantar Top Tbk,	15,10	18,41	14,91	15,60	15,49	22,47
12	Ultrajaya MI dan Trading Co. Tbk.	12,51	18,70	20,34	16,91	14,69	18,32
Average		31,73	22,05	28,25	25,44	17,90	21,74

Based on table 4. above, the average ROE of the food and beverage industry sub-sector companies fluctuated. The average ROE in 2014 was 31.73, decreased in 2015 by 30% to 22.05 and then increased again in 2016 by 28% to 28.25. In 2017 the average ROE value fell again by 10% to 25.44, and fell again in 2018 by 29% to 17.90 and in 2019 it increased by 21.45% to 21.74. The fluctuations in ROE value were followed by fluctuations in the value of PBV but not always in tandem, the decline in ROE in 2015 was followed by a temporary increase in PBV in 2016 when ROE rose followed by an increase in PBV. In 2017 ROE and PBV both increased and in 2019 when ROE increased but PBV actually decreased. The average ROE value is still above the industry average (15%). This shows that the company is able to utilize its equity effectively so that the profit generated exceeds the industry average. This ratio is an important indicator of shareholder value creation, meaning that the higher the ROE ratio, the higher the value of the company and an attraction for investors to buy shares.

Brigham and Houston (2020) said ROE has an effect on firm value (PBV) because ROE is a reflection of all financial ratios. The high value of ROE has an effect on the high value of shares because investors judge the company to have carried out their duties well. The high value of shares at the same time increases the market value as expected. Ismail (2015) in his research supports Brigham and Houston's statement, his research concludes that ROE has a positive effect on PBV, as well as research conducted by Firdaus (2019) which says that ROE has a positive effect on PBV. While the research conducted by Revi (2016) said that ROE had no effect on PBV.

LITERATURE REVIEW

Price Book Value (PBV)

Price to book value or market value per share is the share value that reflects the historical value of the company's assets, a company that is well managed and operates efficiently will have a stock market value higher than its book value. Price to book value (PBV) shows the investor's perception of the company's level of success associated with stock prices. The high share price makes the company value high, and can increase market confidence not only in the company's current performance but also on the company's prospects in the future.

Price to book value (PBV) is a ratio that shows the comparison between the market value (market value) per share and the book value (book value) per share. Based on this ratio, investors can find out whether the stock price is categorized as undervalued or overvalued. The lower the PBV value, the stock is categorized as an undervalued stock, this condition is considered good for long-term investment. However, a low PBV value may indicate a decline in the quality and performance of the company's fundamentals. Therefore, the PBV value of a company must be compared with the PBV value of other companies in the same industry. (Brigham and Houston, 2020).

Debt to Equity Ratio **(DER)**

Debt is a factor that is no less important in carrying out the activities of a company, debt which is used as asset financing capital is expected to increase productivity, sales turnover and increase profits which are simultaneously expected to increase the value of the company. However, the debt-to-equity ratio must be balanced, because if the debt-to-equity ratio is too large, it will be a burden for the company in terms of high returns and interest. Therefore, the debt-to-equity ratio must be adjusted so that it is not burdensome and becomes a burden on the company's operations, thus it is hoped that the company can run well and healthily.

The debt to equity ratio in this study is proxied through the debt to equity ratio (DER). DER is a ratio that shows the ratio between the debt provided by creditors with the amount of own capital owned by the owners of the company. This ratio shows how the proportion of the use of debt and own capital in financing the company's activities. Debt to equity ratio (DER) is used to measure the ratio of debt to equity by comparing all debt, both current debt and long-term debt, with the company's entire equity. The analysis is carried out to find out how much equity owned by the company can guarantee all the debts it has. So this ratio serves as a tool to find out how many rupiahs of own capital are used as collateral for the debt. The greater this ratio indicates the greater the risk that will be borne by the company. However, high debt does not always have risks, but can provide opportunities for the development and income of the company depending on the characteristics of the business and the diversity of its cash flows. (Kasmir, 2015).

Current Ratio **(CR)**

The company's liquidity level describes the company's ability to meet its short-term obligations. Liquidity is one of the determining factors for the success or failure of a company. The provision of cash needs from other sources to fulfill these obligations also determines the extent to which the company is able to cope with risk. Another understanding is the company's ability to meet obligations or debts that must be paid immediately with current assets. Hery (2015) says that the current ratio (CR) is included in the liquidity ratio, which is a ratio that measures how much the company's ability to meet its short-term obligations by using its current assets.

Kasmir (2015), said the current ratio is a ratio used to measure the company's ability to pay its short-term obligations or those that are due when they are billed in full. In other words, how much assets are available to cover short-term obligations that are due soon. Current ratio can also be said as a form of company assets that can be used as money in a short time (maximum one year).

Margaretha, (2011) states that the current ratio is a ratio that shows the relationship between cash and other current assets to current liabilities. This ratio shows the extent to which short-term claims from creditors can be met with assets that are expected to be converted into cash in a short time.

Return on Equity **(ROE)**

The high level of profitability indicates the more efficient management performance in managing sources of financing to generate profits, so that investors judge that apart from being efficient in managing investments, the company is also considered capable of managing its sources of funds effectively. Brigham and Houston (2020) suggest that return on equity (ROE) is included in the profitability ratio, this ratio measures the return on equity by calculating how much equity contributes in creating net profit from each rupiah embedded in total equity.

Return on equity (ROE) according to Sudana, (2011) is a ratio that shows the company's ability to generate profit after tax by using its own capital. This ratio is very important information for all shareholders to determine the effectiveness and efficiency of capital management carried out by the company's management. The higher this ratio means the more efficient the use of own capital by the company's management.

Hanafi (2016) argues that return on equity is a ratio that measures the company's ability to generate net income based on a certain capital. This ratio is a measure of profitability seen from the perspective of shareholders. A high number for return on equity indicates a high level of profitability. The return on equity ratio does not take into account dividends or capital gains for

shareholders. Because this ratio is not a measure of the return (rate of return) received by the actual shareholders. Return on equity can be influenced by the company's liquidity and leverage.

Kasmir (2015) said that return on equity is a measuring tool to find out how much return or net profit a company gets after using its equity. This ratio shows how efficient management is in the use of capital, the higher this ratio, the better. This means that the position of the owner of the company is getting stronger, and vice versa if this ratio is low, it shows that management performance is not going well. Margaretha (2011) says that return on equity is a ratio that shows the combined effect of liquidity, asset management and debt management on operating results or profits. Or in other words, return on equity is a ratio measuring the rate of return on investment for common shareholders.

RESEARCH METHODS

Research Time and Location

The object of this research is the food and beverages industry sub-sector companies listed on the IDX during the 2014-2019 period. This research was conducted for 6 (six) months, starting from January 2021 to June 2021. The Indonesia Stock Exchange (IDX) is a merger of two stock exchanges owned by Indonesia, namely the Jakarta Stock Exchange (JSX) and the Surabaya Stock Exchange (BES).).

The merger of these two Stock Exchanges aims to make the Indonesia Stock Exchange a stock market for bonds and derivatives which began operating on December 1, 2007. After operating for 12 years, in 2019, the Indonesia Stock Exchange received an award as one of the Best Companies to Work for in Asia for three consecutive years (2017, 2018 and 2019). The awards given are based on an assessment of employee engagement, development opportunities and culture.

The consumer goods industry sector is one of the industrial sectors that plays a role as a trigger for national economic growth, along with the increasing needs of people's lives. Operationally, the consumer goods industry sector is divided into five sub-sectors, namely the food and beverages sub-sector, the cigarette sub-sector, the pharmaceutical sub-sector, the cosmetics sub-sector and the household appliances and necessities sub-sector.

Research Desain

This research uses descriptive and verification methods. According to Sugiyono (2013), descriptive research is research conducted to determine the value of variables independently, either one or more variables without making comparisons or connecting them with other variables being studied so as to produce conclusions. While the verification method according to Sugiyono (2013) is research conducted on a particular population or sample with the aim of testing the established hypothesis. Based on the above understanding, it can be explained that the descriptive verification method is a method that aims to describe whether or not the facts are true, as well as to explain the relationship between the variables studied by collecting data, processing, analyzing and interpreting the data in statistical hypothesis testing.

The descriptive method in this study was conducted to determine and examine the phenomena or characteristics that exist in the data as well as to show the maximum and minimum values, average values and standard deviation values of each variable debt to equity ratio (DER), current ratio (CR).), return on equity (ROE) and price to book value (PBV) in food and beverages industry sub-sector companies listed on the Indonesia Stock Exchange for the period 2014-2019. The verification method is used to determine and examine how much influence the variables debt to equity ratio (DER) and current ratio (CR) have on price to book value (PBV) through return on equity (ROE). The verification method is carried out to test the hypothesis by using statistical test tools. The researcher uses path analysis statistical test tool (path analysis). Sarwono (2007) said path analysis is a technique used to analyze causal relationships that occur in multiple regression if the independent variables affect the dependent variable not only directly, but also indirectly.

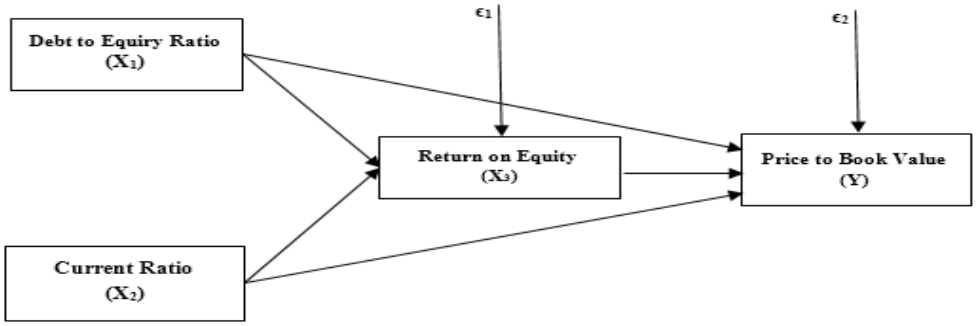

Figure 3. Variable Equation Path Diagram

Population and Sample

Population is all elements, elements, units, individuals or sets with the same ownership of certain characteristics. Population can also be interpreted as a value obtained from the results of measurements or calculations from a certain group of objects (Siregar, 2014). The population in this study were all companies included in the food and beverages industry sub-sector listed on the Indonesia Stock Exchange (IDX) for the 2014-2019 period, namely 32 companies.

The sample of this study was taken from the population, which were several selected companies and included in the food and beverages industry sub-sector companies listed on the Indonesia Stock Exchange (IDX) for the 2014-2019 period. The determination and selection of samples was carried out based on the purposive sampling method, namely taking samples from the population based on the criteria determined by the researchers themselves. The criteria for selecting samples from the population in this study are as follows;

- Companies that are included in the food and beverages industry sub-sector.
- Companies in the food and beverages industry sub-sector which are listed on the IDX in the 2014-2019 period.
- Companies in the food and beverages industry sub-sector that publish their annual reports on the IDX website in the 2014-2019 period successively.
- Food and beverages industry sub-sector companies that have positive profits for the 2014-2019 period.

Based on the results of purposive sampling with the criteria determined above, from the 32 companies that became the population in this study there were 20 companies in the food and beverages industry sub-sector that did not meet the criteria in the purposive sampling method so that the number of companies in the food and beverages industry sub-sector that selected and can be used as samples are as many as 12 companies with financial statement data from 2014 to 2019.

Data Collection Technique

Research data were collected from various sources, such as books, journals and the internet. The type of data used in this study is secondary data obtained from the financial statements of the food and beverages industry sub-sector companies that have been published on the IDX website (Indonesian Stock Exchange) for the 2014-2019 period.

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RESEARCH RESULT

1. Documentation data related to the variables studied

Table 5. Average PBV, DER, CR, and ROE Data from 12 Samples
Food and Beverages Subsector Companies Listed on IDX 2014 – 2019

No	Codes	Companies	PBV	DER	CR	ROE
1	BUDI	Budi Starch & Sweetener Tbk.	0,43	1,62	101,09	3,54
2	CEKA	Wilmar Cahaya Indonesia Tbk.	1,79	0,71	304,61	13,50
3	DLTA	Delta Djakarta Tbk.	5,48	0,21	706,50	27,07
4	ICBP	Indofood CBP Sukses Makmur Tbk.	6,35	0,56	230,97	18,72
5	INDF	Indofood Sukses Makmur Tbk.	1,54	0,95	147,91	10,82
6	MLBI	Multi Bintang Indonesia Tbk.	26,80	1,92	66,19	137,30
7	MYOR	Mayora Indah Tbk.	5,86	1,13	252,91	19,94
8	ROTI	Nippon Indosari Corpindo Tbk.	4,97	0,86	231,75	12,49
9	SKBM	Sekar Bumi Tbk.	2,10	1,00	137,35	8,33
10	SKLT	Sekar Laut Tbk,	2,11	1,15	124,49	8,57
11	STTP	Siantar Top Tbk,	3,94	0,77	200,88	17,00
12	ULTJ	Ultrajaya Milk Industry & Trading Co. Tbk.	5,79	0,22	416,13	16,91

Based on the table above, the highest average PBV value for companies in the food and beverages industry sub-sector of 26.80 times is in Multi Bintang Indonesia Tbk, and the lowest value is in Budi Starch & Sweetener Tbk. of 0.43.

The highest average DER value is in Multi Bintang Indonesia Tbk. of 1.92 times (192%) while the lowest DER average value is in the company Delta Djakarta Tbk. by 0.21 times (21%).

The highest average CR value is owned by the company Delta Djakarta Tbk. of 706.50% (7 times) and what is the lowest average CR value at Budi Starch & Sweetener Tbk. by 101.09% (1 time).

The highest average ROE value in the Multi Bintang Indonesia Tbk company. of 137.3% and the average value ROE terendah berada pada perusahaan Budi Starch & Sweetener Tbk. yaitu sebesar 3,54%.

2. Model Test Phase 1

Based on the results of data processing using the SPSS V.22 program, the coefficients are described in the following table:

Table 6. Structural Equation Model Test Results 1

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.361	.156		-2.315	.024
	DER	.470	.097	.714	4.842	.000
	CR	.070	.030	.346	2.346	.022

Table 7. Equation Model Test Results €$_1$

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.524[a]	.274	.253	.32256

a. Predictors: (Constant), CR, DER

b. Dependent Variable: ROE

Based on the data in the table above, structural equation 1 can be arranged as follows:

$$X_3 = 0{,}714\ X_1 + 0{,}346\ X_3 + 0{,}726\epsilon_1$$

Based on structural equation 1 above, it can be interpreted that the coefficient value of the debt to equity ratio (DER) variable obtained is 0.714. Statistically, it is stated that if the variable debt to equity ratio (DER) changes by one unit or one time, it will change the return on equity (ROE) by the coefficient of the variable debt to equity ratio (DER). In other words, this situation explains that the contribution of the debt to equity ratio (DER) variable to the return on equity (ROE) is 0.714. Then when viewed from its significance value, the variable debt to equity ratio (DER) is declared to have a positive and significant effect on return on equity (ROE), this is evidenced by the value of which is smaller than the value of 0.05 (0.000 < 0.05).). Furthermore, the contribution of the current ratio (CR) variable to the return on equity (ROE) based on the results of the data test in table 4.11 above, the beta coefficient value is 0.346. These results state that if the current ratio (CR) variable changes by one unit or once, it will give a change to the return on equity (ROE) of 0.346. The variable current ratio (CR) can be stated to have a positive and significant effect on return on equity (ROE), this can be proven by the value of which is smaller than 0.05 (0.022 < 0.05).

The value of 1 or the residual value obtained based on structural equation 1 above is 0.726 (with the formula 1-R2 or 1-0.274 = 0.726) or 72.6%, this means that the variation of changes in the return on equity (ROE) variable can only explained by the variable debt to equity ratio (DER) and current ratio (CR) of 27.4%. In other words, 72.6% change in return on equity (ROE) is a contribution outside of the exogenous variables used in structural equation 1 (one) in this study.

The significance test is carried out simultaneously or simultaneously using the F test (Fisher's test) between all exogenous variables in equation 1 substructure to endogenous variables, the Fcount is 13.045, this number is greater than the value of Ftable (df1 = k -1 where k is the number of variables and df2 = n - k where n is the number of samples) then df1 = 4 – 1 = 3 while df2 = 72 - 4 = 68 then the Ftable is 2.74. The Fcount is greater than Ftable (13.045 > 2.74) and a significance value of 0.000 is smaller than the value of = 0.05 then 0.000 < 0.05, this means that the debt to equity ratio (DER) and current ratio (CR) together have a positive and significant effect on return on equity (ROE). For more details, the coefficient in question can be seen in the following table.

Tabel 8. Test results *Fisher's test* 1

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	2.715	2	1.357	13.045	.000[b]
	Residual	7.179	69	.104		
	Total	9.894	71			

a. Dependent Variable: ROE

b. Predictors: (Constant), CR, DER

3. Test Model Stage 2

Phase 2 model test was carried out to apply the results of data processing to structural equation 2. Based on the results of data processing using the SPSS V.22 program, the coefficients described in the following table were obtained:

Table 9. Structural Equation Model Test Results 2

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	5.657	2.652		2.133	.037
	DER	-2.695	1.844	-.197	-1.461	.149
	CR	-.604	.511	-.143	-1.182	.242
	ROE	16.620	1.975	.801	8.415	.000

Table 10. Equation Model Test Results $€_2$

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.743[a]	.552	.533	5.29195	2.122

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

b. Dependent Variable: PBV

Based on the data in the table above, structural equation 2 can be arranged as follows:

$$Y = -0{,}197X_1 – 0{,}143X_2 + 0{,}801\ X_3 + 0{,}448\ \epsilon_2$$

Based on structural equation 2 above, it can be interpreted that the coefficient value of the debt to equity ratio (DER) variable obtained is -0.197. Statistically, the coefficient is stated if the variable debt to equity ratio (DER) changes by one unit or once, it will change the price to book value (PBV) by the coefficient of the debt to equity ratio (DER) variable. In other words, this situation explains that the contribution of the debt to equity ratio (DER) variable to the price to book value (PBV) is -0.197. Then when viewed from its significance value, the debt to equity ratio (DER) variable is declared to have a negative and insignificant effect on price to book value (PBV), this can be proven by the value of which is greater than 0.05 (0.149 > 0 ,05).

Furthermore, the contribution of the current ratio (CR) variable to the price to book value (PBV) based on the results of the data test in table 4.13 above, the beta coefficient value is -0.143. These results state that if the current ratio (CR) variable changes by one unit or once, it will give a change to the price to book value (PBV) of -0.143. The variable current ratio (CR) can be stated to have a negative and insignificant effect on price to book value (PBV), this can be proven by the value of which is greater than 0.05 (0.242 > 0.05).

The contribution of the return on equity (ROE) variable to price to book value (PBV) based on the results of the data test in table 4.13 above, the beta coefficient value is 0.801. These results state that if the change in the return on equity (ROE) variable is one unit, it will give a change to the price to book value (PBV) of 0.801. The return on equity (ROE) variable can be stated to

have a positive and significant effect on price to book value (PBV), this is evidenced by the value of which is smaller than 0.05 (0.000 > 0.05).

The residual value of 2 obtained based on structural equation 2 above is 0.448 (1-R2 or 1-0.552 = 0.448) or 44.8%, this indicates that the variation in the price to book value (PBV) variable can only be explained by the variable debt to equity ratio (DER), current ratio (CR) and return on equity (ROE) of 55.2%. In other words, 44.8% change in price to book value (PBV) is a contribution outside of the exogenous variables used in the structural equation 2 (two) in this study.

The significance test which was carried out simultaneously or simultaneously using the F test (Fisher's test) between all exogenous variables in structural equation 2 against endogenous variables, obtained the Fcount of 27.972, this number is greater than the value of Ftable (df1 = k -1 where k is the number of variable and df2 = n - k where n is the number of samples) then df1 = 4 – 1 = 3 while df2 = 72 - 4 = 68 then the Ftable number is 2.74. Fcount is greater than Ftable (27.972 > 2.74) and a significance value of 0.000 is smaller than of 0.05 (0.000 < 0.05), this means that the variable debt to equity ratio (DER) current ratio (CR)) and return on equity (ROE) together have a positive and significant effect on price to book value (PBV). For more details, the coefficient in question can be seen in the following table:

Table 11. Test results *Fisher's test* 2

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	2350.020	3	783.340	27.972	.000[b]
	Residual	1904.322	68	28.005		
	Total	4254.342	71			

a. Dependent Variable: PBV

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

After analyzing the data, the results of the regression can be described with a structural paradigm where the exogenous variables are the variables 1, 2 and 3 variables, while is the endogenous variable. It can be seen in the following paradigm:

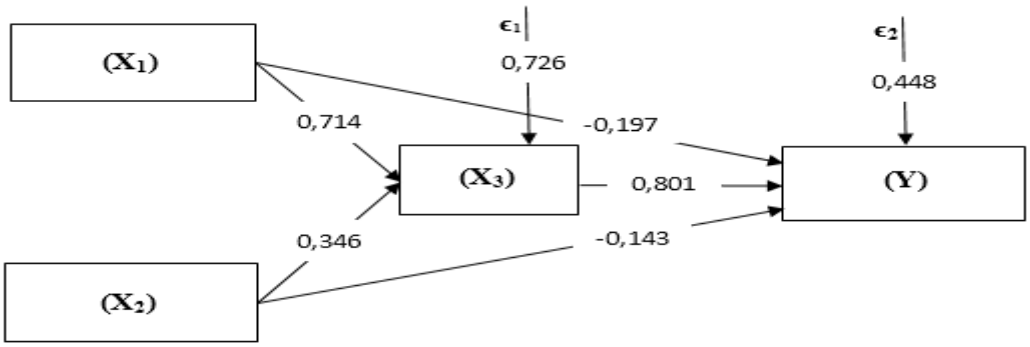

Figure 4. Variable Equation Path Diagram

The path diagram above produces two structural equations, where the variables X1 (Debt to Equity Ratio) and X2 (Current Ratio) are exogenous variables and variable X3 (Return on Equity) exogenous and endogenous variables 1 as well as intervening variables and variable Y (Price to Book Value) is the endogenous variable 2. The structural equation can be seen as follows:

1. $X_3 = 0{,}714\ X_1 + 0{,}346\ X_2 + 0{,}726\ \epsilon_1$
2. $Y = -\ 0{,}197\ X_1 - 0{,}143\ X_2 + 0{,}801\ X_3 + 0{,}448\ \epsilon_2$

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

Based on the results of the research that has been stated in the previous chapter, it can be concluded that the essence of the entire study will be stated in the form of a description of the conclusions as follows:

1. Based on the results of the research and discussion that have been carried out, it is found that there is a positive and significant relationship or relationship either partially (alone) or simultaneously (together) between the debt to equity ratio (DER) variable and the current ratio (CR) variable to the return on equity (ROE) variable. This relationship can be seen in the form

of a positive and significant effect of the 2 (two) variables. The results of this study have also been able to prove the proposed hypothesis that the debt to equity ratio (DER) and the current ratio (CR) variable together or individually have an acceptable contribution and influence on return on equity (ROE).

2. The results of statistical analysis that have been carried out in this study and based on the discussions that have been described, it is concluded that partially or individually there is a negative and insignificant effect between the debt to equity ratio (DER) and current ratio (CR) variables to the variable price to book value (PBV). The negative effect can be seen from the beta coefficient value which is in a negative number and the significance value of the 2 (two) variables which is greater than the cut off significance value that has been determined in this study. However, jointly or simultaneously the debt to equity ratio (DER) and current ratio (CR) variables have a negative and significant effect on the price to book value (PBV) variable. This effect can be seen from the significance value of the 2 (two) variables which are smaller than the cut off significance value that has been determined in this study. The results of this study have also been able to prove the proposed hypothesis, namely the debt to equity ratio (DER) variable and the current ratio (CR) variable simultaneously have a significant effect on price to book value (PBV) which is acceptable. However, the other hypothesis proposed is that the debt to equity ratio (DER) variable and the current ratio (CR) variable have a contribution and influence on the price to book value (PBV) which is rejected.
3. Furthermore, based on the data analysis and discussion that has been carried out, it is found that there is a positive and significant influence between the return on equity (ROE) variable on the price to book value (PBV) variable. The positive effect can be seen from the positive coefficient value and the significant value of the variable. The results of this study have also been able to prove the proposed hypothesis, namely that return on equity (ROE) has a significant contribution and influence on price to book value (PBV) and is acceptable.
4. Based on the results of the research and discussion that have been carried out, it is found that there is a positive and significant relationship or relationship between the debt to equity ratio (DER) variable and the price to book value (PBV) variable through the return on equity (ROE) variable. This influence can be seen from the number of multiplication results and the total path coefficient value of the debt to equity ratio (DER) variable on the return on equity (ROE) variable and the path coefficient value of the return on equity (ROE) variable on the price to book value (PBV). . The results of these calculations prove that the coefficient of indirect influence is greater than the coefficient of direct influence. The results of this study have also proven that the return on equity (ROE) variable functions as a moderating variable for the effect of the debt to equity ratio (DER) variable on price to book value (PBV).
5. Efforts to find answers to the proposed hypothesis have been carried out by analyzing the data, as for the results of statistical analysis and discussions that have been carried out, it is found that there is a positive and significant influence or relationship between the current ratio (CR) variable and the price to book variable value (PBV) through the return on equity (ROE) variable. This effect can be seen from the number of multiplication results and the total path coefficient value of the current ratio (CR) variable to the return on equity (ROE) variable and the path coefficient value of the return on equity (ROE) variable to price to book value (PBV). The results of these calculations prove that the coefficient of indirect influence is greater than the coefficient of direct influence. The results of this study have also proven that the return on equity (ROE) variable functions as a moderating variable for the effect of the current ratio (CR) variable on price to book value (PBV).
6. The coefficient of indirect effect of the variable debt to equity ratio (DER) and the variable current ratio (CR) on the price to book value (PBV) through return on equity (ROE) Together they produce a number greater than the value of the coefficient of direct influence variable debt to equity ratio (DER) and variable current ratio (CR) to the variable price to book value (PBV). So based on the results of these calculations, it can be concluded that the path coefficient of the indirect effect of the debt to equity ratio (DER) and current ratio (CR) variables on the price to book value (PBV) variable through return on equity (ROE) is greater than the path coefficient value direct influence. Thus it can be said that the return on equity (ROE) variable has been proven to be a moderating variable for the debt to equity ratio (DER) variable and the current ratio (CR) variable to the price to book value (PBV) variable.

Recommendations

After finding the results and drawing conclusions in this study, the suggestions that the writer can convey in this research are:

It is recommended to the company, if the capital management uses debt at a certain level (as long as it can provide positive and greater benefits to returns or profits, then based on this study additional debt is still allowed). Especially for

companies that have ROE and CR values above the industry average, namely ROE > 0.15 (15%) and CR > 2 times, even though their DER value is still above the industry average (> 0.3) or 30% such as, CEKA, DLTA, ICBP, INDF, MYOR, ROTI, STTP and ULTJ.

However, for companies that have a high DER (> 1 time or > 100%) while the CR value is low below the industry average (CR < 2) even though the ROE is 0.30 or 30% such as, BUDI, SKLT SKBM and MLBI, it is advisable to look for alternative funding for the company's business activities from other sources such as increasing profitability and asset utilization, both current assets and fixed assets owned and making policies towards better return earnings.

Meanwhile, when viewed from the side of positive company growth, it shows the company's ability to manage company finances and thus the potential for higher asset increases can be realized in order to generate high cash flows in the future, although companies also have high risks, especially those with high value. Very high DER.

To further researchers, especially those who are interested in examining the effect of the debt to equity ratio (DER) or other debt ratios and the effect of the current ratio (CR) or other liquidity ratios as well as the effect of return on equity (ROE) or other profitability ratios on price to book value. (PBV) or firm value, it is recommended that further research be conducted by expanding the variables and company samples to cover all types of companies on the Indonesia Stock Exchange (IDX) and their influencing factors. This study only uses the DER, CR, and ROE variables, all of which are internal factors or fundamental factors of financial ratios to determine their effect on firm value (PBV). Therefore, it is recommended for further researchers to examine other financial variables that have a greater influence on PBV firm value both from fundamental factors and from technical factors.

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