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The Impact of Financial Ratios and Economic ValueAdded (EVA) on the Firm Value of Multi-Finance Companies Listed on BEI (Indonesian Stock Exchange) in the Years 2015-2021.

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ABSTRACT: The purpose of this research is to examine the firm value of multi-finance companies listed on the Indonesia Stock Exchange. The research focuses on two variables, namely financial ratios which include current ratio, return on assets, return on equity, and debt to equity ratio, as well as economic value added (EVA). The research hypothesis states that both variables have animpact on the firm value. In this study, sample selection was done using a quantitative approach through the collection of secondarydata from Multi Finance companies listed on the Indonesian Stock Exchange (BEI) during the period of 2015-2021. Samples wereselected based on these criteria, resulting in a total of 105 samples from 15 companies taken over a period of 7 years. The data usedin this study was obtained from the companies' annual reports. To test the hypothesis, the statistical method used was multiple linearregression analysis. The results indicate that Current Ratio, Return on Assets, Return on Equity, and Debt to Equity Ratio have an impact on a company's value. However, the research did not find any evidence to suggest that Economic Value Added (EVA) has an impact on a company's value.

KEYWORDS: Firm value, financial ratios, Economic Value Added (EVA), Current Ratio, Return on Asset, Return onEquity, Debt to Equity.

I. INTRODUCTION

The impact of the economic slowdown on the nation is primarily reflected in the declining performance of the non-bank sector, especially in the multifinance industry. In the third quarter of 2015, several multifinance companies experienced a decline in net profit compared to the previous year. Additionally, operational costs have increased for some multifinance companies, which has resulted in reduced revenue.

The report from the Infobank Research Bureau indicates a significant decrease in the profits of multifinance companies in 2015.More than sixty percent (or 61.27%) of companies experienced a decline in profits, while 20.23% even incurred losses. The most common multifinance transaction is business with accounts worth Rp 1 trillion per month. The decline in net profits or losses that occurred during this period, especially in the multifinance industry, could be an indication of an economic slowdown.

The sales of vehicles, as the main business in the multifinance company, are still experiencing stagnation. In 2016, several multi-finance companies issued audited financial reports that showed significant increases in profit. The four multi-finance issuers recorded a range of net profit growth percentages between 18.17% and 167.35%. The improvement in company performance was due to the increase in public demand, indicating a recovery in economic activity. As a result, the total profit of the multi-finance industry recorded a positive growth of 12.28%, increasing from Rp 10.67 trillion at the end of 2015 to Rp 11.98 trillion in 2016. A multi-finance company is a financial institution that provides financing and facilities for the procurement of goods or services to itscustomers. Such companies offer various services such as credit for the purchase of motorcycles/cars, lease financing, accounts receivable financing, and so on. The Financial Services Authority (OJK) and the Commissioner/Chief Executive of the Non-Bank Financial Industry (IKNB) have the responsibility of overseeing multi-finance companies.

In 2020, multi-finance companies experienced a decline in their financial performance indicators. This was due to low demand for credit, including demand for credit for cars, motorcycles, and other financial products. Car sales declined by approximately 46 percent, while motorcycle sales fell by about 40 percent. As a result, the company's profits decreased by 65 percent, and the non- performing loan ratio increased by 51 percent compared to the previous year. The multi-finance companies have experienced a decrease in their assets by 1.42 percent, while their receivables have also decreased by 6.4

percent. In order to survive, these companies need to increase their efficiency in cost management and be more selective in choosing their borrowers. Additionally, they need to carry out restructuring to prevent a surge in non-performing financing (NPF).

The success of a company can be evaluated based on its financial performance. Financial statements can be a useful measure to evaluate a company's financial performance. Financial ratios can be used as a tool to measure the level of financial success of a company and assist in making future decisions. In addition to financial ratios, Economic Value Added (EVA) can also be used to assess a company's performance. The EVA method is considered beneficial when the company's EVA value is greater than zero.

The better the financial performance of a company, the higher its value will be. By having a high enterprise value, the future prospects of the company can become even better. Additionally, a good enterprise or firm value has the potential to engender investorenthusiasm and prompt them to invest in the company.

II. LITERATURE REVIEW

According to Ika Listyawati and Rosiana Ramadhan (2017), profitability and capital structure have an impact on company value. The findings reported by Amalia Nur Chasanah in 2018 state that the ROA value affects firm value, while the CR and DERvalues do not have any impact. Support for these findings was also provided by Dwi Astutik in 2017. Furthermore, the results ofstudy by Ni Ketut Ping Purnama Sari and I Gde Kajeng Baskara in 2019 show that profitability affects firm value, while leverageand EVA values do not have a significant impact on firm value. According to a study conducted by Ahmad Sani and Irawan (2021), the EVA value has an impact on the firm value. However, the results of the research conducted out by Ayi Aisyah Nur Aripin and Sri Handayani (2020) indicated that the EVA value does not have an impact on the firm value. Meanwhile, the study by Verjenia and Novi Yanti (2020) produced findings that both the EVA value and ROA have an effect on the firm value. Basedon the description provided, the first hypothesis of this study can be formulated as follows:

H1: Financial ratios have an impact on firm value.

According to Chasanah (2019), Return on Assets (ROA) is one of the significant financial ratios that has an impact on the value of a company in her previous research on profitability. From these findings, profitability is capable of demonstrating a company's ability to generate net profit from net sales, as well as its ability to manage its administrative staff to reduce companyexpenses and increase profit. Factors of this nature have the capacity to enhance a firm's value and engender investor attraction toinvest in the equity of said enterprise.

Based on previous research conducted by Dwi (2019) on manufacturing companies listed on the Indonesia Stock Exchange (BEI) from 2012 to 2014, it can be concluded that Return on Assets (ROA) has a positive and significant impact on firm value. However, it turns out that Current Ratio (CR) and Total Assets Turnover (TATO) have a non-significant negative impact, while Debt to Equity Ratio (DER) has a non-significant positive impact on the firm value. In a previous study by Purnamasari & Baskara(2019), they also found that leverage did not have a significant impact on the firm value. During the period from 2015 to 2017, mining companies were not affected by changes in leverage on their firm value. Profitability has a significant positive impact onfirm value. For mining companies in between 2015 and 2017, a high level of profitability could increase their firm value.

Therefore, it is important for companies to pay attention to the factors that affect their value, especially profitability, as this variable has been proven to have a significant impact on their enterprise value. Based on this, companies can determine strategies to improve their value.

H2: Economic Value Added (EVA) has an impact on firm value.

Economic Value Added (EVA) is a performance measure that is directly related to the wealth of shareholders over time. The Economic Value Added model offers objective parameters based on the concept of cost of capital, which is calculated by subtracting the cost of capital from earnings. The cost of capital reflects the level of risk associated with the company and the level of compensation or return that investors expect from their investments in the company. A positive Economic Value Added calculation indicates a higher return than the cost of capital.

Based on previous research conducted by Purnamasari & Baskara (2019), it was found that the EVA (Economic Value Added) value does not have a significant impact on the firm value of mining companies within the 2015-2017 time frame. Therefore, changes in EVA value do not affect their firm value. Meanwhile, the results of Verjenia's research (2020) indicate that in automotive companies, EVA value has a negative and insignificant impact on the firm value. However, when EVA value and Return on Assets are calculated together, both variables have a significant impact on the firm value of automotive companies. Therefore, both variables can be used together as estimation tools to measure the firm value.

III. RESEARCH METHODS

The present study is quantitative research that employs secondary data as its source. The population of this study consists of annual financial reports of multi-finance companies listed on the Indonesia Stock Exchange (IDX) during the period of 2015 to 2021. The research data were obtained from the official website of IDX (www.idx.co.id) and the official website of each company. The we employed purposive sampling technique to select samples based on specific criteria. In this study, 105 multi-finance companies (15 companies x 7 years) were selected as the research sample.

IV. RESULTS AND DISCUSSION

This research was conducted in multifinance companies listed on the Indonesia Stock Exchange (BEI). The study employed a quantitative approach, utilizing secondary data from two main sources: the official BEI website (www.idx.co.id) and the official website of the companies being studied. In this research, we employed a purposive sampling technique, which involves selecting samples based on pre-determined criteria.

Table 1. The result of multiple linear regression analysis

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	648852,774	568259,778		1,142	0,256
	CR	-405,140	1912,898	-0,021	-0,212	0,033
	ROA	202563,842	1385930,807	-0,015	-0,146	0,048
	ROE	38186,078	1299946,738	-0,003	-0,029	0,037
	DER	56291,033	190456,112	-0,031	-0,296	0,019
	EVA	-9,055	0,000	-0,006	-0,058	0,284
a. Dependent Variable: NILAI PERUSAHAAN						

Source: Our calculation based on the research data

The Impact of Financial Ratios on Firm Value

The results of the CR analysis indicate a significance value of 0.033, which is smaller than the significance level of 0.05. Additionally, the regression coefficient is -405.14 and the t-value is -0.212. This indicates that Current Ratio (X1) has a significantnegative effect on Firm Value (Y). In other words, as the CR value increases, the company value decreases and vice versa. Theseresults suggest that when the CR increases, there may be idle funds and a decrease in profits. This indicates that the majority of the assets received were used to pay off short-term debts, therefore rendering them unreliable as a reference for investment decisions or to influence the firm value. This finding is consistent with research conducted by Debora O Hutapea & Keumala Hayati (2021), which demonstrates that the Current Ratio has a negative and significant impact on enterprise value.

Based on the results of the ROA calculation, a significance value of 0.048 was obtained, which is lower than the predetermined significance level of 0.05. The obtained regression coefficient value was 20256.84 and the computed t-value was -0.146. This indicates that there is an impact of ROA (X1) on the firm value (Y). In this study, the ROA value has a positive direction. This signifies that the company is able to earn profits from all assets used for operations. As the ROA increases, the company's ability to generate profits also increases. This will have a positive impact on the company's profitability. A high ROAcan give a positive signal to potential investors that the company is capable of achieving profits in favorable conditions. The increase in a company's profitability can incentivize investors to increase their demand for its shares, resulting in an increase in the company's overall value. This finding is consistent with the research conducted by Salainti and Sugiono (2019), which concluded that Return on Assets (ROA) has a positive and significant impact on the firm value.

The results of Return on Equity (ROE) calculation indicate a significance value of 0.037, which is smaller than the 0.05 significance level, and a regression coefficient value of 38,186.078 with a calculated t-value of -0.029. These results suggest that ROE (X1) has a significant impact on a firm's value (Y), with a positive ROE value in this study. The study findings reveal thata high ROE value can have a positive impact on the firm value by increasing its stock price and attracting investment from potential investors. An increase in the number of investors who invest capital in a company can increase the company's value.

This research substantiates the findings of Lumoly et al. (2018), which indicate that return on equity (ROE) has a positive and significant impact on the firm value

From DER calculations, it was found that the significance value was 0.019, which is smaller than the significance level of 0.05. In addition, there is a regression coefficient of 56291.03 and a t-value of -0.296, which indicates the impact of ROE (X1) on Firm Value (Y). In this study, the DER value has a positive result, indicating that the higher the capital structure (DER) of a company, the higher its firm value. A high value indicates favorable conditions for both the market and investors. This is due to the fact that the amount of external funds obtained from debt can be managed effectively, leading investors to perceive the entity as having the potential for future value appreciation. This finding is also consistent with that of research conducted by Listyawati & Ramadhan (2019), which states that ROE has a positive and significant impact on firm value.

The Impact of Economic Value Added (EVA) on Frim Value

The calculation of Economic Value Added (EVA) yielded a significance value of 0.284, indicating a significance level greaterthan 0.05. However, the regression coefficient value of -9.055387 and the t-value of -0.059 indicate that EVA (X1) does not have a significant impact on Firm Value (Y). The negative value of EVA suggests that the company has not been successful in creating value for investors and creditors, resulting in a decrease in the company's asset value by the magnitude of the negative EVA. This negative value is attributed to the net operating profit after tax (NOPAT), which is negative, signifying that the company is experiencing losses and is unable to cover all of its capital costs. The lack of impact of EVA on a company can be interpreted as thecompany's inability to create economic value added. This can be caused by a decline in the company's performance over the years, which can signal negative information to investors. According to signalling theory, a signal is a message sent by a company to potential investors about how management is managing its business strategy. The results of the study conducted by Irawan & Sani Ahmad (2021) showed that EVA did not have a significant impact on the firm value (Y).

CONCLUSIONS

Based on the data and statistical testing in this research, it can be concluded that:

1. CR has an impact on the firm value. An increase in CR can result in unused funds and a decrease in profits.
2. ROA has an impact on the firm value. A positive ROA indicates that the company can generate profits from all assets usedto operate.
3. ROE has a significant impact on the firm value. The research shows that the higher the value of ROE, the higher the firm value.
4. DER has an impact on the firm value. The higher the DER, the higher the value of the firm.
5. VA does not have a significant impact on the firm value. This is supported by the negative value of EVA and a t-value greater than 0.05.

This study was well-designed and executed, however, there are several limitations that may have an impact on the research findings. The limitation of this research lies in the data collection process, as some companies do not provide their annual financial reports on the IDX website and cannot be accessed through the relevant company's website. To mitigate this issue, we made effortsto obtain the financial reports of those companies from alternative sources.

The recommendation from this research is that companies should facilitate researcher access to data collection by providing annual financial reports on their corporate website. Furthermore, companies can enhance their asset value and optimize debt to obtain sufficient profits to cover capital costs. Thus, the company can increase its economic value-added.

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