

The Effect of Current Ratio, Return on Asset, and Debt to Equity Ratio on Price to Book Value (Case Study of Food and Beverage Subsector Companies Listed on the Indonesia Stock Exchange)

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ABSTRACT

This study explores how key financial indicators—namely the current ratio, return on assets (ROA), and debt-to-equity ratio (DER)—influence a company's price-to-book value (PBV). Focusing on 62 food and beverage firms listed on the Indonesia Stock Exchange between 2016 and 2020, the researchers selected 9 companies through purposive sampling for detailed analysis. Using a causal research approach and panel data regression via EViews 12 software, the findings indicate that while the current ratio does not significantly impact PBV, both ROA and DER have a meaningful and positive effect on it

INTRODUCTION

The business landscape in Indonesia holds a vital position in driving the country's economic growth. As competition among companies intensifies, businesses are increasingly focused on enhancing their performance and appealing to consumers. Among the manufacturing sectors, the food and beverage industry stands out for its steady expansion. This trend is evident in the growing number of food and beverage firms listed on the Indonesia Stock Exchange (Awulle et al., 2018). In fact, the sector contributed 34.33% to the non-oil and gas Gross Domestic Product (GDP), with its growth rate rising from 8.46% in 2016 to 9.23% in 2017 (Finance.detik.com, 2018). By 2018, the industry's growth reached 7.91%, surpassing the national economic growth rate of 5.17% (News.detik.com, 2019). The positive trajectory continued in 2019 with a growth rate of 7.78%, significantly outpacing both the non-oil and gas industrial growth (4.34%) and overall national economic growth (5.02%) (Kemenperin.go.id, 2020). Moreover, from January to December 2020, the sector generated export revenues totaling USD 31 billion, out of the national manufacturing export value of USD 131.1 billion (Beritasatu.com, 2021).

One of the core objectives of any company is to enhance its firm value – a key indicator of shareholder wealth (Pioh et al., 2018). In this study, firm value is assessed through the Price to Book Value (PBV) metric. As noted by Brigham and Houston (2019), PBV reflects the market's valuation of a company's book equity; the higher the PBV, the stronger the market's confidence in the company's future. Interestingly, although the food and beverage sector continued its growth trajectory between 2016 and 2020, the PBV of companies within this subsector exhibited noticeable fluctuations over the same period.

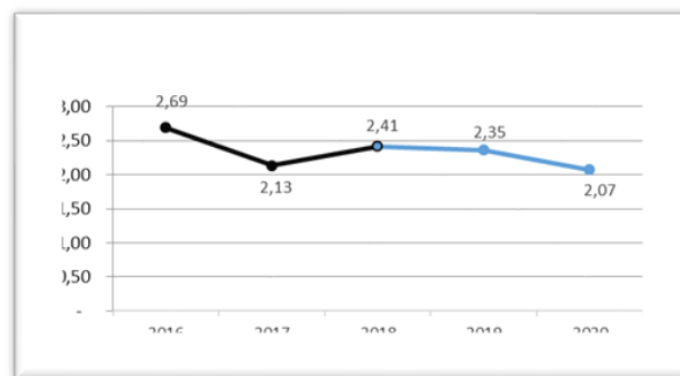


Figure 1. Graph PBV and Beverage Subsector
Source: Data processed by author (2022)

Based on Figure 1, the company recorded a PBV of 2.69 in 2016, which then decreased to 2.13 in 2017. In 2018, the PBV increased to 2.41, but fell again in the following years, reaching 2.35 in 2019 and 2.07 in 2020. Changes in a company's value can be affected by many internal and external factors. One important factor is the company's share price, since a higher share price usually reflects a higher firm value. When a company's value increases, it signals greater potential returns for investors, which in turn supports the prosperity of shareholders.

Table 1. Average Financial Performance

No.	Year	Current Ratio (CR)	Return on Asset (ROA)	Debt to Equity Ratio (DER)
1	2016	1.72	0.042	2.64
2	2017	1.74	-0.024	0.18
3	2018	1.93	0.042	1.05
4	2019	1.88	0.032	1.51
5	2020	1.96	0.025	1.70
Average	—	1.85	0.023	1.42

Source: Data processed by author (2022)

Based on Table 1, the average financial performance of food and beverage companies listed on the Indonesia Stock Exchange from 2016 to 2020 shows yearly variations that may influence firm value. Liquidity, represented by the Current Ratio or CR, recorded its largest rise in 2018, increasing from 1.74 in 2017 to 1.93. In 2019, CR slightly dropped to 1.88, but it increased again in 2020 to 1.96. Profitability, measured through Return on Assets or ROA, experienced its sharpest decline in 2017, falling from 0.042 in 2016 to negative 0.024. ROA then increased to 0.042 in 2018, but decreased again in 2019 and 2020 to 0.032 and 0.025. For leverage, indicated by the Debt to Equity Ratio or DER, the most significant decline occurred in 2017, reaching 0.18. From 2018 to 2020, DER continued to rise, with the largest increase in 2019 when it grew from 1.05 in 2018 to 1.51.

Previous research has produced mixed findings regarding the influence of these financial ratios on PBV. Studies by Uli et al. (2020) and Listyawati and Kristiana (2020) concluded that CR has a positive and significant impact on PBV, while research by Aprilia et al. (2018), Salim and Susilowati (2019), Bahraini et al. (2020), and Fitriana and Purwohandoko (2022) identified a negative and significant effect. In contrast, studies by Ardiana and Chabachib (2018), Nazir and Agustina (2018), Siringoringo and Hutabarat (2019), Chabachib et al. (2020), Naelly and Mustafa (2020), Sirait et al. (2021), and Paulus and Miftah (2022) found that CR does not have a significant influence on PBV.

For ROA, research conducted by Mufidah and Purnamasari (2018), Dewi and Abundanti (2019), Salim and Susilowati (2019), Dewi and Astika (2019), Chabachib et al. (2019), Naelly and Mustafa (2020), Mulyana and Adidarma (2020), Putri and Rahyuda (2020), Tanjung (2020), Savitri et al. (2021), Nuryaman and Roespinoedji (2021), and Hendrani and Septyanto (2021), along with Paulus and Miftah (2022), reported that ROA has a positive and significant effect on PBV. On the other hand, studies by Aprilia et al. (2018), Nazir and Agustina (2018), Sondakh et al. (2019), Firdaus (2019), Sirait et al. (2021), and Prihatiningsih et al. (2022) found no significant relationship.

Regarding DER, research by Nazir and Agustina (2018), Israel et al. (2018), Dewi and Abundanti (2019), Firdaus (2019), Dewi and Astika (2019), Naelly and Mustafa (2020), Bahraini et al. (2020), Tanjung (2020), Hendiarto et al. (2021), Saragih and Hakiman (2021), and Fitriana and Purwohandoko (2022) concluded

that DER positively and significantly affects PBV. Conversely, studies by Siregar et al. (2019), Furniawan (2019), and Listyawati and Kristiana (2020) found a negative and significant impact. Numerous other studies, such as those by Ardiana and Chabachib (2018), Aprilia et al. (2018), Nurvianda et al. (2018), Chabachib et al. (2019), Surianingrat and Ichwanudin (2019), Salim and Susilowati (2019), Sumarau (2019), Sondakh et al. (2019), Sudjiman and Sudjiman (2019), Chabachib et al. (2020), Aprianto et al. (2020), Suryani and Muniarty (2020), Putri and Rahyuda (2020), Uli et al. (2020), Jannah and Yuliana (2021), Sirait et al. (2021), Hasanudin (2022), and Prihatiningsih et al. (2022), noted that DER does not significantly influence PBV.

LITERATURE REVIEW

Signaling Theory

Signaling theory was first introduced by Spence in 1973. The theory explains that the party delivering information, which in this context is company management, provides signals that can be interpreted by information users such as investors. Investors then rely on these signals to adjust their decisions and actions (Priyatama and Pratini, 2021). Ross expanded this concept in 1977, as referenced in the work of Mariani and Suryani (2018). He explained that company leaders, who possess complete insight into the company's conditions, can convey this information to potential investors in a way that may influence the company's share price. The theory helps clarify how users understand signals presented in financial statements. Investors view these signals as either favorable or unfavorable. When reported profits increase, investors interpret it as a positive signal that the company is performing well. On the other hand, when profits decline, it is taken as a negative signal that the company is facing difficulties.

Firm Value (Price to Book Value)

A company's ability to draw in investors is reflected in its firm value, which is frequently determined by variables including profitability, dividends, stock prices, and returns (Halik, 2018). In this study, firm value is measured using the Price to Book Value (PBV) ratio. According to Kurnia (2019), PBV serves as a comparison between a company's market share price and the book value of its equity. A higher PBV implies that investors perceive the company to be worth more than its actual capital base. When a company consistently records a PBV above one – and continues to rise – it is generally seen as performing well, since the market places greater value on its shares than what is stated in its financial records.

Liquidity (Current Ratio)

According to Saputri and Giovanni (2021), the liquidity ratio is a vital indicator for companies as it highlights their ability to manage short-term credit obligations and reflects how efficiently short-term assets are utilized. The Current Ratio (CR) is used in this study to quantify liquidity. According to Dewi and Abundanti (2019), the CR evaluates a business's working capital by contrasting its total current assets and current liabilities. Cash, investments, receivables, inventories, and pre-paid expenses are examples of current assets, whereas trade payables, notes payable, dividends payable, and employee

bonuses are examples of current liabilities. A greater CR indicates that the business is better equipped to meet its immediate financial obligations.

Profitability (Return on Asset)

Brigham and Houston (2019) explain that profitability ratios measure how effectively a company can produce earnings from its sales, assets, and equity. The Return on Assets, or ROA, serves as a proxy for profitability in this study. According to Arief et al. (2020), ROA compares a company's profit with its total assets and can be understood in two ways. First, it shows how capable and efficient management is in using the business's resources to produce revenue. Second, it reflects the total return given to all providers of capital, both those who supply liabilities and those who provide equity, without considering the source of the capital. The return is calculated by adding net profit before financing to the after tax cost, then combining this value with net income.

Leverage (Debt to Equity Ratio)

As highlighted by Kasmir (2019), leverage refers to the ratio that measures the amount to which a company's assets are financed by debt. In this research, leverage is analyzed using the Debt to Equity Ratio (DER). According to Setiawati and Lim (2018), DER is a crucial measure of a business's capacity to control its debt in proportion to its equity. A lower DER means that the corporation is in a stronger position to meet its debts, as it relies less on borrowed capital. Because DER directly impacts a firm's debt management and repayment capacity, businesses closely monitor this ratio as part of their financial strategy.

Research Hypothesis

a. The Effect of Current Ratio (CR) on Price to Book Value (PBV)

The Current Ratio (CR) reflects a company's capacity to fulfill its short-term liabilities using available current assets (Salainti & Sugiono, 2019). According to signaling theory, a higher CR sends a positive message to the market, indicating that the firm is financially stable and capable of meeting its obligations on time. This favorable signal tends to boost investor confidence, often leading to greater demand for the company's shares. As investor interest develops, share prices may rise—ultimately boosting the firm's overall worth (Iman et al., 2021). This relationship is further supported by empirical research from Uli et al. (2020) and Listyawati & Kristiana (2020), both of which found a significant positive impact of CR on the Price to Book Value (PBV).

H₁: Current Ratio (CR) has a positive effect on Price to Book Value (PBV)

b. The Effect of Return on Asset (ROA) on Price to Book Value (PBV)

One important profitability statistic that evaluates how well a business uses its assets to produce profits is return on assets (ROA) (Sanjaya & Sipahutar, 2019). A greater ROA implies that the company is managing its resources efficiently to make profit, which can raise investor trust and improve firm valuation. Information about a company's profitability, such as ROA, can serve as a favorable signal to investors, indicating great financial performance, according to signaling theory (Husna and Rahayu, 2020). Higher profitability can attract investor interest, which may increase stock prices and enhance firm value.

Several studies, including those by Mufidah and Purnamasari (2018), Salim and Susilowati (2019), Dewi and Astika (2019), Naelly and Mustafa (2020), Mulyana and Adidarma (2020), Savitri et al. (2021), Nuryaman and Roespinoedji (2021), Paulus and Miftah (2022), and Prihatiningsih et al. (2022), provide evidence that ROA has a positive impact on the Price to Book Value (PBV), implying that companies with higher profitability tend to be valued more highly by the market.

H₂: Return on Asset (ROA) has a positive effect on Price to Book Value (PBV)

c. The Effect of Debt to Equity Ratio (DER) on Price to Book Value (PBV)

The Debt to Equity Ratio (DER) indicates the proportion of a company's debt in relation to its equity obligations (Putra et al., 2021). Signaling theory suggests that investors closely monitor a company's leverage. If a company's assets are insufficient to cover its debts, the risk of bankruptcy increases, potentially lowering investor confidence. High levels of debt are generally seen as greater investment risk, which may discourage investors from engaging with highly leveraged companies. Failure to meet debt commitments can negatively affect the firm's value (Komala et al., 2021). Supporting this view, studies by Siregar et al. (2019), Furniawan (2019), and Listyawati and Kristiana (2020) show that DER has a negative effect on Price to Book Value (PBV). Accordingly, the following hypothesis is proposed:

H₃: Price to Book Value (PBV) is negatively impacted by the Debt to Equity Ratio (DER).

Conceptual Framework

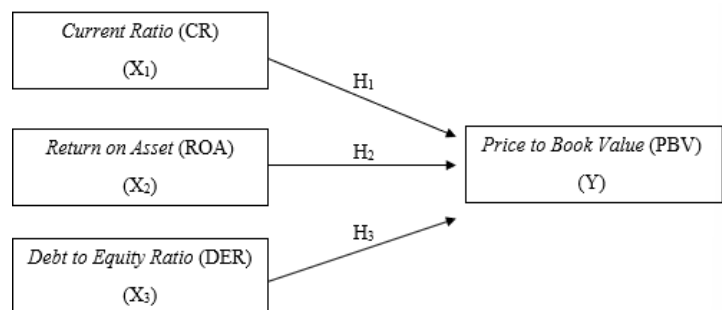


Figure 2. Conceptual Framework

METHODOLOGY

Population and Sample

The target population for this study comprises of all food and beverage companies registered on the Indonesia Stock Exchange during the 2016–2020 timeframe, totaling 62 entities. From this group, a sample of nine companies was selected for analysis using particular criteria. The selected companies include ADES, BUDI, INDF, SKBM, TBLA, AALI, FISH, LSIP, and SMAR.

Method of Collecting Data

This study relied on library research methods, with data gathered from secondary sources, specifically the financial statements published by each company. The data analysis process was carried out using EViews version 12, a statistical software commonly used for econometric and panel data analysis.

Data Analysis

Method Descriptive Statistical Analysis

Descriptive statistics are used to present data in a clear and comprehensible manner. They describe the characteristics of the sampled companies, summarize the collected data, and display the results of data processing (Krisnando, 2019).

Normality Test

The normality test is used to determine whether the residuals in a regression model, which include both the independent and dependent variables, follow a normal distribution (Ghozali, 2018). If both the Jarque-Bera statistic and its corresponding probability value are higher than 0.05, the dataset is deemed regularly distributed. On the other hand, the data are considered to be non-normally distributed if both values are less than 0.05.

Multicollinearity Test

The multicollinearity test aims to detect whether high correlations exist among the independent variables within a regression model. Ghozali (2018) notes that a correlation coefficient exceeding 0.80 indicates the presence of multicollinearity, while values below this threshold suggest no significant multicollinearity issues.

Heteroscedasticity Test

This test looks into whether the variance of residuals in a regression model is constant at all levels of the independent variables. As stated by Ghozali (2018), heteroscedasticity is present if the probability value is less than 0.05. If the value exceeds 0.05, the data are considered free from heteroscedasticity problems.

Panel Data Regression Analysis

When analyzing panel data, the Common Effect Model (CEM) combines cross-sectional and time series components without taking individual or temporal variations into consideration. This model operates under the assumption of homogeneity across entities and time and is estimated using the Ordinary Least Squares (OLS) method (Wulandari et al., 2020).

Fixed Effect Model (FEM) assumes that each company has a unique intercept while the slope remains constant across all companies. Differences in intercepts may be due to variations in management style, work culture, or operational intensity. FEM accounts for these differences using dummy variables (Wulandari et al., 2020).

Random Effect Model (REM) assumes that intercepts vary across companies and are treated as random variables. For REM, the number of cross-sectional units must exceed the number of variables studied (Wulandari et al., 2020).

- a. To determine whether the Fixed Effect Model or the Common Effect Model is better suited for panel data analysis, the Chow Test is utilized. According to Krisnando (2019), the null hypothesis (H_0) is rejected and the Fixed Effect Model is the superior option if both the probability value and the cross-section chi-square statistic are less than 0.05. However, the null hypothesis is accepted if both values are more than 0.05, indicating that the Common Effect Model is more appropriate.
- b. • The Hausman Test determines which model—fixed effect or random effect—is best. H_0 is rejected, suggesting that the fixed effect model is superior, if the cross-section random value and probability are less than 0.05. The random effect hypothesis is favored and H_0 is acceptable if both values are more than 0.05 (Krisnando, 2019).
- c. In panel data analysis, the Lagrange Multiplier Test is used to assess whether the Random Effect Model fits the data better than the Common Effect Model. According to Krisnando (2019), if the p-value is less than 0.05, the null hypothesis (H_0) is rejected, indicating that the Random Effect Model is more appropriate. Nonetheless, the null hypothesis is accepted if the p-value is higher than 0.05, indicating that the Common Effect Model is still the best choice.

Hypothesis Test

The degree to which the independent variables together account for the variability in the dependent variable is indicated by the Coefficient of Determination, or R^2 , which is typically stated as a percentage (Sudaryo et al., 2020). Since there are multiple independent variables in the regression model, the Adjusted R^2 is used in this investigation. The adjusted value gives a more accurate estimate by accounting for the number of predictors in the model. In the meanwhile, each independent variable's unique impact on the dependent variable is assessed using the T-Test. According to Jaya (2020), a variable is regarded to have a statistically significant influence if its p-value is less than 0.05. If the p-value is greater than 0.05, the variable is regarded to have no significant impact.

RESULTS AND DISCUSSION

Descriptive Statistical Analysis

Table 2. Statistical Descriptive Test

	PBV	CR_X1	ROA_X2	DER_X3
Mean	1.095111	1.786667	0.046000	1.229333
Median	1.150000	1.370000	0.040000	1.000000
Maximum	1.840000	5.210000	0.140000	2.970000
Minimum	0.340000	1.000000	0.000000	0.180000
Std. Dev.	0.390074	1.100795	0.029186	0.810203
Skewness	-0.370573	2.050277	0.851132	0.470321
Kurtosis	2.578683	6.066196	3.849886	2.044463
Jarque-Bera	1.362759	49.15518	6.787512	3.370982
Probability	0.505919	0.000000	0.033582	0.185353
Sum	49.28000	80.40000	2.070000	55.32000
Sum Sq. Dev.	6.694924	53.31700	0.037480	28.88288
Observations	45	45	45	45

Source: Data processed with Eviews-12 (2023)

Based on Table 2, the descriptive statistical results show that the sample size is $N = 45$. The average PBV is 1.095111, indicating that the mean PBV is above 1, which suggests that the company's shares have good prospects. The highest PBV observed is 1.840000, while the lowest is 0.340000. The average Current Ratio (CR) is 1.786667, showing that, on average, the companies can cover their short-term debts 1.78 times with their current assets. The maximum CR is 5.210000, and the minimum is 1.000000. The mean Return on Assets (ROA) is 0.046000, indicating that the companies, on average, can generate a net profit equivalent to 4.6% of their total assets. The highest ROA is 0.140000, and the lowest is 0.000000. The average Debt to Equity Ratio (DER) is 1.229333, meaning that the mean DER is above 1. While this is still considered acceptable, a DER below 1 is preferable because a higher DER indicates a greater level of financial risk. The maximum DER recorded is 2.970000, while the minimum is 0.180000.

Normality Test

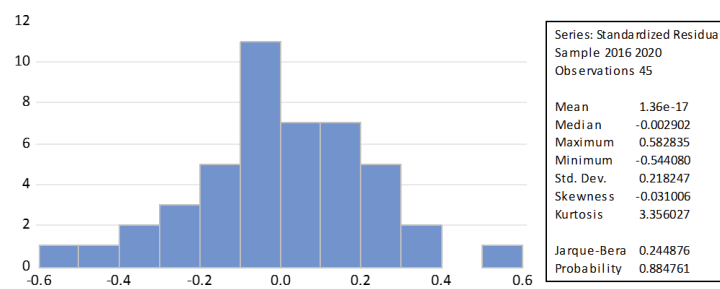


Figure 3. Normality Test

Source: Data processed with Eviews-12 (2023)

The variables Current Ratio (CR), Return on Assets (ROA), and Debt to Equity Ratio (DER) have a Jarque-Bera statistic of 0.244876 with a corresponding probability value of 0.884761, according to the normalcy test findings displayed in Figure 3. It may be inferred that the data in the regression model are normally distributed and satisfy the requirements for additional analysis as the probability is greater than the 0.05 cutoff.

Multicollinearity Test

Table 3. Multicollinearity Test

	CR_X1	ROA_X2	DER_X3
CR_X1	1.000000	0.154143	-0.549569
ROA_X2	0.154143	1.000000	-0.172926
DER_X3	-0.549569	-0.172926	1.000000

Source: Data processed with Eviews-12 (2023)

Referring to Table 3, The correlation coefficients between the independent variables, Current Ratio (CR), Return on Assets (ROA), and Debt to Equity Ratio (DER), are all below the 0.80 cutoff, according to the multicollinearity test results. This shows that there are no indications of multicollinearity in the regression model, which means the variables may be used in the analysis with confidence because there is no serious intercorrelation.

Heteroscedasticity Test

Table 4. Heteroscedasticity Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.313014	0.181697	1.722719	0.0943
CR_X1	-0.009151	0.041643	-0.219760	0.8274
ROA_X2	0.156413	1.021013	0.153194	0.8792
DER_X3	-0.111806	0.101294	-1.103774	0.2777

Source: Data processed with Eviews-12 (2023)

Based on Table 4, the heteroscedasticity test findings demonstrate that the probability values for all independent variables, including Current Ratio CR, Return on Assets ROA, and Debt to Equity Ratio DER, are above 0.05. This suggests that the regression model is free from heteroscedasticity.

Hypothesis Test

Coefficient of Determination (R²)

Table 5. Coefficient of Determination Test

Cross-section fixed (dummy variables)			
R-squared	0.686956	Mean dependent var	1.095111
Adjusted R-squared	0.582609	S.D. dependent var	0.390074
S.E. of regression	0.252010	Akaike info criterion	0.304485
Sum squared resid	2.095803	Schwarz criterion	0.786262
Log likelihood	5.149091	Hannan-Quinn criter.	0.484086
F-statistic	6.583329	Durbin-Watson stat	1.685094
Prob(F-statistic)	0.000011		

Source: Data processed with Eviews-12 (2023)

The results of the coefficient of determination test show that the Adjusted R-squared value is 0.5826, as shown in Table 5. This indicates that the independent variables employed in the model—the Current Ratio (CR), Return on Assets (ROA), and Debt to Equity Ratio (DER)—can account for about 58.26% of the variation in the Price to Book Value (PBV). Other factors not covered in this study probably have an impact on the remaining 41.74% of the variation.

T-Test

Table 6. T-Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.510206	0.340861	1.496816	0.1439
CR_X1	-0.098227	0.078121	-1.257360	0.2174
ROA_X2	5.296871	1.915399	2.765414	0.0092
DER_X3	0.420348	0.190025	2.212063	0.0340

Source: Data processed with Eviews-12 (2023)

Referring to Table 6, the t-test results show that the Current Ratio (CR) has a probability value of 0.2174, which exceeds the 0.05 significance level, along with a regression coefficient of -0.0982. This indicates that the null hypothesis (H_0) is accepted and the alternative hypothesis (H_1) is rejected, meaning that CR does not have a statistically significant impact on the Price to Book Value (PBV).

In contrast, the Return on Assets (ROA) shows a probability value of 0.0092—well below 0.05—and a positive coefficient of 5.2969. This leads to the rejection of H_0 and acceptance of H_1 , indicating that ROA has a significant and positive effect on PBV.

Similarly, the Debt to Equity Ratio (DER) has a probability value of 0.0340, also below the 0.05 threshold, with a coefficient of 0.4203. This result confirms that DER positively and significantly influences PBV, as H_0 is rejected in favor of H_1 .

The Effect of Current Ratio (CR) on Price to Book Value (PBV)

The results of this study demonstrate that the Current Ratio (CR) does not have a significant effect on the Price to Book Value (PBV) of food and beverage companies listed on the Indonesia Stock Exchange during the 2016–2020 period. The first hypothesis, which predicted a positive association between CR and PBV, was rejected in light of this observation. The lack of significance shows that investors may not see short-term liquidity, as indicated by the Current Ratio, as a crucial element in valuing a company's shares. Instead, they may give greater weight to long-term financial indicators that are more closely linked to future profitability and returns. This outcome also challenges the expectations of signaling theory, which proposes that higher liquidity sends a positive signal regarding a firm's ability to meet its obligations promptly, this study shows that high CR may be interpreted negatively. Excessive liquidity could be seen as inefficient use of current assets, implying that the company is not optimizing its resources to meet short-term obligations effectively. This outcome is consistent with prior research by Nazir and Agustina, Putra, Sirait et al., and Paulus and Miftah, which also found that CR does not significantly influence PBV.

The Effect of Return on Asset (ROA) on Price to Book Value (PBV)

The results also show that, over the course of the study period, Return on Assets (ROA) significantly and favorably affects the Price to Book Value (PBV) of food and beverage companies listed on the Indonesia Stock Exchange. This implies that companies that are more profitable, as shown by ROA, are typically more highly regarded by the market. This supports the second hypothesis. The findings suggest that profitability, measured by ROA, reflects strong financial performance. This aligns with signaling theory, which proposes that higher profitability provides a positive signal to investors about the company's

prospects. Profitable companies attract investor attention, increasing demand for their shares and, as a result, enhancing firm value. These results are in line with previous studies by Mufidah and Purnamasari, Salim and Susilowati, Dewi and Astika, Naelly and Mustafa, Mulyana and Adidarma, Savitri et al., Nuryaman and Roespinoedji, Paulus and Miftah, and Prihatiningsih et al., which also reported a positive influence of ROA on PBV.

The Effect of Debt to Equity Ratio (DER) on Price to Book Value (PBV)

The study also found that the Debt to Equity Ratio DER has a significant positive effect on Price to Book Value PBV, which contradicts the original hypothesis that predicted a negative effect, resulting in the rejection of the third hypothesis. These findings suggest that leverage, as reflected by DER, can positively contribute to firm value. Contrary to the traditional interpretation of signaling theory, which posits that high debt levels increase bankruptcy risk and negatively affect investor perception, this study indicates that high DER may be viewed positively. Investors may interpret higher leverage as an indicator of growth potential and confidence in the company's ability to generate profits, thereby enhancing investor interest and increasing the company's market value. This outcome aligns with earlier studies conducted by Nazir and Agustina, Dewi and Abundanti, Firdaus, Surianingrat and Ichwanudin, Dewi and Astika, Bahraini et al., Naelly and Mustafa, Hendiarto et al., Saragih and Hakim, Fitriana and Purwohandoko, Hasanudin, and Prihatiningsih et al., all of which reported a positive relationship between DER and PBV.

CONCLUSION AND RECOMMENDATION

The Price to Book Value (PBV) of food and beverage firms listed on the Indonesia Stock Exchange between 2016 and 2020 is not substantially impacted by the Current Ratio (CR), according to the analysis and debate. In contrast, both Return on Assets (ROA) and Debt to Equity Ratio (DER) demonstrate a positive and considerable impact on PBV. These results demonstrate that in this industry, a company's market valuation is mostly determined by profitability and leverage rather than liquidity.

Several recommendations arise from these conclusions. First, corporations engaged in food and beverage production should monitor liquidity levels carefully, as excessively high Current Ratios may indicate underutilized funds, potentially reducing investor interest in their shares. Second, investors should consider both Return on Assets ROA and Debt to Equity Ratio DER, since higher profitability and leverage are associated with increased Price to Book Value, signaling strong company prospects and the potential for substantial returns. Finally, future research should explore additional independent variables and macroeconomic factors, which could also influence firm value.

FUTHER STUDY

This research still has delays, so it is necessary to conduct further research related to the topic The Effect of Current Ratio, Return on Aset, and Debt to Equity Ratio on Price to Book Value (Case Study of Food and Beverage Subsector Companies Listed on the Indonesia Stock Exchange) in order to improve this research and add insight for readers.

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