

The Impact of Return on Asset, Debt to Equity Ratio, Current Ratio and Firm Size on Price to Book Value in Service Companies in the Property and Real Estate Sub-Sector Listed on the Indonesia Stock Exchange from 2015 to 2023

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ABSTRACT

In the Property and Real Estate Sub-Sector Listed on the Indonesia Stock Exchange from 2015 to 2023, this study aims to determine how characteristics such return on asset, debt to equity ratio, current ratio, and company size effect price to book value. The methodology used in this study is quantitative and includes a descriptive and verification approach. The statistical analysis approach of verification makes use of hypothesis testing with partial and simultaneous tests (f and t tests), multiple linear regression, Pearson product moment correlation coefficient, determination coefficient, and traditional assumption testing. The 72 financial reports of companies listed on the Indonesia Stock Exchange that are part of the Property and Real Estate Sub-Sector provide the sample data. In addition to nonprobability sampling, this study used a purposive sample method. For data processing, SPSS software version 26.0 is utilized. The results of an initial investigation indicate that there is a clear correlation between return on asset and price to book value. Price to book value is not significantly impacted by the debt to equity ratio. At most, there is very little effect of institutional ownership current ratio on price to book value. Firm size has no effect on price to book value and does not have a major impact. Concurrently, the study's results show how price to book value is affected by return on asset, debt to equity ratio, current ratio, and firm size.

Keywords : *return on asset, debt to equity ratio, current ratio, firm size, price to book value.*

INTRODUCTION

In 2024, the prognosis for the real estate industry worldwide is anticipated to be characterized by uncertainty and the possibility of continued moderate economic development. The economic downturns in China, Europe, and the US have an impact on the growth deceleration. The International Monetary Fund (IMF) predicted a four-year economic slump in the nation behind the Bamboo Curtain in its January 2024 World Economic Outlook report. The economy of China is expected to contract in 2024, from 5.2% to 4.6%. It will then only expand by 3.8% in 2028. The US economy is expected to grow by 2.1% in the meanwhile, according to IMF forecasts, somewhat less than the projected 2.5% growth in 2023. It is anticipated that this will have an impact on the performance of the real estate industry in addition to the anticipated slowdown in global economic growth. A decline in company value may result from the slowdown in real estate investment growth, which has an effect on the whole economy by lowering

investment across the board. The property industry has a strong backward linkage with other economic sectors, particularly with the manufacturing of machinery and equipment, building materials, metal and mineral goods, and other industries. (cnbcindonesia, 2024)

In Indonesia, real estate growth typically stagnates. The real estate market is in worse shape than it was even a quarter ago. In Q4 of 2023, real estate growth was only 2.18%, and it contributed only 2.41% of GDP year over year (yoy). The real estate industry saw growth in Q3-2023 of 2.21% and contributed 2.40% of GDP. Over the course of the previous year, or cumulative to cumulative (ctc), the construction industry experienced growth of 4.91%, accounting for 9.92% of the GDP structure by business sector. In contrast, real estate saw a distribution of 2.42% and only 1.43% growth. The majority of company values have dropped in 2023 as a result of the global real estate sector's lackluster performance and lackluster prospects of recovery. This is evident, at least, from the way that international real estate prices have developed, which hasn't increased significantly enough to affect Indonesian property companies' values.

Since the start of 2023, the stocks of real estate and property have not looked well. The IDX Property and Real Estate Sector, which was down 4.85% year to date (ytd), reflects this. Following the 9.76% loss in the IDX Technology Sector, this decline was the lowest on the market. At that point, the stock index dropped by the biggest amount—1.14%. Year to date (ytd), the property and real estate index was down 8.58%. According to the findings of the Bank Indonesia Residential Property Price Survey (SHPR), there was only a minor increase in the primary market's residential property prices during the first quarter of 2023. Slightly less than 2.00% (yoy) in the prior quarter, the Residential Property Price Index (IHPR) for the first quarter of 2023 was recorded at 1.79% (yoy). The survey results show that there was a decrease in residential property sales in the primary market during the first quarter of 2023. In the first quarter of 2023, sales of residential property decreased by 8.26% (yoy), compared to a positive growth of 4.54% (yoy) in the prior quarter.

Based on the data presented above, it appears that the property and real estate sector is one that is worth researching since it is one that can be claimed to expand in tandem with economic expansion and is seen as a highly promising long-term investment. While the supply of land is fixed and the demand for housing, shopping centers, offices, hospitals, and other facilities will always rise in tandem with population growth, the development of the property and real estate sector will draw investors due to the yearly price increases of buildings and land. Due to this, a large number of individuals or investors wish to begin making real estate and property investments. Furthermore, the property and real estate industry is one of those that gives indications about the ups and downs of a nation's economy; hence, the more businesses operating in this industry, the better off Indonesia's economy will be. (Berliani and Sari, 2024)

Table 1 Data Recapitulation of Return on Asset, Debt to Equity Ratio, Current Ratio, and Firm Size Phenomena in Relation to Price to Book Value in Service Companies in the Property and Real Estate Sub-Sector Listed on the Indonesia Stock Exchange for the Years 2015 2023

No	Nama Perusahaan	Tahun	ROA (%)	DER (kali)	CR (%)	FIRM SIZE (Ln)	PBV (kali)
1	Jaya Real Property Tbk	2022	7.10	0.42	1.01	23.23	0.80
		2023	8.20	0.00	0.87	23.30	0.77
2	Bumi Serpong Damai Tbk	2022	4.09	0.71	2.61	31.81	0.51
		2023	3.38	0.67	2.47	31.83	0.48
3	Metropolitan Kentjana Tbk	2022	0.86	0.27	1.17	29.73	3.97
		2023	0.10	0.22	1.50	29.76	3.15
4	Ciputra Development Tbk	2022	4.40	0.42	2.20	31.37	0.83
		2023	4.20	0.36	2.42	31.42	0.81

Sources : www.idx.co.id, 2024

According to table 1 above, the phenomenon that happened at PT Jaya Real Property Tbk (JRPT) in 2022–2023 showed an increase in the Return On Asset level from 7.10% to 8.20% in 2022, but the Price to Book Value value did not follow suit, decreasing by 0.03 times in 2023 from 0.80 times to 0.77 times in 2022. This is not consistent with Sirait's theory (2019:142), which states that a rise in profit (ROA) will lead to an increase in the company's valuation (Price to Book Value). The more investors are interested in purchasing shares of a company, the more confident the market is in the company's prospects. The company's value eventually rises as a result of this circumstance increasing demand for the company's shares. On the other hand, the company's Price to Book Value condition has declined in this situation. This supports the findings of a study by Delvita et al. (2023) that Return On Asset influences Price To Book Value.

At PT Bumi Serpong Damai Tbk (BSDE), a phenomenon that happened in 2022–2023 revealed that the Price to Book Value declined in 2022 from 0.51 times to 0.48 times, while the Debt to Equity Ratio level decreased in 2022 from 0.71 times to 0.67 times in 2023. Kasmir (2023:157) states that the "Debt to Equity Ratio is a ratio used to assess debt with equity, meaning to find out the magnitude of the comparison between the amount of funds provided by creditors and the amount from the company owner." This is not in line with the theory. The corporation employs more debt as a source of corporate capital, which results in a larger interest burden and associated hazards, as indicated by the high value of the Debt to Equity Ratio. There will be a decline in the company's worth and investor trust. Nonetheless, a low debt to equity ratio will raise the

company's value since it shows investors that it can pay off its debts with its current resources, giving them greater confidence in the business. This is consistent with studies by Safutri et al. (2024) showing that Price to Book Value is impacted by the Debt to Equity Ratio.

The data from the 2022–2023 phenomenon at PT Metropolitan Kentjana Tbk (MKPI) indicated that the Current Ratio level increased from 1.17 times to 1.50 times, but this increase was not accompanied by a decrease of 0.82 times in the Price to Book Value value from 3.97 times to 3.15 times in 2022. According to Kasmir (2023:135), this goes against the hypothesis. The present ratio is "The ratio to measure the company's ability to pay short-term liabilities or debts that are due immediately when collected in full". An increasing current ratio indicates to investors that a company is in a better financial position and can afford to pay off its obligations, which will add to the company's value and, in this case, its price to book value. According to studies by Nugroho et al. (2023), the Current Ratio significantly affects Price to Book Value. This finding is consistent with their findings.

The PT Ciputra Development Tbk (CTRA) phenomenon during 2022–2023 revealed that although the Price to Book Value declined in 2022 from 0.83 to 0.81 in 2023, the Firm Size level climbed from 31.37 to 31.42 in 2023. The hypothesis that "Firm Size is a scale that shows the size of a company" is not supported by this, according to Hery (2018:97). The demand for funding from outside sources increases with the size of the organization. Due to their ability to offer significant stock returns and potential to raise the company's valuation, large-scale businesses typically draw investors. This is consistent with study by Adhiguna (2023) that shows the price to book value is influenced by firm size.

Early studies had a research gap, which is one of the reasons scientists had to conduct this investigation. Price to book value is influenced by return on asset, according to research by Safutri et al. (2024). Delvita, et al.'s (2023) study's findings indicate that return on asset has no bearing on price to book value. Price to book value is impacted by the debt to equity ratio, according to study by Rosari (2021). The price to book value is independent of the debt to equity ratio, per Arifin et al.'s research from 2022. The current ratio and price to book value are related, per Widiya et al. (2023). Meanwhile, study by Delvita et al. indicates that current ratio has no effect on price to book value (2023). Meanwhile, a study by Shaumi and Srimindarti (2022) found that business size affects price to book value. Mislinawati et al.'s research from 2021, however, did not discover a relationship between price, book value, or business size.

The objectives of this study are to: (1) determine the price to book value, Firm Size, Debt To Equity Ratio, Return On Asset, and Firm Size in Service Companies in the Property and Real Estate Sub-Sector on the Indonesia Stock Exchange for the period of 2015–2023; (2) assess the partial influence of Firm Size, Debt To Equity Ratio, Return On

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Asset, and Current Ratio on price to book value; and (3) assess the concurrent influence of Firm Size, Debt To Equity Ratio, Return On Asset, and Current Ratio on price to book value.

LITERATURE REVIEW

Return on Asset

Return on assets is defined by Kasmir, 2023:2024 as a formula derived from profit after taxes and total assets as a divisor,

Return on asset (ROA) measurement indicators, in particular,

$$ROA = \frac{\text{Earning after Tax}}{\text{Total Asset}} \times 100\%$$

Debt to Equity Ratio

Kasmir (2023:157) states that the Debt to Equity Ratio is a metric utilized for evaluating debt in relation to equity, i.e., comparing the total amount of cash contributed by creditors to the total amount contributed by the company's owners.

Debt to Equity Ratio (DER) measurement indicators, in particular,

$$DER = \frac{\text{Total Liabilities}}{\text{Total Equity}}$$

Current Ratio

The Current Ratio is a ratio used to assess a company's capacity to settle short-term obligations or debts that are due in full right once, according to Kasmir (2023:134).

Measurement indicators for Current Ratio, specifically,

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

Firm Size

Firm Size, according to Hery (2018:97), is a scale that illustrates a company's size.

Measurement indicators for Earning Management, specifically

$$\text{Size} = \text{Ln.}(\text{Total Asset})$$

Price to Book Value

Price to Book Value, according to Fahmi (2020:82), is a ratio that characterizes market situations. The management of the company can gain insight from this ratio into the terms of the implementation that will be carried out and how it will affect the future.

Measurement indicators for Price to Book Value, specifically,

$$\text{Price to Book Value} = \frac{\text{Total Liabilities}}{\text{Total Equity}}$$

Framework

According to Sugiyono (2019:95), a strong theoretical framework of thought will theoretically explain the relationship between the variables to be examined. The link between the independent and dependent variables must therefore be described theoretically.

The researcher decides how to characterize the research model and the conceptual framework in the following ways :

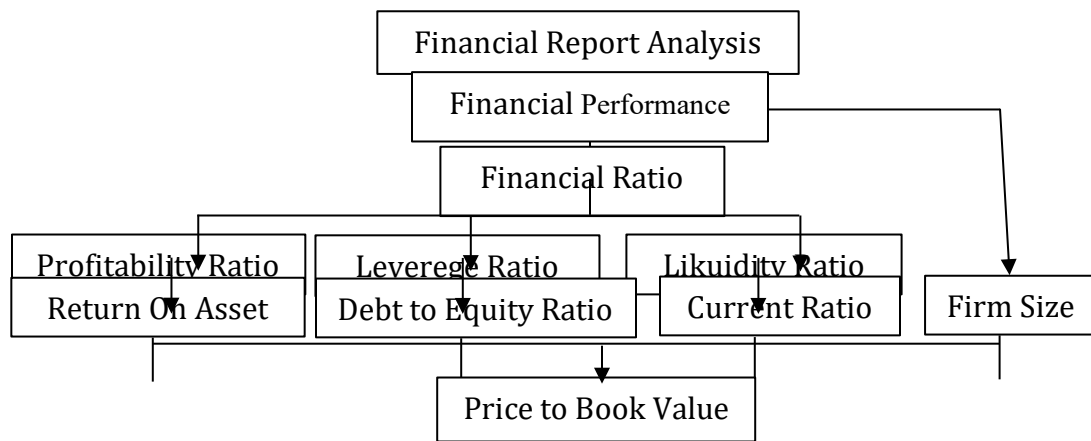


Figure 1. Framework

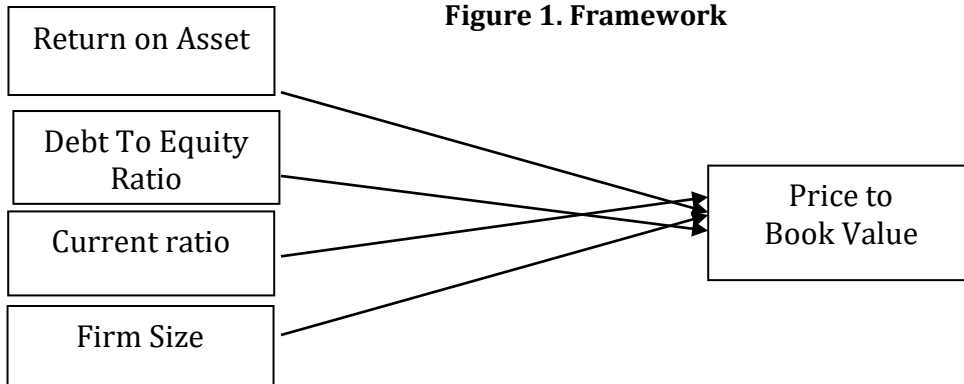


Figure 2. Research Model

The following are the research hypotheses of this study:

H₀ Return on Assets has no impact on Price to Book Value

H₁. Return on Assets has an impact on Price to Book Value

H₀ The Debt to Equity Ratio has no impact on the Price to Book Value

H₂. The Debt to Equity Ratio has an impact on the Price to Book Value.

H₀ The Price to Book Value is not affected by the Current Ratio.

H₃. The Price to Book Value is affected by the Current Ratio.

H₀ Firm Size has no impact on Price to Book Value

H₄. Firm Size has an impact on Price to Book Value

H₀ The simultaneous no effects of firm size, return on assets, debt to equity ratio, and current ratio on price to book value are listed

H₅. The simultaneous effects of firm size, return on assets, debt to equity ratio, and current ratio on price to book value are listed.

METHODS

A descriptive and verification technique were part of the quantitative methodology used in this investigation. The quantitative research method, according to Sugiyono (2019:23), is a positivist-based research approach that is used to examine a specific population or sample, gather data using research tools, and analyze data quantitatively or statistically in order to characterize and evaluate the proposed hypothesis.

A study conducted to determine the value of one or more independent variables without the necessity for comparisons or links to other variables is known as a descriptive technique, according to Sugiyono (2019:48).

According to Sugiyono (2019:36), a research conducted on a particular population or sample with the goal of proving the hypothesis that has been put out is considered the verification technique.

To make measuring the variables easier for researchers, the study's purpose is described in the following table. :

Table 2. Operationalization of Variables

Variable	Concept	Indikator	Scale
Price to Book Value	Price to Book Value, is a ratio that characterizes market situations. The management of the company can gain insight from this ratio into the terms of the implementation that will be carried out and how it will affect the future	$PBV = \frac{\text{Total Liabilities}}{\text{Total Equity}}$	Ratio
Return on Asset	Return on assets is a formula derived from	$ROA = \frac{\text{Earning Aft Tax}}{\text{Total Asset}} \times 100\%$	Ratio

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Variable	Concept	Indikator	Scale
	profit after taxes and total assets as a divisor		
Debt to Equity Ratio	Debt to Equity Ratio is a metric utilized for evaluating debt in relation to equity, i.e., comparing the total amount of cash contributed by creditors to the total amount contributed by the company's owners.	$DER = \frac{\text{Total Liabilities}}{\text{Total Equity}}$	Ratio
Current Ratio	The Current Ratio is a ratio used to assess a company's capacity to settle short-term obligations or debts that are due in full right once	$CR = \frac{\text{Current Asset}}{\text{Current Liabilities}}$	Ratio
Firm Size	Firm Size, according to Hery (2018:97), is a scale that illustrates a company's size.	$\text{Size} = \text{Ln (Total Asset)}$	Ratio

This study used quantitative data, mostly from the annual report or financial report of the Service Company for the Property and Real Estate Subsector.

To examine the data demonstrating the influence between the variables under consideration, statistical test instruments such multiple linear regression, determination coefficient, Pearson product moment coefficient, and classical assumption tests are employed.

Population and Sample

Sampling techniques that employ non-probabilistic sampling include purposeful sampling. The Property and Real Estate Sub-Sector Service Companies Listed on the Indonesia Stock Exchange for the Period of 2015–2023 are the study's population, and their data was obtained from www.idx.co.id. There are 85 companies in the population, and since not all of them will be the focus of the study, more sampling is required.

Just 8 companies out of the total population of 85 companies satisfied the sampling criteria, as determined by the purposive sampling method.

RESULT AND DISCUSSION

Classic Assumption Test

Normality test

The author performed a Probability Plot Residual Test to guarantee that the normality test results are normally distributed. The simple regression model's error can be classified as abnormally distributed if the probability plot residual is far from the horizontal line, but normally distributed if the probability plot residual is close to the horizontal line. This is the rationale behind the probability plot residual graph test's decision-making process.

When the points are scattered along the diagonal line and their distribution aligns with the diagonal line's direction, the data is considered normally distributed. This is demonstrated in Figure 3 in the following manner:

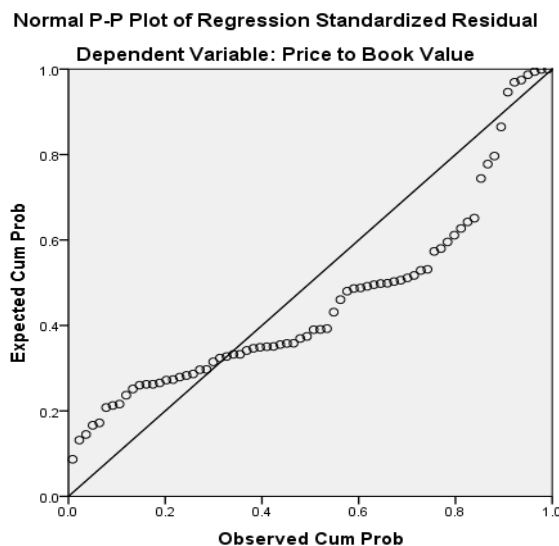


Figure 3. Grafik Normal P-P Plot of Regression Standardized Residual

The fact that the points are dispersed about the diagonal line and that their distribution follows the diagonal line's direction demonstrates that the study data satisfies the criteria that it be regularly distributed.

Multicollinearity Test

The results obtained from the multicollinearity test are shown in the table below.,

Table 3 Multicollinearity Test Results

Coefficients ^a		
Model	Collinearity Statistics	
	Tolerance	VIF
ROA	.833	1.201

DER	.857	1.167
CR	.920	1.087
Firm Size	.942	1.062
a. Dependent Variable: Ptime to Book Value		

Every variable has a tolerance value more than 0.10 and a variance influence factor (VIF) value less than 10, as shown in the previous table. It is therefore possible to conclude that multicollinearity between the independent variables is not demonstrated by the regression model in this investigation..

Uji Heteroskedastisitas

For the results of the heteroscedasticity test, these are the reasons offered.:

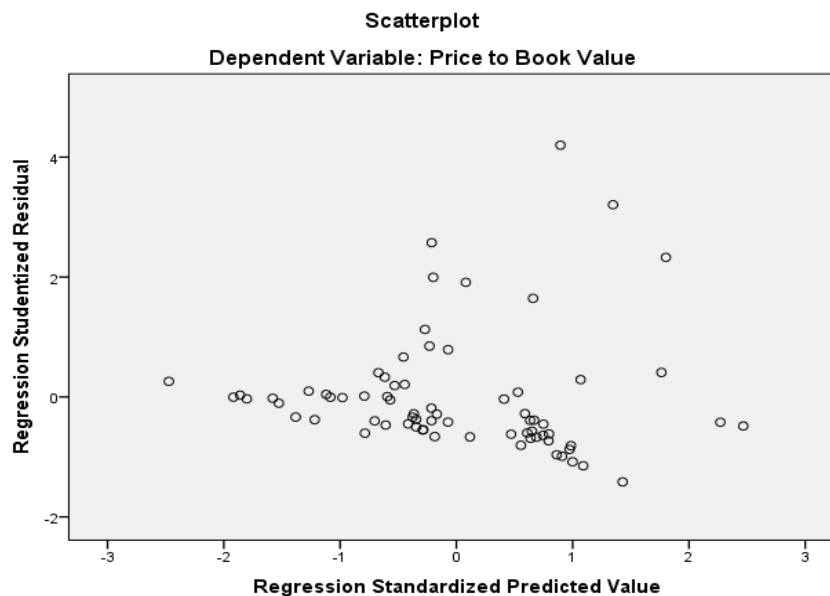


Figure 4. heteroscedasticity test result

The graphic displaying the heteroscedasticity test findings above makes it clear that the spots are dispersed randomly and do not form a pattern. Additionally, the spots are dispersed along the Y axis above and below the zero mark. From this, it can be shown that the regression model does not exhibit heteroscedasticity, indicating that it can be used for additional investigation.

Multiple Linear Regression

Multiple linear regression is used to obtain a thorough understanding of the relationship between the dependent variable, price to book value, and the independent variables, return on asset, debt to equity ratio, current ratio, and firm size.

The multiple linear regression test yielded the following outcomes,

Tabel 4. Multiple Linear Regression Calculation Results

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	sig.
		B	Std. Error	Beta		
1	(Constant)	2.825	.704		4.015	.000
	ROA	-.095	.031	-.365	-3.058	.003
	DER	.941	.600	.184	1.568	.122
	CR	-.240	.148	-.184	-1.621	.110
	Firm Size	-.046	.023	-.225	-2.010	.048
a. Dependent Variable: Price to Book Value						

With the help of the output above, which contains the constant value and regression coefficient, the multiple linear regression equation that follows can be made.:

$$Y = 2,825 - 0,095.X1 + 0,941.X2 - 0,240.X3 - 0,046.X4$$

The following is one interpretation for the aforementioned equation :

1. $\alpha = 2.825$ This indicates that the Price to Book Value variable (Y) has a value of 2,825 units if the variables Return on Asset (X1), Debt to Equity Ratio (X2), Current Ratio (X3), and Firm Size (X4) have a value of zero (0).
2. $\beta_1 = -0,095$ Accordingly, the value of the Price to Book Value (Y) variable will drop by 0.095 units for each unit that the Return on Asset (X1) variable increases, assuming that all other variables remain constant. In contrast, the Price to Book Value (Y) variable will rise by 0.095 for each unit drop in the Return on Asset (X1) variable while keeping all other variables equal.
3. $\beta_2 = 0,941$ In other words, the Price to Book Value variable (Y) will grow by 0.941 units for each unit of the Debt to Equity Ratio variable (X2) that is added, assuming all other variables remain constant. On the other hand, the Price to Book Value variable (Y) will fall in value by 0.941 units for every unit

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decrease in the Debt to Equity Ratio variable (X2), provided that all other variables remain constant.

4. $\beta_3 = -0,240$ This implies that the value of the Price to Book Value variable (Y) will drop by 0.240 units for each additional unit of the Current Ratio variable (X3), assuming that all other variables remain constant. On the other hand, the Price to Book Value variable (Y) will increase by 0.240 units for every unit fall in the Current Ratio variable (X3), provided that all other factors remain constant.
5. $\beta_4 = -0,046$ This implies that the Price to Book Value variable (Y) will fall in value by 0.046 units for each unit of the Firm Size variable (X4) that is added, assuming all other variables remain constant. On the other hand, the Price to Book Value variable (Y) will increase in value by 0.046 units for every unit decrease in the Firm Size variable (X4) when all other variables remain same.

Partial Testing (t-test)

The distribution table must be used to compute the t table in order to ascertain whether Return on Asset, Debt to Equity Ratio, Current Ratio, and Firm Size have an impact on Price to Book Value. In two-sided testing, the t table is 1.995, with $\alpha = 0.05$ and $df = n - k - 1 = 72 - 3 - 1 = 68$.

The results of processing the data for the partial hypothesis test are as follows :

Table 5. Partial Test Calculation Results (t-Test)

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
	(Constant)	2.825	.704		4.015	.000
	ROA	-.095	.031	-.365	-3.058	.003
	DER	.941	.600	.184	1.568	.122
	CR	-.240	.148	-.184	-1.621	.110
	Firm Size	-.046	.023	-.225	-2.010	.048
<i>a. Dependent Variable: Price to Book Value</i>						

- H₁ According to the t count calculation above, the Return on Asset (X₁) has a t count value of -3.058 and a t table value of -1.995 with a sig value of 0.003 < 0.05. Return on Asset (X₁) has an effect and significant on Price to Book Value (Y) because the -t count value < -t table, accepting H₁ and rejecting H₀.

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- H₂ Based on the t count calculation above, the t table value is 2.001 with a sig value of $0.002 < 0.05$, and the t count value for Debt to Equity Ratio (X₂) is 1.658. H₀ is accepting and H₂ is rejecting since the t count value $< t$ table, indicating that Debt to Equity Ratio (X₂) has no effect and is not significant on Price to Book Value (Y).
- H₃ Based on the t count computation above, Current Ratio (X₃) has a t count value of -1.621 and a t table value of -1.995 with a sig value of $0.110 > 0.05$. Current Ratio (X₃) has no effect and is not significant on Price to Book Value (Y), as indicated by the rejection of H₃ and acceptance of H₀ due to the -t count value $> -t$ table..
- H₄ The t count value for Firm Size (X₄) is -2.010 according to the t count calculation above, and the t table value is 1.995 with a sig value of $0.048 < 0.05$. Firm Size (X₄) has an effect and significant on Price to Book Value (Y) because the -t count value $< -t$ table, accepting H₄ and rejecting H₀.

Simultaneous Testing (f-test)

The Price to Book Value can be affected by Return on Asset, Debt to Equity Ratio, Current Ratio, and Firm Size; however, the t table must be computed using the distribution table to ascertain this. The degrees of freedom in the Ftable are V1 = 67 (72-4-1) and V2 = 4, and its value is 2.51 with $\alpha = 5\%$.

The outcomes of data processing for a partial hypothesis test are as follows :

Table 8. Simultaneous Test Calculation Results (f Test)

ANOVA ^a						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	31.150	4	7.788	4.351	.003 ^b
	Residual	119.908	67	1.790		
	Total	151.059	71			
a. Dependent Variable: Price to Book Value						
b. Predictors: (Constant), Firm Size, CR, DER, ROA						

From the data in the previous table, it can be deduced that the p-value (sig) is 0.003 and the Fcount is 4.351. With V1 = 67 (72-4-1) and V2 = 4, and $\alpha = 5\%$, the ftable has a degree of freedom of 2.51. Because the Fcount value $> F$ table ($4.351 > 2.51$) and the significance value of 0.003 is less than 0.05 ($0.003 < 0.05$), the variables Return on Asset (X₁), Debt to Equity Ratio (X₂), Current Ratio (X₃), and Firm Size (X₄) have a simultaneous and substantial effect on Price to Book Value (Y). H₀ is therefore rejected, while H₅ is accepted.

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CONCLUSION

Based on data collected between 2015 and 2023, the following conclusions were drawn from the study regarding the effects of return on asset, debt to equity ratio, current ratio, and firm size on price to book value in service businesses serving the property and real estate subsector listed on the Indonesia Stock Exchange: Price to Book Value is significantly impacted negatively by Return on Asset. The Price to Book Value is unaffected by the Debt to Equity Ratio, the Price to Book Value is not significantly affected by the Current Ratio, and the Price to Book Value is negatively impacted by Firm Size. Additionally, the findings of simultaneous hypothesis testing (f-test) revealed that Return on Asset, Debt to Equity Ratio, Current Ratio, and Firm Size all had a simultaneous effect on Price to Book Value.

Due to the fact that the author's study still has problems with problem analysis, theory presentation, and sample choice. Thus, the author suggests that future researchers looking to examine Price to Book Value as a dependent variable look for more recent theories on the topic, increase the number of samples and time span, and swap out the current independent variables and indicators (like the price earning ratio or the deviden payout ratio) for new ones that may affect Price to Book Value.

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