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Financial Performance and Firm Value of Aviation Sector

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ABSTRACT (9 PT, Book Antiqua, Ful English)

This study aims to determine the financial performance based on the liquidity, solvency and profitability ratios and the effect on firm value. This research is a quantitative study using secondary data in the form of financial reports. The sample used is the airline sub-industry listed on the IDX, which publishes financial reports and annual reports for the 2017-2020 period. The analysis was carried out using multiple linear regression. Based on hipothesis test results, the liquidity ratio does not affect firm value. While the solvency ratio and the profitability ratio partially affect the firm value. Companies need to manage debt so that it is not too large and poses a solvency risk. Then, companies need to increase ancillary revenue in order to increase profit, so that profitability increases and will have an impact on increasing company value.

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INTRODUCTION

The aviation business is one of the important corporate sectors for the community because it provides access for people's mobility to move from one region to another, both on a domestic and international scale. Until 2021, there were four companies in the aviation sector that went public and were listed on the Indonesia Stock Exchange. All companies listed on the IDX requisite provide open financial statements that are formed available to the public as potential investors. The company`s financial statements containing of important information along with information such as about industry, economic conditions, market share, qualityof management and so forth (Hanafi & Halim, 2018). Interested parties can carry out an analysis of financial statements to assess the condition of the company's financial health. Financial report analysis is carried out with the aim of assessing company performance, where performance assessment is carried out to determine the level of efficiency and effectiveness of the organization in achieving the goals set (Subramanyam, 2017).

A company founded in order to achieve maximum profit, fulfill the welfare of shareholders and optimize firm value (Ali et al., 2021). Net profit growth will have an impact on the company's total equity. Equity or retained earnings is the difference between net income and dividends paid to shareholders (Hadi & Wijaya, 2019). (Sulkhi, 2020) states that company value is generally related to stock prices. Firm value has a unidirectional relationship with stock prices. Enterprise value can be used as a commonly accepted pricing measure when shares are purchased at a price higher than book value (Andryani, 2019).

Liquidity ratio is a measure of a company's power to service its interim debt (Nurdina, 2017). The greater the company's liquidity value, the greater the capability to pay off its debts so that the cash turnover within the company is very good and can give a positive perception of the company's condition (Permana & Rahyuda, 2019). Research by (Dwiputra & Viriany, 2020) found that the liquidity ratio negative significantly affects company value. This research contradicts the research of (Kusna & Setijani, 2018) who found that liquidity does not affect firm value. Companies with favorable liquidity are believed to be adept to service their debts and are viewed by investors as having favorable financial standing (Putra & Lestari, 2016). Investors who think so will give a positive response by buying company shares and will gain the firm value. (Andayani et al., 2017) found that the company's liquidity ratio positive significantly affects firm value.

If the company's total debt is greater than the total equity, then the company can be said to be not solvable. Funding with debt will be at risk of decreasing returns for investors, especially if the debt burden is greater than the benefits (Marli, 2018). Research conducted by (Yuliana et al., 2019) found that the solvency ratio negative significantly affects firm value. On the other hand, (Baiti & Rimawan, 2021) found that the solvency ratio does nont affect firm value. A large proportion of debt is shown in the value of the greater the solvency ratio. If the rate of return for shareholders is small, the public's evaluation of the company will also decrease. (Indawati & Anggraini, 2021) proved that the solvency ratio has a negative and significant effect on company value.

Profitability ratio represent a company's strength to generate profits in relation to sales, total assets, and equity (Robiyanto et al., 2020). The profitability ratio is of great concern to potential investors and shareholders because as a determinant of the dividend value that will be received by shareholders, this is also related to stock prices (Nur, 2018). This opinion is in line with research conducted by (Suwardika & Mustanda, 2017) who found that profitability has a positive and significant effect on firm value. However, this research contradicts (Savitri et al., 2021) who found that profitability does not affect firm value. If the profitability ratio increases, the rate of return received by shareholders will increase (Cahyani & Wirawati, 2019). This condition will be one of the drivers of public interest in investing their shares in the company, the company's share price will increase which also indicates an increase in company value (Panggabean et al., 2018). This relates to research conducted by (Astutik, 2017) with results showing that the profitability ratio positive significantly affects firm value.

RESEARCH METHOD

This research is a quantitative research with hypothesis testing. The testing process is performed by calculating liquidity, solvency, profitability and firm value ratios for airlines indexed on the IDX. Data analysis was performed using multiple linear regression with the basic assumption test first. Hypothesis testing was carried out partially for each independent variable on the dependent variable. The sample used is the IDX-listed airline industry. Data taken by researchers in the form of financial reports and annual reports for 2017-2020. The variables in this study are financial performance as the independent variable and firm value as the dependent variable. The independent variable is measured by the ratio of liquidity, solvency and profitability, while the dependent variable is measured by the value of the company using the indicators presented in Table 1.

Table 1. Research Variable

Variable	Sub Variable	Indicator
Independent Variable	Liquidity (X_1)	*Current Ratio* (CR)
	Solvency (X_2)	*Debt to Equity Ratio* (DER)
	Profitability (X_3)	*Net Profit Margin* (NPM)
Dependent Variable	Firm Value (Y)	*Price to Book Value* (PBV)

RESULTS AND DISCUSSIONS

Normality test result

The normality test in this study used Shapiro-Wilk because the observation data used was less than 30 observations. The results of data processing for the normality test with the Shapiro-Wilk are presented in Table 2.

Table 2. Normality Test Results

Shapiro-Wilk	Criteria	Sig.	Explanation
Unstandarized Residual	> 0,05	0,739	Normal

Since the Shapiro-Wilk score in Table 2 is 0.739 > 0.05, it concluded that the data passed the normality test. This means that the data are normally distributed and parametric tests can be performed in the form of multiple linear regression.

Heteroscedasticity test result

The heteroscedasticity test carried out in this study used the Glejser test with the results of data processing presented in Table 3.

Table 3. Heteroscedasticity Test Results

Independent Variable	Criteria	Sig.	Explanation
Likuiditas (X_1)	> 0,05	0,292	No Heteroscedasticity
Solvabilitas (X_2)	> 0,05	0,302	No Heteroscedasticity
Profitabilitas (X_3)	> 0,05	0,418	No Heteroscedasticity

Table 3 appearance that the regression model has no problem of heteroscedasticity. This is apparent by the liquidity significance value of 0.292; solvency value of 0.302; and profitability value of 0.418, if value is greater than 0.05. It can be concluded that there is no indication of heteroscedasticity in the regression model used, meaning that the heteroscedasticity test has been fulfilled.

Multicollinearity test result

The multicollinearity test carried out in this study used the Collinearity Statistics table with the results of data processing presented in Table 4.

Table 4. Multicollinearity Test Results

	Independent Variable		
	Liquidity (X_1)	Solvency (X_2)	Profitability (X_3)
Criteria	> 0,100	> 0,100	> 0,100
Tolerance	0,894	0,868	0,809
Criteria	< 10,000	< 10,000	< 10,000
VIF	1,118	1,152	1,236
Information		No Multicollinearity	

Table 4 shows the tolerance value of the liquidity variable of 0.894, solvency of 0.868 and profitability of 0.809 which is greater than 0.100. Meanwhile, the VIF value of the liquidity variable is 1.118, solvency is 1.152 and profitability is 1.236 which is less than 10,000. This proves that there is no indication of multicollinearity in the regression model used. That is, there is no relationship between one independent variable and other independent variables.

Autocorrelation test result

This study used Run Test to testify the autocorrelation. The results are presented in Table 5.

Table 5. Autocorrelation Test Result

	Criteria	Sig.	Explanation
Unstandardized Residual	> 0,05	0,762	No Autocorrelation

Table 5 shows the significance value of the Run Test results of 0.762 > 0.05, which means that there is no indication of an autocorrelation problem. This means that there is no correlation between the observation data for 2017, 2018, 2019 and 2020. Thus, the autocorrelation test for the regression model in this study has been fulfilled.

Hypothesis test results

T-test or partial test find out if the independent variable partially affected the dependent variable. Perform a t-test prove the hypothesis that has been formulated previously with respect to the impress independent variables partially and at the same time indicate the direction of the effect. The results of data processing with the t-test are presented in Table 6.

Table 6. Regression T-Test Results (Partial Test)

Model	a	X_1	X_2	X_3
Beta	-1,151	0,534	-0,652	0,023
t	-1,306	0,601	-30,404	2,598
Sig.	0,228	0,565	0,000	0,032
Criteria	-	< 0,05	< 0,05	< 0,05
Information	-	H_0 diterima	H_0 ditolak	H_0 ditolak

Table 6 shows that the liquidity ratio does not affect firm value as apparent by a significance value of 0.565 > 0.05. On the other hand, the solvency ratio has negative effect on firm value as indicated by a significance value of 0.000 <0.05 and a negative t count. When the solvency ratio increases 1 times, it will affect the company's value decrease by 0.652 times. Furthermore, the profitability ratio has a positive effect on firm value as indicated by a significance value of 0.032 <0.05 with a positive t count. When the profitability ratio increases by 1%, the company value will also increase by 0.023%.

Discussion

The liquidity ratio does not affect the firm value

Analysis appearance that current ratio does not affect firm value. The significance value of the X_1 variable as measured through the Current Ratio is 0.565 which is greater than 0.05. The consequences of the study testify to the company's strength to proceeds its payables from its current assets does not affect the firm value. This condition can be interpreted that investors and potential investors do not assess airline sector companies based on their strength to pay short-term debt. This research is in line with the statement of (Hanafi & Halim, 2018) that current assets generate lower returns than fixed assets. The return on current assets that is lower than the company's fixed assets is the reason why investors pay less attention to short-term ratios because the Current Ratio is more concerned with the company's internal conditions in managing its current assets to meet its short-term debt. This supports the research conducted by (Ningsih & Sari, 2019) which proves that the liquidity ratio does not affect firm value.

The solvency ratio affects the firm value

Analysis appearance that partial test of variable X_2 as measured through the Debt to Equity Ratio yield a significance value of 0.000 which is less than 0.05. It means the solvency ratio affects firm value. The results of the study prove that the company's ability to cover debt through funding from the owner is something that can affect the value of the company. This is in line with Fahmi in (Simamora et al., 2020) which states that one of the causes of a decrease in company value is debt which continues to grow uncontrollably. The condition of a company experiencing extreme leverage will cause public doubts about the company's ability to pay off the debt. When the proportion of a company's debt is much greater than its equity value, investors will value the company at a lower price. High solvency is also unfavorable for creditors because of the high risk of default in paying debts in the long term (Kasmir, 2018). The results of this study support research conducted by (Abrori & Suwitho, 2019) which found that the solvency ratio as measured using the Debt to Equity Ratio has a negative effect on firm value. To maintain the company's value to remain stable, the company needs to implement an appropriate debt policy in order to maintain the company's financial condition to remain solvable.

The profitability ratios affect the firm value

The profitability ratio as a variable X_3 has a significance value of 0.032 which is less than 0.05, which means that the profitability ratio affects the value of the company. The results of the study prove that the company's ability to generate net profit will affect the value of the company. The higher the company's profitability shows the better the company's ability to pay returns to shareholders, so that it will increase company value (Apriana, 2019). The increasing profitability ratio will be responded well by the public by investing in the company. This condition will be one of the drivers of rising company stock prices which also indicate an increase in company value (Panggabean et al., 2018). Increasing stock prices will affect increasing company value (Sulkhi, 2020). The results of this study support research conducted by (Luthfiana, 2018) which found that the profitability ratio has a positive effect on firm value. Airline companies can increase their profitability ratios by seeking additional income apart from the company's main income. This needs to be done especially for airline companies with the main revenue in the form of scheduled flights, considering that the conditions in 2020 were the conditions of the Covid-19 pandemic which resulted in a decrease in the number of passengers.

CONCLUSION

This study found that the liquidity ratio as measured using the Current Ratio had no effect on the value of aviation sector companies listed on the IDX in 2017-2020. Current assets generate lower returns than fixed assets so that investors pay less attention to the liquidity ratio. On the other hand, the solvency ratio actually has a negative and significant effect on the value of companies in the aviation sector listed on the IDX in 2017-2020. The condition of a company that is experiencing an insolvable condition will cause public doubts about the company's ability to pay off the debt. Furthermore, the profitability ratio has a positive and significant effect on the value of aviation sector companies listed on the IDX in 2017-2020. The increase in the profitability ratio will be responded well by the public by investing in the company so that it will increase the value of the company.

Suggestions for aviation sector companies in order to maintain company value to remain stable is the need to apply appropriate debt policies to maintain the company's financial condition to remain solvable. Airline companies can increase their profitability ratios by looking for additional income apart from the company's main income. This needs to be done especially for airline companies with the main revenue in the form of scheduled flights, considering that the conditions in 2020-2021 were the conditions of the Covid-19 pandemic which resulted in a decrease in the number of passengers. This study uses Current Ratio as an indicator of liquidity, Debt to Equity Ratio as an indicator of solvency, Net Profit Margin as an indicator of profitability and Price to Book Value as an indicator of firm value. The next researcher can carry out an analysis using a different ratio from this study as an indicator for each variable.

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