



THE EFFECT OF GROWTH OPPORTUNITY AND LIQUIDITY ON FIRM VALUE WITH PROFITABILITY AS A MODERATING VARIABLE

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Abstract

The purpose of this research is to partially analyze and partially determine the influence of opportunity and liquidity on company value and partially analyze and determine the influence of opportunity and liquidity on firm value with profitability as a moderating variable. The population in the study was 47 food and beverage subsector manufacturing companies listed on the Indonesia Stock Exchange for the 2018-2022 period, with a total sample size of 38 sample data. The analysis used in this research is Moderated Regression Analysis (MRA) using SPSS 26 software. The results of this research are that partially extensive opportunity influences firm value; partially liquidity has no effect on firm value, profitability cannot moderate ample opportunities on firm value, and profitability can moderate liquidity on firm value. These results indicate that increasing the profitability value can strengthen the company's liquidity and increase the firm's value.

Keywords: Growth Opportunities, Liquidity, Profitability, Firm Value

INTRODUCTION

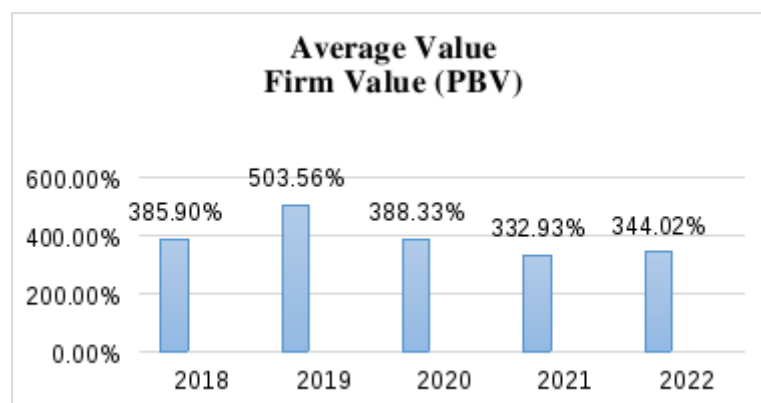
The 5.0 era is an era of the Industrial Revolution, in which the Company's progress improved through the integration of humans and increasingly sophisticated technology. In facing this dynamic era's development, the Company needs competitive strategies. These strategies are required so that the resulting profitability can be optimal and the value of the Company can continue to increase. The value of the Company can increase when investors are interested in investing their shares in the Company. The level of profitability can have an impact on the level of market confidence in a Company. The higher the profitability, the more market confidence in the current financial performance of a Company and the condition of the Company in the future, and vice versa (Pratiwi & Muthohar M, 2021). The increase or decrease in stock prices and the value of the Company can be estimated by using the calculation of the profitability ratio; this ratio can also reflect the Company's ability to generate profits for its investors because increasing the Company's profits can increase dividend payments to investors so that it can affect the value of the Company (Marantika, 2012).

In measuring the Company's value, information can be used regarding the stock price of a Company. The stock price can indicate the amount of investor valuation of the shares owned. If the Company has good financial performance, the profit generated during a specific period will show investors that the Company has good prospects in the future, then investors will be

interested in buying the Company's shares; the interest of these investors has the hope of a return on the investment they make, the number of investors who want to invest so that it can increase the Company's stock price. If the stock price increases, the value of the Company can increase. In this study, the indicator of the Company's value used is the price book value (PBV). PBV is an indicator used to measure the Company's value by comparing the stock price with its intrinsic or book value per share. If the PBV value equals one, it indicates that the stock price is low (Setiawan, 2021).

The high PBV condition indicates that the stock price is high and in good condition for investing; this condition can attract investors. Meanwhile, a low PBV value or PBV value below one indicates a low stock price, which describes a less good condition in the Company's value because its book value is higher than its stock price; it can cause investors not to be interested in investing. PBV is one of the references for investors because the PBV value can be compared between companies so that it can provide a signal of whether the company's value is undervalued (holding shares if you already have them or buying shares) or overvalued (selling shares) (Tandelilin, 2010).

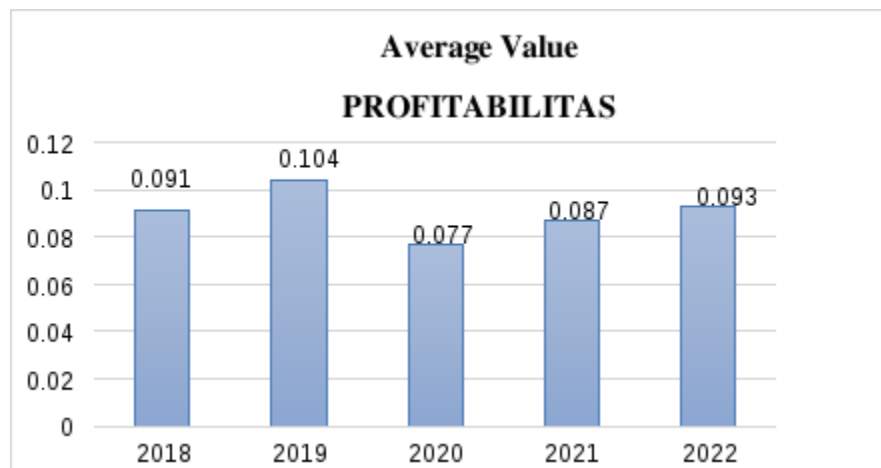
Every company wants a high company value, including manufacturing companies. A manufacturing company is a company whose business activities produce raw materials to produce finished products. One of the sub-sectors of a manufacturing company is the food and beverage sub-sector. PT Sentra Food Indonesia Tbk, for total revenue and profit, experienced a decline in total revenue between 25% to 50%, and net profit decreased above 75% for the period ending June 30, 2020, when compared to June 30, 2019 (Bisnis.com, 2020). In addition, the Coca-Cola beverage company's sales decreased in the second quarter by 28% or IDR 105 trillion (Detikfinance, 2020). The average value of the Company's value proxied by PBV in manufacturing companies in the food and beverage sub-sector listed on the Indonesia Stock Exchange for the 2018-2022 period can be seen in the diagram below.



Source: www.idx.co.id (data processed)

Figure 1. Average Value of Company Value (PBV) of Manufacturing Companies in the Food and Beverage Sub-Sector Listed on the IDX for the 2018-2022 Period

Profitability is the company's ability to generate profits from sales and investment. When the profitability ratio increases, this condition reflects the company's increasing profits (Fahmi, 2011). According to (Kasmir, 2018), the profitability ratio is a tool used to measure a Company's ability to generate profits. Profitability can show a company's performance that can be properly managed so that it reflects a picture of its sound financial performance in the future. If profitability increases, the Company's Company's value can also increase, and vice versa (Winarsih & Fuad, 2022). The average profitability value of manufacturing companies in the food and beverage sub-sector listed on the Indonesia Stock Exchange for 2018-2022 can be seen in the diagram below.



Source: www.idx.co.id (data processed)

Figure 2. Average Profitability Value of Manufacturing Companies in the Food and Beverage Sub-Sector Listed on the IDX for the 2018-2022 Period

Growth opportunity is one of the factors that can affect the company's value. In this study, growth opportunity will be used as an independent variable. Growth opportunity is the opportunity for the company's growth in the future. This opportunity grows if the CompanyCompany invests to gain profit for the Company (Anas, 2021). According to Setiyowati Wahyu (2020), the number of assets owned by the CompanyCompany is proportional to the Company'sCompany's performance, meaning that the increasing number of assets can reflect the increasing condition of the Company'sCompany's performance. The average growth opportunity value of manufacturing companies in the food and beverage sub-sector listed on the Indonesia Stock Exchange for 2018-2022 can be seen in the diagram below.

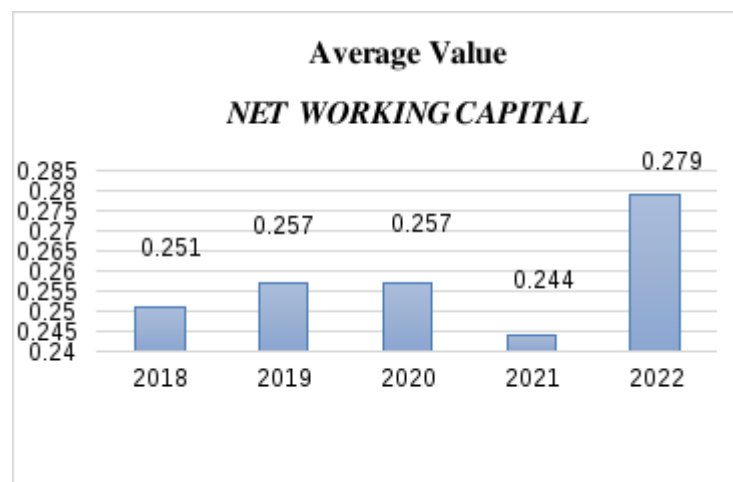


Source: www.idx.co.id (data processed)

Figure 3. Average Growth Opportunity Value of Manufacturing Companies in the Food and Beverage Sub-Sector Listed on the IDX for the 2018-2022 Period

Liquidity is a ratio that shows the company's ability to pay off its short-term debts when they are due. When the CompanyCompany can pay off its short-term debts when they are due, the CompanyCompany is said to be liquid, and vice versa Herry (2016) (February 2020). Assessing liquidity can use several indicators, including current ratio, quick ratio, net working capital, cash flow liquidity ratio, and acid test ratio (Kusumanto & Rifai, 2015). In this study, the liquidity variable uses the net working capital indicator. (Kasmir, 2018) Net Working Capital (NWC) shows the components in current assets minus the total current liabilities.

The diagram below shows the average liquidity value proxied by the Net Working Capital (NWC) of food and beverage sub-sector manufacturing companies listed on the Indonesia Stock Exchange for the 2018-2022 period.



Source www.idx.co.id (data processed)

Figure 4. Average Liquidity Value of Manufacturing Companies in the Food and Beverage Sub-Sector Listed on the IDX for the 2018-2022 Period

Based on the background description above, the researcher is interested in raising the research title: The Influence of Company Growth and Liquidity on Company Value with Profitability as a Moderating Variable.

LITERATURE REVIEW

Firm Value

Mayangsari (2018) in Ningrum Prawesti (2021) states that company value reflects the company's performance results, which can be shown by the stock price resulting from the supply and demand of the capital market. This value can describe the community's assessment. When there is an increase in the stock price, the value of the Company can also increase. The value of the Company can be measured using the price book value (PBV). PBV compares the stock price with the book value per share (Brigham & Houston, 2019). In this study, the company value is proxied by PBV. The PBV formula is as follows:

$$PBV = \frac{\text{Price Per Share}}{\text{Book Value Per Share}} \times 100\%$$

Profitability

Munawir (2002) and Weston & Copeland (1995) in Rahayu (2020) stated that profitability is the success of the Company during a specific period in generating profits and assets owned by the Company, as well as a measure of management effectiveness from the level of return generated from investment and sales. This study used the ROA (Return et al.) indicator. ROA to measure the value of the Company's profitability to measure the value of the Company's profitability is an indicator used to measure the Company's ability to use assets to generate net profit (Siswanto, 2021). The ROA formula is as follows:

$$ROA = \frac{\text{Net Profit}}{\text{Total Assets}}$$

Growth Opportunity

The Company's opportunity to grow well in the future. The opportunity from the Company's growing growth rate shows that the Company can manage its Company well, which is one of the factors that can influence the Company's value. The Company's positive growth also reflects good financial turnover. The more growth opportunities increase, the more the company can optimize future profits (Nathanael F & Panggabean R, 2020). A growing company provides good prospects for the Company's growth to provide returns by the Company's growth for owners and investors (Retnasari et al., 2021). The growth opportunity formula is as follows:

$$\text{Growth Opportunity} = \frac{\text{Total Assets } t - \text{Total Assets } t - 1}{\text{Total Assets } t - 1}$$

Liquidity

KusumCompany'sfai (2015) can use Net Working Capital (NWC) to measure the Company'sCompany's liquidity. The NWC value can indicate the CCompany's high or low liquidity level. Net Working Capital (NWC) shows the ability of the Company's funding sources to settle payments for its short-term liabilities (Erlina & Purwaningsih, 2023). Short-term or current liabilities include salary debt, trade debt, tax debt, one-year bank debt, and promissory notes. The Net Working Capital (NWC) formula is as follows:

$$\text{Net Working Capital (NWC)} = \frac{\text{Current Assets} - \text{Current Liabilitie}}{\text{Total Assets}}$$

METHOD

This study approach. Data analysis uses Moderate Regression data analysis software. The population used in this study is the annual report of the food and beverag47 sector manufacturing companies listed on the Indonesia Stock Exchange for 2018-2022. This study was determined using a purposive sampling technique and several criteria. The sample determination criteria can be seen in Table 1 below.

Table 1 Sample Determination Criteria

No	Kriteria	Jumlah
1	Food and beverage sub-sector manufacturing companies listed on the Indonesia Stock Exchange for the 2018-2022 period	47
2	Food and beverage sub-sector manufacturing companies that did not publish complete financial reports consecutively during the 2018-2022 period	(25)
3	Companies whose financial reports did not have complete data during the 2018-2022 research period related to the variables studied	(13)
Companies that meet the criteria		9
Total number of sample companies (9x5) for the 2018-2022 period		45

Source: data processed from www.idx.com

RESULTS AND DISCUSSION

Classical Assumption Test

This classical assumption test is a prerequisite before further analyzing the collected data. This study uses four classical assumption tests: the normality test, the multicollinearity test, the heteroscedasticity test, and the autocorrelation test.

In testing 45 sample data, the data was not normally distributed, so data reduction was carried out based on seven outlier data into 38 sample data so that the data became usually distributed with a 2-tailed asym sig value of $0.200 > 0.05$. Furthermore, a multicollinearity test showed that the growth opportunity, liquidity, and profitability variables did not experience multicollinearity with a tolerance value of <0.1 and a VIF value of <10 . Then, a heteroscedasticity test was carried out using the park test, showing that the growth opportunity, liquidity, and profitability variables did not experience heteroscedasticity with a sig value of each growth opportunity, liquidity, profitability, and company

value variable > 0.05. Then, an autocorrelation test was carried out using the runs test, showing no autocorrelation with a 2-tailed asym sig value > 0.05.

Moderated Regression Analysis

This study's data analysis used Moderate Regression Analysis (MRA) with SPSS 26 software. This MRA uses a multiplicative interaction between independent variables and an equation formula.

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \dots \dots \dots (1)$$

$$Y = 1.767 + 10.314X_1 + 3.350X_2$$

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 M + \beta_4 X_1 M + \beta_5 X_2 M \dots \dots \dots (2)$$

$$Y = -3.124 + 8.539X_1 + 23.054X_2 + 65.228M - 9.189X_1 M - 225.571X_2 M$$

Regression equation analysis 1 aims to regress the independent variables against the dependent variables. Based on the results of data processing can be seen in Table 2 and Table 3 below.

Table 2 Test of Determination Coefficient of Regression Equation 1

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,586 ^a	,343	,306	1,67224
A. Predictors: (Constant), Liquidity, Growth Opportunity				

It can be seen in Table 1 that the first regression equation obtained an R square value of 0.343, which means that the influence of the growth opportunity and liquidity variables on the company value variable is 34.3 percent.

Table 3 Regression Moderation Test Analysis of Equation 1

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	1,767	,589		2,998	,005
	Growth Opportunity	10,314	2,484	,574	4,152	,000
	Likuiditas	3,350	2,144	,216	1,562	,127
A. Dependent Variable: Firm Value						

Table 2 shows that the first regression equation obtained the sig value of the growth opportunity variable, which is 0.000 and smaller than 0.05. Thus, the growth opportunity variable affects the CompanyCompany value variable. The sig value of the liquidity variable is 0.127, more significant than 0.05, so the liquidity variable does not affect the company value variable. The analysis of regression equation 2 aims to regress the independent variables and the interaction between the independent variables and the moderating variables on the dependent variable. Based on the results of data processing can be seen in Table 4 and Table 4 below.

Table 4 Test of Determination Coefficient of Regression Equation 2

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,834 ^a	,696	,649	1,18988
A. Predictors: (Constant), Liquidity Profitability, Growth Opportunity, Profitability, Growth Opportunity Profitability, Liquidity				

Table 1 shows that regression equation 2 obtained an R square value of 0.696, which means that the influence of the growth opportunity and liquidity variables on the company value variable after the profitability moderation variable became 69.6 percent.

Table 5 Regression Moderation Test Analysis of Equation 2

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-3,124	1,039		-3,008	,005
	Growth Opportunity	8,539	4,655	,475	1,834	,076
	Likuiditas	23,054	5,033	1,485	4,581	,000
	Profitability	65,228	11,860	1,492	5,500	,000
	Growth Opportunity Profitability	-9,180	50,703	-,056	-,181	,857
	Likuiditas Profitabilitas	-225,571	47,906	-2,084	-4,709	,000
A. Dependent Variable: Firm Value						

Table 2 shows that regression equation 2 obtained the result that the significant value of the profitability moderation variable on growth opportunity was 0.857 or greater than 0.05, so it can be concluded that the profitability variable cannot moderate the effect of growth opportunity on company value. The significant value of the profitability moderation variable on liquidity is 0.000 or less than 0.05, so it can be concluded that the profitability variable can moderate the effect of liquidity on company value.

Discussion

The Effect of Growth Opportunity on Company Value

The data processing results show that the growth opportunity variable affects the CompanyCompany value variable. Growth opportunity is a prospect for the CCompany'sgrowth in the future; this can attract investors' interest in growing Companies because Companies that can grow can help improve Company performance so that they can increase income and company profits; when the CCompany'sprofit increases, the routine given to investors can increase so that investors are interested in investing in the Company so that it can increase the CCompany'sstock price, and increase the CCompany'svalue. This study's results align with the results of the study by Sudarmanto et al. (2023) and Oktavianna (2021).

The Effect of Liquidity on Company Value

Based on the data processing results, it was found that the liquidity variable did not affect the Company value variable. Liquidity does not affect the CCompany's value because liquidity is the CCompany's ability to pay off its short-term obligations that will mature; the ability to pay off these obligations is part of the internal conditions so that investors are more interested in other aspects such as the CCompany's ability to generate high profits because high profits can allow for an increase or high level of return that can be received by investors Putu et al. (2021). This study's results align with the results of research by Yudha M et al. (2024) and Taniman & Jonnardi (2020).

The Effect of Growth Opportunity on Company Value with Profitability as a Moderating Variable

Based on the data processing results, the profitability variable cannot moderate the effect of growth opportunity on company value. When the CCompany's growth opportunity increases, it needs to be supported by high funding in order to increase production operations, so the CCompany's funding is not limited to the use of profits but also through borrowing several funds as obligations that must be paid off so that high and low profitability cannot moderate the effect of growth opportunities on the CCompany's value. This study's results align with the research results by Sudarmanto et al. (2023) and Putri & Riza (2023).

The Effect of Liquidity on Company Value with Profitability as a Moderating Variable

Based on the data processing results, the profitability variable can moderate the effect of growth opportunities on company value. Profitability is the performance in generating profits. Suppose the profit generated by the companies is high / increasing. In that case, this reflects the availability of sufficient company funds to pay short-term debts that will mature, increasing the Liquidity value and affecting the CCoC Company's value. The results of this study are in line with the results of research by William & Tanusdjaja (2023), Willian dan Hendang (2023), Retnasari et al. (2021), Yudha M et al. (2024).

CONCLUSION

Based on the findings and discussion of this study, several key conclusions can be drawn. First, growth opportunity significantly influences company value, highlighting its role in driving investors' perceptions and expectations about future performance. This emphasizes the importance of strategic investments and expansion plans in enhancing a company's market valuation.

Second, liquidity does not directly affect company value, indicating that short-term financial stability may not be a primary concern for investors when evaluating a firm's long-term potential. This suggests that stakeholders might prioritize other financial metrics over liquidity in assessing corporate

health. Third, profitability does not moderate the relationship between growth opportunities and company value. This could imply that while growth opportunities are important, their impact on company value is not significantly influenced by the company's ability to generate profit in the short term.

However, profitability does moderate the effect of liquidity on company value, demonstrating that a firm's profitability can enhance the relevance of liquidity in determining its overall market worth. Furthermore, the study reveals that growth opportunities and liquidity collectively account for 34.3% of the variance in company value. When profitability is included as a moderating variable, the explanatory power increases significantly to 69.6%. This underscores the crucial role of profitability as a moderating factor, amplifying the effects of other financial determinants on company value.

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