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The Effect of Debt to Equity Ratio (Der), Return on Asset (Roa), Liquidity, and Net Profit Margin (NPM) on Company Value

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Keywords: debt to equity ratio (der); return on asset (roa); liquidity; net profit margin (npm) and company value.

ABSTRACT

The purpose of this study is to determine the influence of Debt to debt-equity ratio (DER), Return On Asset (ROA), liquidity, and Net Profit Margin (NPM) on the value of companies in Real Estate and Property Companies listed on the Indonesia Stock Exchange in the 2020-2022 period. The method used in this study is quantitative. This study uses a sample research method of 34 companies selected using the purposive sampling method with a total of 81 observation data that are free from outlier data. This study uses multiple linear regression analysis to test the influence of independent variables on dependent variables. The results of this study show that Debt to debt-equity ratio (DER) has a significant positive effect on company value, Return On Asset (ROA) does not affect company value, liquidity does not affect company value, and Net Profit Margin (NPM) does not affect company value.

Introduction

The current growth of the capital market indicates significant progress for the Indonesian economy. This phenomenon is triggered by the increase in public interest in investing in the capital market. Meanwhile, public awareness of the capital market is growing, along with the increase in the number of companies listed in the capital market and the support provided by the government through investment policies. The presence of the capital market is very important in driving the flow of funds for development purposes. According to (Indriawati, Hidayati, & Habib, 2022), "countries that have developed seek the presence of the capital market"

According to (Ilham & Jaya, 2023), investment refers to the allocation of funds or other resources at the present time in the hope of making a profit in the future. One of the factors considered by investors is the company's financial performance. The basic

principle is that the better a company's performance, the higher the investor interest in the company's shares, which will ultimately increase its share price.

Investments can be in the form of fixed asset investments, research and development, business expansion, or investment in new technologies. All of these forms of investment have the potential to increase production capacity, operational efficiency, and the company's ability to compete in the market. Thus, the right and strategic investment can increase the company's profits and, ultimately, increase the company's value. The value of a company is often measured by several indicators, such as stock price, market capitalization, and book value of a company. (Surenjani, Mursalini, & Yeni, 2023). When a company makes profitable investments, it can increase the company's revenue and profitability, which is then reflected in the increase in the stock price. Investors typically see the growth potential and investment success of a company as a key factor in investment decisions. Therefore, effective and successful investments can increase investor confidence, which in turn can increase the demand for shares and the market value of the company. Some of the data that researchers have managed to collect, including 2021 and 2022 data. In 2022, there was a performance in revenue growth of five property issuers.

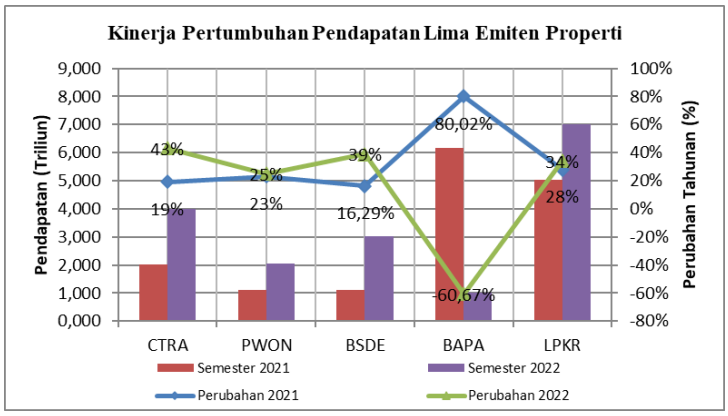

Figure 1
Revenue Growth Performance of Five Property Issuers

Based on Figure .1, shows the revenue performance of five property issuers, namely CTRA, PWON, BSDE, BAPA, and LPKR where the lowest position is in PWON and the highest in CTRA in 2 consecutive periods. Companies in the real estate and property sectors listed on the Indonesia Stock Exchange continue to experience growth from year to year. Therefore, it creates fierce competition between companies in improving company performance so that the company's main goals can be achieved. Financial performance is important for every company because it helps maximize the company's profits. In addition, the smooth running of a business can also be observed, one of which comes from the financial performance of the business. (Candradewi & Sedana, 2016).

Sinarmas Group property issuer PT Bumi Serpong Damai Tbk (BSDE), whose revenue fell 12.71% in 2021, managed to improve its financial performance in the first half of 2022. BSDE's revenue increased by 39% to IDR 3.25 trillion year on year or

IDR 2.34 trillion. Land and construction sales revenue increased to IDR 2.44 trillion from the initial IDR 1.57 trillion. Meanwhile, rental income fell to IDR 365 billion from the previous IDR 417 billion (www.cnbcindonesia.co.id, 2021).

Based on the data that has been described well in 2022. The companies that dominate 2022 are CTRA, PWON, BSDE, BAPA, and LKPR. The five companies need to conduct continuous evaluations to continue to be the property and real estate issuers with the largest net profit. The form of analysis that needs to be carried out is to monitor and calculate the performance of the company against the company's value. Some of the things that need to be done are measuring Debt to Equity Ratio (DER), Return on Asset (ROA), Liquidity, and Net Profit Margin (NPM).

Based on the formulation of the problem that has been prepared, the researcher can determine the purpose of this study. The objectives of this study are:

1. To find out that the debt-debt-equity ratio (DER) has a positive effect on the value of Real Estate and Property Companies listed on the Indonesia Stock Exchange
2. To find out that Return on Asset (ROA) has a positive effect on the value of Real Estate and Property Companies listed on the Indonesia Stock Exchange
3. To find out that Liquidity has a positive effect on the value of Real Estate and Property Companies listed on the Indonesia Stock Exchange
4. To find out that Net Profit Margin (NPM) has a positive effect on the value of Real Estate and Property Companies listed on the Indonesia Stock Exchange

Method

Type of Research

The study adopts a quantitative approach, which involves numerical data analysis. The focus of the study is to investigate the influence of financial performance on the value of companies, as well as whether dividend policy has a moderating effect on the relationship between these variables. This research belongs to the category of associative research, which aims to identify and understand the relationship between two or more variables, especially in the context of causality between independent and dependent variables. (Rochaety, Tresnati, & Latief, 2007).

The data used in this study is annual secondary data collected through the documentation method. This data source was obtained from the publication of the financial statements of all Real Estate and Property Companies listed on the website of the Indonesia Stock Exchange, www.idx.co.id. The data analysis process was carried out using multiple linear regression techniques using the SPSS application."

Based on its dimensional perspective in time, the study is classified as a panel study, where the study is conducted at different time points but with the use of the same sample. The focus of the research analysis is on a special context, namely companies in the Real Estate and Property sector listed on the Indonesia Stock Exchange, with the research period from 2020 to 2022.

Types and Data Sources

The data used in this study is sourced from secondary data. The researcher collected the 2020-2022 financial statements from each Real Estate and Property Company that was the research sample. The results of data collection will be processed according to the ratio of each variable.

Population and Sample

According to Hardani's explanation et.al. (2020), the sample is part of a population that shares the same characteristics. Sampling is carried out as a step to determine the sample size to be used in the study. It is important to choose a sample that reflects the characteristics of the population as a whole so that it can describe actual conditions or be representative of the population in general. In other words, the sample must show all the characteristics present in the population being studied.

This study uses the purposive sampling method, which means that the sample is selected based on certain criteria. The criteria used in the selection of samples for this study can be shown in Table 1 on Sample Determination.

Table 1
Sample Determination

It	Criterion	Not Included in the Criteria	Sum
1	Real Estate and Property Companies listed on the IDX in the Real Estate and Property Companies sector in 2020 - 2022.		81
2	Real Estate and Property companies that are large and have a good track record. The consistency of the financial position is stable and still running well.	(44)	37
3	Publish consecutive annual reports from 2020 – 2022 on the website of the Indonesia Stock Exchange.	(3)	34
Number of Research Samples			34
Number of Units of Analysis (2020-2022)			102

Data Collection Techniques

The data that will be used in this study consists of documents obtained from Real Estate and Property Companies listed on the Indonesia Stock Exchange. The focus of this research is the annual reports from 2020 to 2022 submitted by these companies. The data used as the object of this research is in the form of quantitative data, which is collected through documentary data collection techniques. This approach takes advantage of the publication of financial statements from Real Estate and Property Companies available on the official website of the Indonesia Stock Exchange.

Data Analysis Techniques

1. Classical Assumption Test

The purpose of the classical assumption test is to evaluate whether the data used in the regression model meets the requirements. The results of the classical assumption test will be the basis for the next step of analysis, which is multiple linear regression analysis. The validity of multiple linear regression analysis can only be guaranteed if the classical assumption test has been successfully performed.

2. Multiple Linear Regression Analysis

"Multiple linear regression analysis is used to determine the relationship between two or more independent variables (X1, X2, X3, ... Xn) to the dependent variable (Y) simultaneously or simultaneously (Indrawati, 2015). This research will use data analysis techniques using the SPSS (Statistical Package and Social Science) version 25 program. The use of the SPSS version 25 application aims to see the benchmark results of data in the form of free variables and bound variables. Multiple linear regression analysis was used to determine the influence of Debt debt-to-equity ratio (DER), Return on Asset (ROA), Liquidity, and Net Profit Margin (NPM) on the Value of Real Estate and Property Companies in 2020 - 2022."

3. Hypothesis Test

Test the hypothesis in the study by looking at the t-test, because the t-test is used to test the significance of the relationship between the X and Y variables, whether the variables X1, X2, X3, and X4 affect the Y variable individually or partially (Imam Ghozali, 2006). If the significance value of a test is less than the value of 0.05, then the influence is considered significant. In this study, the t-test was used to determine the influence of Debt to debt-to-equity ratio (DER) (X1), Return on Asset (ROA) (X2), Liquidity (X3), and Net Profit Margin (NPM) (X4) individually affecting the dependent variable, namely company value (Y).

Results and Discussion

Analysis Requirements Test Results

Based on the data analysis techniques that have been prepared, the researcher can describe several test results of the analysis requirements, including classical assumption tests, multiple linear regression tests, hypothesis tests, and determination tests. The following are the results obtained

1. Normality Test Results

The Normality Test is used to test a series of data and find out if the research data has a normal distribution. The results of normality testing with the Kolmogorov-Smirnov method are presented in the following table:

Table 1
Normality Test Results

One-Sample Kolmogorov-Smirnov Test	
	Unstandardized Residual

N		102
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	1.28810041
Most Extreme Differences	Absolute	.248
	Positive	.248
	Negative	-.166
Test Statistic		.248
Asymp. Sig. (2-tailed)		.054c

Source: SPSS 25 Processing Data

The results of the normality test are declared successful or there is data with a normal distribution if the value (sig > 0.05). Based on the results of the normality test of the table above using *the Kolmogrov-Smirnov* method, the Asymp value was obtained. *Sig*. (2-*tailed*) of 0.054 which means greater than the significant level of 0.05, so it can be concluded that this data is normally distributed.

2. Multicollinearity *Test Results*

Multicoloniality can be seen from the tolerance value and Variance Inflation Factor (VIF). The variables are declared free from multicolonial relationships if the tolerance value is more than 0.10 or the VIF value is less than 10 (Ghozali, 2016). The following are the results of the multi-coloniality test:

Table 2
Multicollinearity Test Results

Coefficients

Type		Unstandardized Coefficients		Collinearity Statistics	
		B	Std. Error	Tolerance	VIF
1	(Constant)	.063	.248		
	DER	.548	.164	.816	1.226
	ROA	14.091	14.706	.919	1.088
	CR	.013	.037	.868	1.152
	NPM	-.244	.578	.871	1.148

a. Dependent Variable: PBV

Source: SPSS 25 Processing Data

The results of the multicoloniality test prove that all independent variables of this study are free from the symptoms of multicoloniality. It is free from the symptoms of multicoloniality because the highest VIF value of 1.266 is below 10 and the tolerance value of 0.919 is more than 0.10. This means that the two independent variables in this study, it is free from the multicoloniality relationship.

3. Heteroscedasticity Test Results

The heteroscedasticity test aims to find out whether the regression model in this study has variance and residual inequality between one observation and another. To find out whether or not there are symptoms of heteroscedasticity in this study, you can see from the scatterplot graph below:

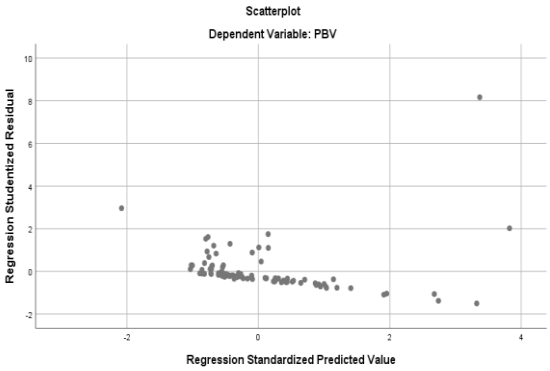

Figure 2
Scatterplot Heteroscedasticity Testing
Source: SPSS 25 Processing Data

The results of the heteroscedasticity test on the scatterplot showed that there were randomly spread points so that a clear pattern was not formed. In addition, these points are also well spread above and below the zero number on the Y-axis.

Multiple Linear Regression Test Results

Multiple linear regression analysis aims to determine whether or not there is a significant influence value between the variables debt to equity ratio (DER), return on asset (ROA), liquidity, and net profit margin (NPM) on the company's value (Ghozali, 2016). The following are the results of multiple linear regression analysis through the SPSS Version 25.0 program:

Table 4
Multiple Linear Regression Test Results

Coefficients						
		Unstandardized Coefficients		Standardized Coefficients		
Type		B	Std. Error	Beta	t	Sig.
1	(Constant)	.063	.248		.256	.798
	DER	.548	.164	.353	3.340	.001
	ROA	14.091	14.706	.095	.958	.340
	CR	.013	.037	.037	.363	.717
	NPM	-.244	.578	-.043	-.421	.675
a. Dependent Variable: PBV						

$$Y = a + b1X1 + b2X2 + b3X3 + b4X4$$
$$Y = 0.063 + 0.548\ X1 + 14{,}091\ X2 + 0.013\ X3 - 0{,}244\ X4$$

Information:
Y = Company Value (PBV)
a = constant
B1, B2, B3, B4 = regression coefficients.
X1 = *Debt to Equity Ratio* (DER)
X2 = *Return On Asset* (ROA)
X3 = Liquidity
X4 = *Net Profit Margin* (NPM)

From the regression equation, it can be explained as follows:

1) A value of 0.063 is a constant that if the variable values of debt to equity ratio (DER), return on asset (ROA), liquidity, and net profit margin (NPM) are considered zero, then the Company Value will increase by 0.063.
2) b1 (Regression coefficient X1) is 0.548. Proving that the debt to equity ratio (DER) variable has a positive influence on the company's value which means that every increase of 1 unit of the debt to equity ratio (DER) variable will increase the company's value (Y) by 0.548.
3) b2 (Regression coefficient X2) of 14.091. Proving that the return on asset (ROA) variable has a positive influence on the company's value, which means that every 1 unit increase in the return on asset (ROA) variable will increase the company's value (Y) by 14.091.
4) b3 (Regression coefficient X3) is 0.013. Proving that the liquidity variable has a positive influence on the value of the company which means that every increase of 1 unit of liquidity variable will increase the value of the company (Y) by 0.013
5) b4 (Regression coefficient X4) is -0.244. Proving that the Net Profit Margin (NPM) variable has a negative influence on the company's value, which means that every increase of 1 unit of the Net Profit Margin (NPM) variable will decrease the company's value (Y) by -0.244.

Hypothesis Test Results

The hypothesis test or t-test was carried out to prove the influence between free variables (debt to equity ratio (DER), return on asset (ROA), liquidity, and net profit margin (NPM)) on the bound variable (company value). The significance rate of this study is 5%. The following are the results of hypothesis testing:

Table 3
Hypothesis Test Results
Coefficients

Type		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	.063	.248		.256	.798
	DER	.548	.164	.353	3.340	.001
	ROA	14.091	14.706	.095	.958	.340
	CR	.013	.037	.037	.363	.717
	NPM	-.244	.578	-.043	-.421	.675

a. Dependent Variable: PBV

Based on the independent variables, there is a testing process that is carried out individually, the following are the results of the hypothesis test of each variable:

1) Variable debt to equity ratio (DER) to company value

The statistical test t was carried out to test the first hypothesis which reads "Debt to Equity Ratio (DER) has a positive effect on the Company's value". If you look at the results of the statistical test t in the table above, the significance value of the Debt to

Equity Ratio (DER) (X1) to the value of the company (Y) is 0.001 less than 0.05. In addition, the calculated t-value is 3.340 greater than the table t-table of 1.985. Based on this, there is a partial influence. So it can be concluded that there is a significant influence of the Debt to debt-to-equity ratio (DER) variable (X1) on the value of the company (Y). This means that the first hypothesis (H1) is accepted or proven to be true.

2) Return on asset (ROA) variable on company value

The statistical test t was carried out to test the second hypothesis which reads "Return on Asset (ROA) variables have a positive effect on the Company's value". If you look at the results of the statistical test t in the table above, the significance value of Return on Asset (ROA) (X2) to the value of the company (Y) is 0.340 greater than 0.05. In addition, the calculated t-value is 0.958 smaller than the table t-1.985. Based on this, there is no partial influence. Therefore, it can be concluded that there is no significant influence of the Return on Asset (ROA) variable (X2) on the value of the company (Y). This means that the second hypothesis (H2) is rejected or not proven to be true.

3) Liquidity variables to company value

The statistical test t was carried out to test the third hypothesis which reads "Liquidity variables have a positive effect on the value of the Company". If you look at the results of the t-statistical test in the table above, the value of liquidity significance (X3) to the value of the company (Y) is 0.717 greater than 0.05. In addition, the calculated t-value is 0.363 smaller than the table's t-1.985. Based on this, there is no partial influence. Therefore, it can be concluded that there is no significant influence of the liquidity variable (X3) on the value of the company (Y). This means that the third hypothesis (H3) is rejected or not proven to be true.

4) The variable net profit margin (NPM) against the value of the company

The statistical test t was carried out to test the fourth hypothesis which reads "Net Profit Margin (NPM) variables have a positive effect on the Company's value". If you look at the results of the t-statistical test in the table above, the significance value of net profit margin (NPM) (X4) to the value of the company (Y) is 0.675 greater than 0.05. In addition, the calculated t-value is -0.421 smaller than the table's t-1.985. Based on this, there is no partial influence. Therefore, it can be concluded that there is no significant influence of the net profit margin (NPM) variable (X4) on the company's value (Y). This means that the fourth hypothesis (H4) is rejected or not proven to be true.

Based on the results of the researcher's findings, it is possible to examine in more depth the hypotheses that have been tested previously. The following is a discussion of this study:

Debt to Equity Ratio (DER) to Company Value

Debt to Equity Ratio (DER) is one of the important financial ratios in analyzing the capital structure of a company. This ratio provides an idea of how much the company relies on debt to finance its operating activities compared to equity or its capital. The way to calculate DER is to divide the company's total debt by the total equity it owns (Sukamulja & Fidanti, 2017).

Conceptually, DER reflects the level of leverage or the level of debt of a company. Companies with high DERs indicate that they tend to use more debt in

comparison to their own capital to finance their operations or investments. This could mean that the company seeks to leverage leverage to magnify returns for shareholders, as the cost of debt is often lower than the cost of its own capital.

However, a high level of DER can also increase a company's financial risk. Companies with high DERs will pay greater interest to creditors, which could put a strain on their cash flow and increase the risk of bankruptcy if they are unable to generate enough income to cover those interest costs. In contrast, a low DER indicates that the company relies more on its capital to finance its operations, which can indicate higher financial stability and a lower risk of bankruptcy.

This DER analysis also signals investors about the company's financial policies and management's preferences towards debt use. Investors looking for investments with lower risk may be more likely to choose companies with low DERs, while investors looking for higher return potential may be more attracted to companies with high DERs. In the context of signaling theory, DER can also be an indicator for investors about the company's financial policy and future growth potential.

The results of the study on the influence of the Debt to debt-equity ratio (DER) variable on the company's value show that the Debt to debt-equity ratio (DER) has a significant positive effect on the company's value. This means that when the company's Debt to Equity Ratio (DER) increases, the company's value will also increase, and vice versa, if the company's Debt to Equity Ratio (DER) decreases, the company's value will also decrease. Every change in the company's Debt to debt-equity ratio (DER) will have an impact on the company's value. The existence of large funding such as debt has an impact on the value of the company seen by the shareholders of a company. The results of this test are by the first hypothesis that the Debt to debt-equity ratio (DER) has a significant effect on the company's value.

The results of this study are in line with research conducted by (Irdiana, Darmawan, Ariyono, & Khairullah, 2022) and (Anggita & Andayani, 2022) Stating that Leverage has a positive and significant influence on company value, but the results of this study are contrary to research conducted by (Dj, Artini, & Suarjaya, 2012) Stating that Leverage has a negative impact that is not significant on company value.

The Debt to debt-equity ratio (DER) has a significant influence on a company's value because it reflects the capital structure and the level of leverage that the company uses in its operations to run well. This ratio measures how much a company relies on debt compared to its equity. A high DER indicates that the company is using more debt to finance operations or investments, which could provide an advantage in return on investment for shareholders due to the relatively lower cost of debt than the cost of equity. In contrast, a low DER indicates the company is relying more on its capital, which can provide financial stability but may reduce the potential for growth and returns for shareholders. Therefore, DER is important in evaluating the company's risk and potential return, as well as being a factor considered both by the company's management in setting financial strategies, as well as by investors in making their investment decisions.

Return On Asset (ROA) on Company Value

Return on Assets (ROA) is one of the key financial ratios used to evaluate the efficiency and profitability of a company. This ratio measures the company's ability to generate net profit from the use of its assets. The way to calculate ROA is to divide the net profit earned by the company by the total assets owned. ROA provides an overview of how efficient a company is in managing its assets to generate profits (Mumu & Veronica, 2024).

Conceptually, ROA is the main indicator in assessing the productivity and efficiency of the company's asset use. Companies that are able to achieve a high ROA show that they are effective in allocating and utilizing their assets to generate maximum revenue. A high ROA level can reflect good management in controlling operational costs, improving production efficiency, or successfully facing competition in the market.

On the other hand, a low ROA can indicate problems in asset management, such as high production costs, inefficient use of capital, or lack of competitiveness in the market. Companies with low ROA may need to make improvements in operational strategies, cost management, or product development to improve profitability and efficiency.

ROA analysis also provides investors with a perspective on a company's operational performance and profitability. Investors tend to look for companies with consistent or increasing ROAs over time, as this indicates that the company can make healthy profits from the assets it owns. A good ROA can also be a positive signal for investors about the company's future growth prospects and business sustainability.

Based on the results of the research on the Return On Asset (ROA) variable on the company's value, the result is that Return On Asset (ROA) has no effect, meaning that when there is a change in Return On Asset (ROA), the company's value will not have an impact on the change. So if the company's Return On Asset (ROA) increases or decreases, the company's value will not have a big enough impact. The results of this test are not by the second hypothesis that Return On Asset (ROA) has a significant effect on the company's value.

This result is in line with the research of Andriani et al., (2022) who stated that based on the results of data analysis, partial Return On Asset (ROA) does not have a significant effect on the company's value. However, the results of other studies contradict Krisnando's (2019) research which states that the Return on Asset variable has a significant positive effect on the company's value. This reflects that the higher the ROA value, the higher the company's ability to generate profits for the company so it will have an impact on the high value of the company. Many factors from within and outside the economy affect the company's financial performance, making the company must be able to develop a good business strategy to maintain the company's financial performance and value.

The results of the study show that Return On Asset (ROA) does not affect the Company's Value. This is because the value of a company is influenced by many other factors such as growth expectations, management strategies, market conditions, and risks. A high ROA can indicate that the company is efficient in managing its assets to

generate profits, but the company's value is also influenced by external factors and long-term strategies that are not fully reflected in a single financial ratio such as ROA. Investors and financial analysts need to thoroughly consider these factors in measuring a company's value and understand that ROA is just one of the many indicators used in evaluating a company's performance and investment prospects.

Liquidity to Company Value

Liquidity theory is a key principle in financial analysis that provides an overview of the extent to which a company can fulfill its financial obligations (Zuliarni, 2018). Liquidity, in this theory, reflects a company's ability to convert its assets into cash quickly and without significant losses. Companies with high levels of liquidity have sufficient cash reserves or easily liquidated assets to meet those obligations without having to experience a significant decline in the value of assets or rely on expensive short-term loans.

Conversely, companies with low liquidity may face the risk of not being able to meet their financial obligations promptly, which could lead to more serious financial problems such as defaults or credit reductions from suppliers and creditors. Therefore, good liquidity management is key to ensuring stable operational continuity and preventing negative impacts on the company's reputation in the market.

Liquidity analysis also provides investors with a view of the company's financial stability and its ability to manage financial risks. Investors tend to choose companies with healthy levels of liquidity because this reflects good management and the potential to maintain smooth and sustainable operations. By understanding liquidity theory, investors can make more informed investment decisions and reduce risks related to a company's inability to manage its financial obligations effectively.

Based on the results of the research on the liquidity variable on the value of the company, the result is that liquidity has no effect, meaning that when there is a change in liquidity, the value of the company will not have an impact on the change. So if the company's liquidity increases or decreases, the company's value will not have a big enough impact. The results of this test are not by the third hypothesis that liquidity has a significant effect on the value of the company.

This finding is supported by research conducted by Rutin et al. (2019), which shows that liquidity does not have an impact on the company's value. This is also by the results of research conducted by (Dj et al., 2012), which stated that liquidity does not affect the value of the company. However, this result is different from the research conducted by (Setiawan & Rahmawati, 2020), which found that liquidity has a significant positive influence on the value of companies.

The results of the study show that liquidity does not affect the value of the company. This is because the company's value is more influenced by long-term factors such as growth strategies, operational efficiency, product innovation, and competitive position in the market. While a high level of liquidity indicates that a company can manage cash flow and meet its financial obligations well, it does not in itself guarantee an increase in the company's value. Instead, the company's value is more influenced by future growth potential, consistent operational performance, and effective management

policies in allocating resources. Therefore, while liquidity is important for operational stability, a company's value is influenced by more complex and long-term strategic factors that include aspects of the company's overall economy, market, and management.

Net Profit Margin (NPM) on Company Value

Net Profit Margin (NPM) theory is an important concept in financial analysis that measures the extent to which a company manages to generate net profit from its operating income. (Jamilah, 2020). NPM measures the percentage of net profit generated by a company from its operating income after considering all costs and expenses, including production costs, selling costs, and administrative costs. The way to calculate NPM is to divide the net profit by the total operating income, then multiply the result by 100 to get the percentage.

Essentially, NPM indicates how efficient a company is in managing costs and generating profits from its operational activities. Companies with high NPM show that they successfully control operational costs and maximize their profit margins from each sale. The high NPM rate also often reflects the good competitiveness and effectiveness of the company's business strategy in meeting market demand with efficient costs.

On the other hand, low NPM can indicate challenges in controlling costs, high competition in the market resulting in pressure on prices, or difficulties in improving operational efficiency. Companies with low NPM may need to evaluate their cost strategy or look for ways to improve operational efficiency and resource management.

NPM analysis not only provides an overview of current profitability but also indicates potential future profit growth. Investors often use NPM as one of the important factors in assessing a company's financial performance and investment potential. Companies with stable or increasing NPM can be considered an attractive investment option because they demonstrate the company's ability to generate profits consistently and efficiently.

Based on the results of the research on the Net Profit Margin (NPM) variable on the company's value, the result is that the Net Profit Margin (NPM) has no effect, meaning that when there is a change in the Net Profit Margin (NPM), the company's value will not have an impact on the change. So if the company's Net Profit Margin (NPM) increases or decreases, the company's value will not have a large enough impact. The results of this test are not by the fourth hypothesis that Net Profit Margin (NPM) has a significant effect on the value of the company.

The results of this study are in line with research from Asrin (2021) which states that net profit margin does not affect the company's value. In addition, there is also a study in line with (Riesch et al., 2017) Which states that the net profit margin does not affect the company's value. However, there is research that is not in line, namely from Siti Hawa (2015) which states that net profit margin affects the value of the company."

The results of the study show that Net Profit Margin (NPM) does not affect the Company's Value. This is because a company's value is influenced by many other factors such as growth expectations, risk, management strategies, and broader market conditions. While a high NPM can indicate a company's good operational efficiency and

ability to generate healthy profits, other factors such as product innovation, competitive position in the market, and management's strategic decisions also play an important role in determining the company's long-term value.

Conclusion

Based on the results of the study, several main findings can be concluded. First, the Debt to debt-equity ratio (DER) affects the value of the company, which shows that the capital structure and the level of leverage used by the company in its operations have been running well. Second, Return On Asset (ROA) does not affect the company's value, which means that changes in ROA do not have an impact on the company's value. This shows that the company's value is more influenced by external factors and long-term strategies that are not fully reflected in a single financial ratio such as ROA.

Third, liquidity also has no effect on the company's value, which indicates that changes in liquidity, both up and down, do not have a significant impact on the company's value. This indicates that a company's ability to manage cash flow and meet its financial obligations does not directly guarantee an increase in the company's value. Fourth, Net Profit Margin (NPM) does not affect the company's value, which means that changes in NPM do not have a major impact on the company's value. The findings underscore that other factors, such as product innovation, competitive position in the market, and strategic management decisions, also play an important role in determining a company's long-term value. All reviews conducted in this study mainly focused on short-term perspectives.

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