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THE EFFECT OF FINANCIAL DISTRESS, PROFITABILITY AND CURRENT RATIO ON FIRM VALUE

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ABSTRACT

This study analyzes the effect of disclosure of Financial Distress, Profitability, and Liquidity on Firm Value. The sampling technique used was purposive sampling. What conducted the research on Mining Sector Companies listed on the Indonesia Stock Exchange.

This research is expected to be used as a reference for company management in determining company value, which is proxied based on PBV. The government can find out what factors affect company value and help realize good corporate value. The results and findings of this study can make a positive contribution to potential investors to determine the company's value in assessing the good or bad condition of the company. This study aims to determine the effect of disclosure of Financial Distress, Profitability, and Liquidity on Firm Value. The study results indicate that Financial Distress has no impact, Profitability and Liquidity have a significant positive effect on Firm Value. The output target of this research is the publication of an international journal.

KEYWORDS: *Financial Distress, Profitability, Liquidity, and Firm Value.*

INTRODUCTION

Research Background

Company value is a perception of the public or investors on the company's level of success from its inception until now. According to Indriani (2018), the value of an entity can describe the company's financial performance and the actual situation within a company to influence investors' perceptions. Firm value is an investment expenditure that provides a positive signal from investment to managers about future company growth, thereby increasing stock prices as an indicator of company value (Sitepu, 2015). According to Indriani (2018), financial managers' decisions aim to prosper investors because doing so will increase company value. Two factors can influence firm value, both internal and external factors. External factors can be interest rates, fluctuations in foreign exchange rates, and capital market conditions. Internal factors are controllable, which means they can be controlled by the company, such as company performance, financial decisions, capital structure, cost of equity, and other factors.

The current global financial crisis has had a significant impact on companies' performance and value in Indonesia. Changing the world economic order. This crisis began when dotcom companies' stocks in the UnitShe were changings collapsed in 2000 to 2001.With the collapse in the value of the dotcom companies' stock value, banks faced defrosts from their debtors cause the company was unable to pay loans to banks as well as market and financial market conditions. Under tremendous pressure. Large financial institutions in the United States, such as Lehman's, began to collapse due to the decline in European countries' investment value and the United States from 2008 to 2011. This economic crisis spread throughout the world.

The weakening of the global economy was also felt by Indonesia, both in the financial sector and in the non-financial sector (real). In the financial industry, the decline in the value of world investment has reduced share prices for Indonesia's mining companies. Besides, this global crisis caused the rupiah exchange rate to weaken to the level of 14,728 / US dollar on 29 September 2015 (www.bi.go.id). In the non-financial sector (real sector), the global crisis has reduced the world community's purchasing power so that demand and prices for commodity goods have decreased. In other words, Indonesia's export value has decreased, including exports of mineral goods such as coal, nickel, and tin.

The decline in prices and demand for mining goods caused mining companies to close down because they could not maintain their business continuity (going concern). The company's inability to

support its business continuity was caused by 2 (two) things: economic failure and financial failure. Economic collapse is caused because the cost of capital is higher than the return on investment costs. Meanwhile, monetary loss is caused because the company cannot pay its obligations at maturity (Wulandari, 2019). This financial failure is known as economic distress.

Financial distress is the stage of a decline in economic conditions before bankruptcy or liquidation (Platt and Platt, 2002 in Mohammed 2017). According to Wruck (1990) in Mohammed 2017), financial distress is a condition in which operating cash flow is not sufficient to meet all current obligations that are due, such as trade payables or interest costs. Financial distress can mean short-term financial difficulties (liquidation) to long-term financial problems (bankruptcy), which means that an entity cannot maintain its business continuity.

According to Agustini (2019), financial distress occurs because the company cannot manage and maintain financial performance stability, causing the company to experience operating losses and net losses for the current year. Furthermore, the losses that occur will result in a capital deficiency due to a decrease in the value of the retained earnings used to make dividend payments so that the total equity as a whole will also experience lack. This condition indicates that a company is experiencing financial distress. In the end, if the company is unable to get out of the conditions mentioned above, the company will experience bankruptcy.

Another factor that is considered capable of determining firm value is Profitability. Profitability shows the company's ability to earn profits or a measure of the effectiveness of management. Who can assess Profitability by comparing the profit earned during a specific period with the company's number of assets or capital, which is stated in a percentage (Haryadi, 2016)? Companies that show high Profitability show that companies manage the company's wealth effectively and efficiently.

In this research, company profitability is calculated using Return On Equity (ROE) by dividing net profit after tax (earning after-tax) with own capital. The higher the ROE, the higher the company's ability to generate profits and will make the company's Profitability high. Based on the results of research conducted by Lubis, Sinaga, and Sasongko (2017), it is stated that ROE has a positive and significant effect on firm value because ROE results say that the company produces favorable conditions so that if ROE is high, it will give a positive signal to investors. This research is in line with the study of Sudiani and Darmayanti (2016) and Haryadi (2016), which state that ROE positively affects firm value because these results prove that the higher the profit value obtained, the higher the firm value. However, there are differences based on research conducted by Manoppo and Arie (2016), which states that ROE does not affect firm value because this study does not provide empirical evidence that if Profitability (ROE) increases, the firm value will also increase.

The next factor that is considered capable of determining company value is the Current Ratio. The Current Ratio is a ratio that compares the accounts of current assets and current liabilities to assess the company's ability to pay off its short-term liabilities. The increasing of this ratio will give the company's owner a positive signal that the company can pay off obligations that must pay immediately. Investors will eventually respond to this positive signal and lead to an increase in share prices. Research conducted by Agustini (2019) found that the Current Ratio partially affects stock prices in the manufacturing company Ayu et al. (2017) found that the Current Ratio has a positive effect on manufacturing companies' stock prices. The same results are also shown by research conducted by stocks (Pouraghajan et al., 2013) with path analysis that directly affects the current ratio of stock market prices.

This study focuses on examining the effect of financial distress, Profitability, and liquidity on firm value. This is because the company has a profit objective and ensures the company's sustainability. Good company management will increase shareholders' investment value in the long term and ultimately increase stakeholder confidence, including investors.

Based on the background description above, the authors are interested in researching with the title "The Effect of Financial Distress, Profitability and Liquidity on Firm Value."

Formulation of the problem

Based on the background above, the main problem is the difference in research results from previous researchers. Based on the description above, the questions in this study can be formulated as follows:

1. Does financial distress affect firm value?
2. Does Profitability affect the value of the company?
3. Does liquidity affect the value of the company?

LITERATURE REVIEW

Agency Theory

Jensen and Meckling (1976) state that "agency relationships as a contract under which one or more persons (the principal) engage another person (the agent) to perform some service on their behalf, which involves delegating some decision making authority to the agent." In this case, what is meant by (the principal) is the shareholders while (the agent) is the management that manages the company? In the contractual agreement of the two parties, the shareholders must provide funds for the management of the company. In contrast, the administration must obtain the results in the form of profit to be shared with the shareholders.

Jensen and Meckling (1976) state that "the agent will not always act in the best interests of the principal." Hidayah (2015) states that managers (agents) are morally responsible for optimizing the benefits of the owners (principal), but on the other hand, managers also have an interest in maximizing their welfare. The existence of two different interests results in a conflict called agency conflict.

Sutedi (2011: 15) states that agency theory can help find solutions to agency problems that arise between agents (managers) and principals (shareholders) so that investors are sure to invest their shares in the company in the hope of earning massive profits in the future. Hasnawati and Sawir (2015) stated that agency theory, in principle, uses the central assumption that the selection of company policy aims to maximize the value of the company.

From the explanation above, it can be concluded that agency theory is the relationship between shareholders and company management. These relationships sometimes cause conflicts between shareholders and company management. Therefore, a contract is needed to unite the goals in the interests of shareholders and management. A good relationship will have an impact on the selection of policies and ethical decision making so that it affects the company's value.

Company Value

The theory of the firm provides recognition that the company's goal is to maximize profits or the current value of the company (Haryadi, 2016). The establishment of the company must have a clear purpose. The amount of a company that is reflected through stock prices will undoubtedly be influenced by several factors, such as the stock price index, interest rates, and the company's fundamental conditions. The necessary condition is a condition related to the internal states of the company. Significant factors are closely related to company conditions, such as the financial condition of a company, which is reflected in the company's economic performance. If a company wants to do fundamental analysis, it requires the company's primary data derived from the company's financial statements, such as sales, dividends distributed, company profits, and so on (Jogiyanto, 2016).

According to Gustian (2017), the value of the company is the company's performance, which is reflected by the share price formed by the demand and supply in the capital market that reflects the public's assessment of the company's performance. Company values summarize the collective evaluation of investors about how good the condition of a company, both current performance and prospects. Company value can be measured using stock prices using a ratio called the valuation ratio. According to Sudana (2011), the valuation ratio is a ratio associated with evaluating the performance of company shares that have been traded on the capital market (go public). Valuation ratios provide information on how much the community values the company so that people are interested in buying shares at a price higher than the book value. In this study, the ratio used to measure the cost of a company is Price to Book Value (PBV).

Financial Distress Review

Financial difficulties faced by the company can vary from liquidity difficulties (technical insolvency), where the company is unable to meet financial obligations temporarily, to difficulty solvency (bankruptcy), where the company's financial obligations have exceeded its wealth. (Hanafi and Halim, 2012). If the prospect of the company is considered not to provide hope, then liquidation must be taken. However, many companies experiencing financial difficulties can be rehabilitated for the benefit of creditors, shareholders, and the public.

According to Ross et al. (2013), in principle, a company faces bankruptcy if the value of its assets is the same as the value of its debt. When this happens, the equity value is zero, and the company's control moves from the shareholders to the creditors. Ross further stated that financial distress is a consequence of the use of debt that can be described in various ways:

1. Business failure: A situation where a company has been declared a loss by creditors
2. Legal Bankruptcy: the company has been submitted to the court to be declared bankrupt
3. Technical insolvency: this happens if the company is unable to meet its financial obligations
4. Accounting insolvency: the company has negative equity. This occurs when the book value of liability exceeds the book value of its assets

Elloumi and Gueyie (2001) in Hanifah (2013) categorize companies with financial distress if they experience negative net income for two years in a row. Classens (1999) in Wardhani (2006) defines companies that are in financial difficulty as companies that have an interest coverage ratio of less than one. Kristijadi (2003) in Almilia (2006) states that companies that experience financial distress are companies that have experienced negative net operating income for several years and have not paid dividends for more than one year.

Financial Distress Model

According to Prihadi (2010), the Z Score of Altman is a method of calculating bankruptcy rates that are very well known from the past. Afternoon Z is the most suitable model used in Indonesia Anjum (2012) examines the Altman Z Score bankruptcy prediction model.

Edward Altman first introduced the Z Score bankruptcy prediction model in 1968. The initial model of Dr. Altman was as follows:

$$Z = 0.012X1 + 0.014X2 + 0.033X3 + 0.006X4 + 0.999X$$

Where :
X1 = Working capital / total assets
X2 = Retained earnings / total assets
X3 = Earnings before interest and taxes / total assets
X4 = Market value of equity / book value of total debt
X5 = Sales / total assets
The Z Score calculation results indicate the company's condition as follows:
Z-score <1.81: most likely will go bankrupt
Z- scores> 2.67: not bankrupt
Z-scores between 1.81 - 2.67: a gray area
Because it requires market value data, this model is only appropriate for public companies.
In 1983, Altman developed the Z-score model for private companies with the following model (Altman 1993, in Anjum 2012):

$$Z = 0.717\ (X1) + 0.847\ (X2) + 3.107\ (X3) + 0.420\ (X4) + 0.998\ (X5)$$

Where :
X1 = Working capital / total assets
X2 = Retained earnings / total assets
X3 = Earnings before interest and taxes / total assets
X4 = N.W ./(bookvalue) total liabilities
X5 = Sales / total assets

The Z Score calculation results indicate the company's condition as follows:
Z-score <1.23: most likely will go bankrupt
Z- scores> 2.90: not bankrupt
Z-scores between 1.23 - 2.90: gray areas

In 1993, Altman continued his research and revised his model that eliminated X5 variables to eliminate industry effects in terms of company size related to assets or sales that could be eliminated (Altman, 1993, in Anjum 2012).

$$Z = 6.56\ (X1) + 3.26\ (X2) + 6.72\ (X3) + 1.05\ (X4)$$

Z-score <1.10: most likely will go bankrupt
Z- scores> 2.60: not bankrupt
Z-scores between 1.10 - 2.60: gray areas

Return On Equity (ROE)

According to Lubis, Sinaga, and Sasongko (2017), profitability is an essential consideration for investors in investment decisions. High profitability indicates a good company prospect so that investors will respond positively to these signals, and the value of the company will increase. Company profitability can be seen through several ratios such as Return On Assets (ROA), Return On Equity (ROE), and Return On Investment (ROI). In this study, the ratio used in measuring company value uses Return On Equity (ROE).

Return On Equity is a ratio that shows how much Equity contributes to creating net income (Hery, 2017). Investors will have more confidence in companies that can manage their capital well that can benefit them. The level of return obtained illustrates how good the company's value is in the eyes of investors (Hariyanto and Lestari, 2015).

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Current Ratio

The Current Ratio is one of the most commonly used ratios to measure a company's liquidity or ability to meet short-term obligations without facing difficulties. Syamsuddin (2016: 43) states that "Current ratio is who can determine one of the most frequently used financial ratios. The current ratio level by comparing current assets with current liabilities". The greater the current Ratio, the higher the company's ability to meet its short-term obligations.

Past Research

Research that has been done before is significant to disclose because it can be used as a source of information and reference material that is very useful for writers. Lubis, Sinaga, and Sasongko (2017) conducted research entitled" Effect of Profitability, Capital Structure, and Liquidity on Company Values in Bank Go Public Banks 2011-2014 Period". The study results stated that the return on equity (ROE) has a positive and significant effect on company value (PBV). Hence, companies need to pay attention and continue to improve ROE by developing prospects for activities to increase profits. The most significant profitability value is ROE when compared to other independent variables. Therefore, ROE can be used as a predictor in predicting company value.

Research conducted by Dewi and Sudiartha (2017) entitled" Effect of Profitability, Company Size, and Asset Growth on Capital Structure and Company Value in Consumer Goods Industrial Companies Listed on the Indonesia Stock Exchange Period 2012-2014". The results of the study stated that profitability has a significant positive effect on capital structure, firm size and asset growth has a negative and not significant effect on capital structure, profitability has a positive and significant impact on firm value, company size has a positive and not significant effect on firm value, asset growth has an effect harmful and not vital to the value of the company and structure variables have a significant adverse impact on capital structure.

Research conducted by Jalestiana (2018) entitled "The Effect of Managerial and Institutional Ownership on Company Value with Debt Policy as Moderation Variables in Manufacturing Companies Listed on the Indonesia Stock Exchange in the 2014-2016 Period". The results of the study stated that managerial ownership (MOWN) did not affect firm value (PBV), institutional ownership (INST) had a positive effect on firm value (PBV), debt policy (DER) had a significant adverse impact on firm value (PBV). In this study, also managerial ownership (MOWN) of firm value (PBV) and debt policy cannot moderate the effect of institutional ownership (INST) on firm value (PBV). This proves that the higher the institutional ownership, the greater the value of the company. The higher the percentage of shares owned by institutional ownership will make the supervision carried out more effectively because it can control management's opportunistic behavior and reduce agency costs. And can increase company value.

Bintara and Tanjung (2019). Analysis of Fundamental Factors on Stock Return explains that Return On Assets, Current Ratio, Debt to Equity, and Price Earning Ratio affect its value proxied by Stock Return. In contrast, Price to Book Value does not affect the value of the company.

Tanjung and Wahyudi (2019). Analysis of the Effect of Disclosure of Sustainability Report, Economic Value Added, and Other Fundamental Factors of Companies on Company Value explains that Debt to Equity and Price Earning Ratio affect the firm's value.

Framework

Based on the periodization chosen in this study and the previous description, the theoretical framework of this research is described as follows:

Effect Of Financial Distress, Profitability, And Current Ratio On Company Value

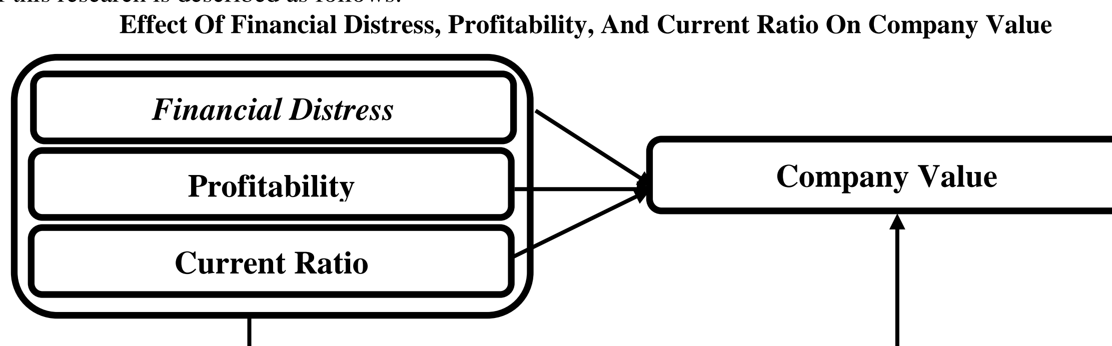

Figure . 1 Framework

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Research Hypothesis

H1 : Financial Distress influences Company Value
H2 : Profitability affects Company Value
H3 : Current ratio influences Company Value

Variable Definition and Operationalization

Company Value

In the study, the dependent variable used is Company Value, which is proxied using Price to Book Value (PBV). This ratio is used to measure the level of stock prices, whether overvalued or undervalued. The lower the PBV value of a stock, the stock is categorized as undervalued, which is very good for long-term investment. PBV is a ratio that shows the results of the comparison between the market price per share with the book value per share. These measurements are formulated as follows:
Price to Book Value = (Price per share) / (Book value per share)

Financial Distress

In this research, in calculating the Financial Distress Variable using the Altman Z Score bankruptcy prediction model. The Altman Z Score model is as follows:
$Z = 6.56 (X1) + 3.26 (X2) + 6.72 (X3) + 1.05 (X4)$
Z-score <1.10: most likely will go bankrupt
Z- scores> 2.60: not bankrupt
Z-scores between 1.10 - 2.60: gray areas

Return On Equity (ROE)

Return On Equity is a ratio that shows how much the contribution of Equity in creating net income. Investors will have more confidence in companies that can manage their capital well that can benefit them. This variable is measured by calculating the results of a comparison between the amount of net income with the company's total Equity which is formulated as follows:

ROE = (Net Income)/ (Total Equity)

Current Ratio (CR)

Current Ratio is one of the most commonly used ratios to measure the liquidity or ability of a company to meet short-term obligations without facing difficulties. Syamsuddin (2016: 43) states that "Current ratio is one of the most frequently used financial ratios. The level of current ratio can be determined by comparing current assets with current liabilities ". The greater the current ratio, the higher the company's ability to meet its short-term obligations

Current Ratio = Current Assets/ Current Liabilities

Population and Research Sample

The population used in this research is companies included in the Mining Industry Sector. The mining company was chosen as a research sample because the object mining company was directly affected by the issuance of RI Law No. 40 of 2007. The sampling technique used was purposive sampling. This technique selects specific target groups to obtain information. The sample is sent for certain types of groups that can provide the required information because the group is the only party that knows or because the group is following the criteria set by the researcher.

Data Analysis Method

Data analysis was performed using the SPSS program, including the following review:

1. Descriptive Statistics Test
2. Classical Assumptions Test consisting of, Normality Test, Multicollinearity Test, Heteroscedasticity Test, and Autocorrelation Test
3. The Feasibility Test Model consists of the Determination Coefficient Analysis (R2 test), Simultaneous Regression Coefficient Test (F Test) and Partial Test (t-Test)

Data Analysis Results

Data analysis was performed using SPSS 23. The analytical methods used in this study included analysis of descriptive statistics and multiple regression analysis.

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Descriptive Statistics

Tabel 1. Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
FD	105	-5.6375	7.5063	1.7204	.2742975
ROE	105	.0191	1.4353	.239257	.2960908
CR	105	.0005	.4678	.111874	.0823819
PBV	105	.1089	35.1107	5.651330	8.2511562
Valid N (listwise)	105				

Sourccer: Output SPSS 23

The Financial Distress variable has a value range from -5.6375 to 7.5063. The lowest value is owned by the company Bumi Resource Tbk in 2016, the average value of Financial Distress in the sample companies is 1.7204 and the standard deviation is .2742975 which means that the distribution of data on the value of Financial Distress is not too varied, so the data is good enough to be researched, the distribution of data tends to approach the average value.

Profitability (ROE) has the lowest (minimum) value of the overall research data of 0.0191. The highest (maximum) value of 1.4353 which is owned by PT Aneka Tambang Tbk in 2018, this value is high because PT PT Aneka Tambang Tbk has a fairly high profit for the year, namely IDR 794,883,000,000. This shows that profitability is the size and performance of the company which is shown by the profits generated by the company. The average value is 0.239257 and has a standard deviation value of 0.2960908, which means that these companies are able to generate profits from the funds invested by shareholders. Judging from the standard deviation value, the distribution of data on the ROE value does not vary too much, so the data is good enough to be researched, because the data distribution tends to approach the average value.

The liquidity variable, which is proxied by the Curent Ratio value, has a value range from 0005 to .4678. The lowest Curent Ratio value is owned by the company Mitrabara Adiperdana Tbk in 2016. The highest value is owned by the company Aneka Tambang Tbk in 2018. The average Curent Ratio value of companies in the Mining Sector 2017-2019 is .111874 and the standard deviation is worth .0823819. The higher the level of liquidity, the better the company's performance. Companies with high liquidity ratios usually find it easier to get financial assistance from other parties

Firm Value (PBV) has the lowest (minimum) value of 0. 1022 (10.22%). The highest value (maximum) is 5.1286. According to Sudiani and Darmayanti (2016), company value is a market value that reflects the company's performance which can be seen from its share price, the higher the company value, the higher the profits that investors get. A high company value will make the market believe, not only in the company's performance, but the market will also believe in the company's prospects in the future (Rudangga and Sudiarta, 2016). The average (mean) value of the firm at the company from the 105 data studied was 1.5022 with a standard deviation of 0.2849503, which means that the standard deviation value is smaller than the average value (mean). This shows that the data is well distributed.

Classic Assumption Test

The classic assumption test is carried out so that the regression model in the research is significant and representative. In the multiple regression analysis, it is necessary to avoid any standard assumption deviation so that problems do not arise in its use. The basic assumption is that the data is normally distributed; there is no heteroscedasticity, multicollinearity, and autocorrelation. Based on the normality test in this study, the Asymp value model. Sig. (2tailed) = 0.110, then according to the provisions of 0.110> 0.05, the residual value is normal. Then the data in the model can be said to be normally distributed. Multicollinearity test which shows that the VIF value is below 10, and the tolerance value is above 0.10. From the results of these tests, it can be concluded that the regression model does not have multicollinearity problems. Heterokedatisitas test shows that there was no heteroscedasticity. This can be seen from the probability of its significance (Sig. Value) on each independent variable above the 5% confidence level or 0.05. So it can be concluded that the regression capital does not contain heteroscedasticity. The autocorrelation test in this study used the autocorrelation test using the Durbin-Watson (DW) test. The results of the autocorrelation test data obtained no positive or negative autocorrelation, or it can be concluded that there is no autocorrelation.

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Hypothesis Testing Results
Determinant Coefficient Test Results (R^2)

According to Ghozali (2018: 97), the coefficient of determination essentially measures how far the model's ability to explain variations in the dependent variable. The ratio of determination aimed at R^2 from the regression model is used to determine the dependent variable that can explain the magnitude of the variability of the dependent variable. The coefficient of determination test results is known that the R Square value of 63.3%, this shows that the variation in firm value can be explained by changes in managerial ownership, profitability, and capital structure by 63.3%,. While the remaining 36.7% (100% -63.3%) is solved or influenced by other factors not examined in this study.

Model Feasibility Test Results (Test F)

According to Ghozali (2018: 98), F statistical test is basically to show whether all independent variables are included.

Table 2.Simultaneous Significance Test Results (Test F)
ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3878.699	3	1292.900	284.238	.000[b]
	Residual	277.467	61	4.549		
	Total	4156.166	64			

a. Dependent Variable: PBV
b. Predictors: (Constant), FD,ROE,TA
Source: data processed with SPSS 23

Based on the table, it is known that the calculated F value of 284,238 with a probability of 0,000 <0.05; this indicates that the model used in this study is feasible. So in this regression model, it can be concluded that the variables of Financial Distress, Profitability, and Current ratio affect Company Value.

Significance Test Results for Individual Parameters (Statistical Test t)

The statistical t-test shows how far the influence of one explanatory or independent variable individually in explaining the variation of the dependent variable. Tests carried out using a significance level of 0.05 (5%). If the significance value is below 0.05, simultaneously, the independent variable has a significant effect on the dependent variable (Ghozali, 2016: 97). T statistical test results are as follows:

Table 3.Significance Test Results for Individual Parameters (t-Test)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1,423	.322		1.213	.230
	FD	-3.584	.637	.968	9.200	.227
	ROE	1.423	.129	.025	.749	.000
	CR	.1751	.234	.035	1.033	.003

a. Dependent Variable: PBV
Source: data processed with SPSS 23

Based on the table above can be obtained the multiple linear regression equation as follows:

$$PBV = 1{,}423 - 3.584\ FD + 1.423\ ROE + 0.1751\ CR + e$$

From the results of the regression, it can be concluded that:

1. Constant a = 1,423 means that if the independent variable, namely Financial Distress (FD), Profitability (ROE), and Company Size (SIZE), is zero, then the dependent variable Corporate Value (PBV) has a value of 1,423.
2. The financial Distress regression coefficient of - 3.584 means that if other variables are of fixed cost, and Financial Distress has increased by one unit, the Company's Value will also decrease by 3.584 units. The Financial Distress coefficient is negative, meaning that there is a reciprocal relationship between Financial Distress and firm value. The higher the value of Financial Distress, the smaller the amount of the company, and vice versa. The test results on the profitability variable (ROE) has a significant level of 0.457, which is higher than the significance value of 0.05 (0.457> 0.05). This shows that the Financial Distress variable does not significantly influence the value of the company.

3. The Return on Equity regression coefficient of 1.423 means that if the other variables are fixed in value and Return on Equity increases by one unit, the value of the company will increase by 1.423 units. The coefficient of Return on Equity is positive, meaning that there is a direct relationship between Return on Equity and firm value. The greater the amount of Return on Equity, the higher the value of the company, and vice versa. The results of testing the variable Return on Equity a significant level of 0,000 that is smaller than the significance value of 0.05 (0,000 <0.05). This shows that the Return on Equity variable has a significant effect on firm value.
4. Regression coefficient current ratio of 0.1751 means that if other variables the value is fixed and the size of the company has increased by one unit, then the value of the company will increase by 0.1751 units. The current ratio coefficient is positive, meaning that there is a direct relationship between current ratio and firm value. The test results on the variable current ratio has a significant level of 0.003, which is smaller than the significance value of 0.05 (0.003 <0.05). This shows that the current ratio variable has a significant effect on firm value.

Discussion

Effect of Financial Distress on Company Value

Based on the results of the study showed that financial distress has no significant impact on firm value. This is caused by the fact that high financial distress will cause a decrease in the value of the company. The results of this study are not in line with research by Andriawan (2016), who found that Financial Distress affects the value of the company as measured by stock prices. This is because the rise and fall of share prices are directly related to the increase and decrease in the value of the company, which will cause financial distress, thereby reducing the prosperity of the shareholders.

Research Steven et al. (2011) found financial distress has a significant negative effect on firm value. This is because the higher the level of the bankruptcy of a company will experience a decline in the value of the company. According to Mohammed (2017) said the possibility of financial distress is increasing with the increasing use of debt. The logic is that the higher the use of debt, the greater the burden of interest costs, the higher the probability that a decrease in income will cause financial distress.

Effect of Profitability on Company Value

Based on the results of the t-test analysis in the table, the profitability variable (ROE) shows a significance value of 0,000, meaning that the significance is smaller than the significance level α = 0.05 or 5% (0,000 <0.05), so this shows Ha is accepted and H0 rejected. This means that the profitability variable (ROE) has a positive and significant effect on firm value (PBV).

The results of this study are in line with the research results of Pertiwi, Tommy, and Tumiwa (2016), Lubis, Sinaga, and Sasongko (2017), Nirmala, Moeljadi, and Andarwati (2016), Sudarma and Darmayanti (2017), which state that profitability has a positive effect significant to the value of the company. So that the better growth of the company's profitability means the company's prospects in the future are considered better in the eyes of investors (Sudiani and Darmayanti, 2016). But these results contradict the results of research conducted by Rivandi (2018), which shows that profitability has a negative and not significant effect on firm value.

Effect of Liquidity on Firm Value

The results of statistical tests (t test) show that the current ratio has a significant effect on firm value. The results of this study are also supported by the results of research conducted by Rompas (2013). Therefore, the liquidity ratio is the ratio used to measure the level of a company's ability to meet short-term financial obligations on time. High levels of liquidity minimize the company's failure to meet short-term financial obligations to creditors and vice versa. this will affect the interest of investors to invest their funds. The greater this ratio, the more efficient the company is in utilizing the company's current assets. (Munawir, 2019).

The results of this study are supported by previous studies conducted by Indriyani and Sudiartha (2017), Putra, and Lestari (2016). They stated that current ratio had a positive effect on firm value (PBV). The results are different from the research conducted by Suwardika and Mustanda (2017), and Haryadi (2016) which states that current ratio does not affect company value (PBV)

CONCLUSIONS AND RECOMMENDATIONS

Conclusion

This study aims to find empirical evidence about research on the influence of Financial Distress, Return on Equity, and Current Ratio, on Company Value (PBV) in Mining Sector companies listed on the Indonesia Stock Exchange from 2017 to 2019. From the results of data research and discussion done, the following conclusions are obtained:

1. Financial distress does not significantly influence Company Value. The size of the value of Financial Distress owned by institutions in the company is not able to be a measure of company value.
2. Return on Equity has a significant positive effect on Company Value. The higher ROE value obtained by the company indicates that the company can manage its equity optimally so that it can increase the company's profit, which has a good impact on the company's value.
3. Current Ratio has a significant positive effect on Company Value.

Suggestions

The suggestions from the research to be conveyed are as follows:

1. For the company management, it is better to always evaluate the company's performance by optimizing the use of resources as well as possible to be able to realize good corporate value, and the company increased the number of its assets to be able to support the company's operations fully.
2. For investors, it should be more careful in understanding the company's financial statements in investing. One of the things that potential investors can do is look at ROE indicators in the company's business overview. Companies that have a more celebrated ROE value show that the company's performance in managing resources is getting better and vice versa. Also, to find out the cost of a company, investors can look at the total wealth of the company by observing the number of assets owned. The higher assets owned by the company illustrate that the company has good potential in maximizing the company's business activities.
3. In this study, there are still shortcomings. Therefore, it is expected for further research that examines the value of the company should be other factors. It not only involves factors that are classified into a company's financial performance but also uses other factors such as macroeconomics and so on.

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