Analysis Of The Effect Of Liquidity On Profitability, Cash Flow, Funding Decisions And Company Value Of The Construction Service Companies Listed On The Indonesia Stock Exchange

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ABSTRACT

Construction companies has an important and strategic role considering the construction services produce the final product such as buildings or other physical forms, eitherin the form of infrastructure or facilities that support the growth and development of various fields, especially in the economic, social, and cultural fields. Besides supporting the various fields of construction,construction services also play a role to support the growth and development of various goods and services industries that are required in the implementation of construction work.

The impact of Ld (Liquidity) on PB (Profitability) is significant with t-statistic value of 2.352 (> 1.96) and the original valueof the sample is positive ie 0.660, so the impact direction of Liquidity on Profitability is positive. The effect of LD (Liquidity) on CF (Cash Flow) is significant with t-statistic value of 2.518 (> 1,96) and the original valueof the sample is positive ie 0.752, so that the effect direction of LD (Liquidity)onCF (Cash Flow) is positive. The impact of LD (Liquidity) on FD (Funding Decision) is significant, with t-statistic value of 2,175 (> 1,96) and the original value of the sample is negative is -0.432, so the direction of impact of LD (Liquidity) on FD (Funding Decision) is negative. The impact of PB (Profitability) on CV (Company Value) is significant with t-statistic valueof 2.057 (> 1,96) and the original value of the sample is positive ie 0.426,so the impact direction of PB (Profitability) on CV (Company Value) is positive. The effect of CF (Cash Flow) on CV (Company Value) is significant with t-statistic value 2,161 (> 1,96) and original value of sample is positive ie 0,626, so that the direction of effect of CF (Cash Flow) on CV (Company Value) is positive. The effectofFD (Funding Decision) on CV (CompanyValue) is significantwith t-statisticsvalue 2.036 (> 1,96) and the original value of the sample is positive ie 0.443, so the effect direction of FD (FundingDecision) on CV (Company Value)is positive. The impact of LD (Liquidity) on CV (CompanyValue) is significant with t-statistic value of 2.502 (> 1,96) and the original value of the sample is positive is 0.610, so the direction of impact of LD (Liquidity) on CV (Company Value) is negative.

The infrastructure development of the nation can pay attention to how the sustainability of construction companies in order to run optimally and this national development can increase the economic growth in each region, especially the areas that are left behind.

Keywords: **Liquidity, Profitability, Cash Flow, Funding Decision, and Company Value**

1. INTRODUCTION
Background

Construction companies has an important and strategic role considering the construction services produce the final product such as buildings or other physical forms, either in the form of infrastructure or facilities that support the growth and development of various fields, especially in the economic, social, and culturalfields. Beside supporting the various fields of construction, construction services also play a role to support the growth and development of various goods and services industries that are required in the implementation of construction work.

List of public companies / listed sub-sectors Construction and Building in Indonesia Stock Exchange (BEI)

No	Code	Nama Emitten
1	ACST	Acset Indonusa Tbk
2	ADHI	Adhi Karya (Persero) Tbk
3	DGIK	Duta Graha Indah Tbk
4	NRCA	Nusa Raya Cipta Tbk
5	PTPP	Pembangunan Perumahan (Persero) Tbk
6	SSIA	Surya Semesta Internusa Tbk
7	TOTL	Total Bangun Persada Tbk
8	WIKA	Wijaya Karya (Persero) Tbk
9	WSKT	Waskita Karya (Persero) Tbk
10	IDPR	Indonesia Pondasi Raya

Based on the data from the Indonesia Stock Exchange (BEI) there are 10 construction companies listed on the Stock Exchange as a public company that often partners with the government, but most of them have limited funding. This is such an interesting issue why service companies tend to experience a decline in running a business. Therefore, the author conducts a research on a construction service company listed on the Indonesia Stock Exchange (BEI) to prove the real state of the construction service companies associated with those issues.

Picture 1. Construction Company's Profit
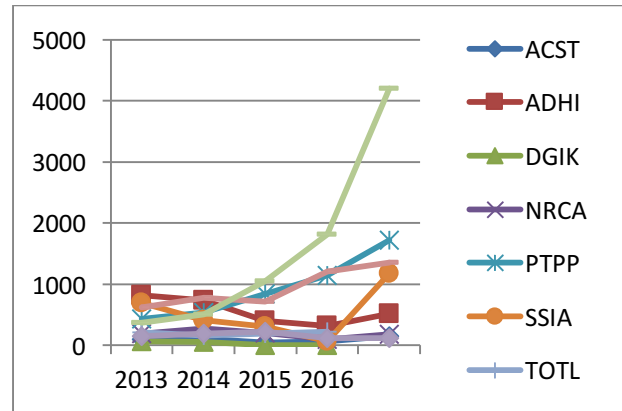
Based on the table above, it can be analyzed that from ten different companies, SSIA is the one that that experienced a significant decline almost every year. In 2003, the profit was 691 billions, in 2004 down to 415 billions, in 2005 down to 303 billions, and in 2006 down again to 63 billions. Fortunately, in 2007 the profits drastically increased to 1178 billions. Therefore, the profit of SSIA has decreased for four years in a row, from 2013 to 2016, and in 2007 increased.

Problem of Analysis

Based on the scope of analysis that has been selected, the author formulates the following problem, such as:

1. Does liquidity have a significant effect on profitability of construction service companies listed on Indonesia Stock Exchange?
2. Does liquidity have a significant effect on cash flow of construction service companies listed on Indonesia Stock Exchange?
3. Does liquidity have a significant effect on funding decisions of construction service companies listed on Indonesia Stock Exchange?
4. Does profitability have a significant effect on the company value of construction service companies listed on Indonesia Stock Exchange?
5. Does cash flow have a significant effect on the company value of construction service companies listed on Indonesia Stock Exchange?
6. Does the funding decision have a significant effect on the company value of construction service companies listed on Indonesia Stock Exchange?
7. Does liquidity have a significant effect on the company value of construction service companies listed on Indonesia Stock Exchange?

2. LITERATURE REVIEW
2.1 LIQUIDITY

There are two measures of company liquidity in this study, namely Current Ratio (CR) and Quick Ratio (QR). CR is obtained by comparing current assets to current liabilities. In addition, the CR can indicate the level of safety of the short-term obligations (margin of safety). QR is the ratio between current assets minus inventories and the current liabilities. QR is used to measure the company's ability to pay off current liabilities by using the most liquid assets (quick assets), such as cash, marketable securities, and accounts receivable.

2.2 PROFITABILITY

Profitability is the company's ability to profit, associated with sales, total assets, and own capital (Sartono, 2001, Arfan and Pasrah 2012, in Setyowati and Nursiam, 2014).

According to Brigham & amp; Houston (2014: 107) profitability ratio is a group of ratios that show the combined effects of liquidity, asset and debt management on operating results. This ratio includes the profit margin of sales, the basic ability ratio to generate profit, the return on equity of the common stock.

Funding Decision

According to Brigham and Houston (2001) in Lihan RiniPuspoWijoyo (2010), the increase in debt is interpreted by outsiders as the company's ability to pay its future liabilities or there is a low business risk, which will be responded positively by the market. There are two views regarding funding decisions. The first view is known by the traditional view which states that capital structure affects company value. The traditional view is represented by two theories: Trade off Theory and Pecking Order Theory. The second view is proposed by Modigliani and Miller (1958) which states that capital structure does not affect company value.

Cash flow

The existence of cash for the company is very important to conduct operations, investments and funding to achieve company goals. Cash is the most liquid (approximate) account compared to other accounts in the company's balance sheet.

Cash and cash equivalents according to PSAK No.2 (IAI: 2009: 22), consists of cash balances (cash on hand) and checking accounts. Cash equivalent is an investment that are very liquid, short term and can be used as cash in a certain amount quickly without facing the risk of significant changes in value.

Cash flow statement

According to Financial Accounting Standards (IAI) (2009:1-7), the cash flow statement is a financial statement that contains cash inflows and cash outflows of the company during a certain period.

Company Value

Company value is the investor's perception of a public company, which is often associated with stock prices (Sujoko and Soebiantoro, 2007 in Ayuningtias and Kurnia, 2013). High stock prices make the value of the company high also, and high company value indicates the prospect of the company in the future. The value of the company is very important because high company value will be followed by high shareholder wealth (Brigham and Gapenski(1996) in Sukirni (2012).

3. CONCEPTUAL FRAMEWORK AND STUDY HYPOTHESIS

Conceptual Framework

Conceptual framework of this research is compiled based on the theoretical basis associated with the phenomena which become the focus of the research. The conceptual framework will explain the variables that can be measured in this study. The variables are as follows:

a) Independent variable

Independent variable also known as predictor variable, stimuli, input, antecedent, or influencing variable. Independent variable is a variable that infulences or becomes the cause of change or the incidence of the dependent variable (Sugiyono, 2016, 39).

b) Dependent variable

Dependent variable is a result of or influenced by independent variable (Sugiyono, 2016, 39).

c) Intervening Variable

Intervening variable is a variable that affects (strenghten or weaken) the correlation between independent and dependent variable. (Sugiyono, 2015, 39).

Connection between independent, dependent, or intervening variable in this study can be depicted by the following scheme of conceptual framework:

Scheme 1.Conceptual Framework
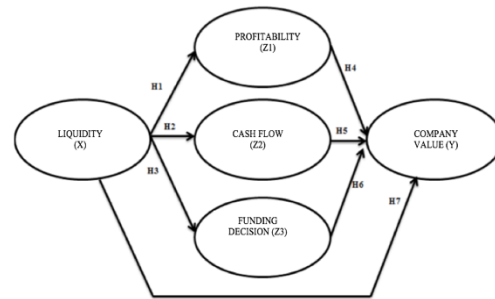
Sourcebytheresearcher

Research Hypothesis

H1 :There is a significant effect of liquidity in profitability in construction service companies listed on the Indonesia Stock Exchange.

H2 :There is a significant effect of liquidity in cash flow in construction service companies listed on the Indonesia Stock Exchange.

H3 :There is a significant effect of liquidity in financing decisions in construction service companies listed on the Indonesia Stock Exchange.

H4 :There is a significant effect of profitability in company value in construction service companies listed on the Indonesia Stock Exchange.

H5 :There is a significant effect of cas flow in company value in construction service companies listed on the Indonesia Stock Exchange.

H6 :There is a significant effect of financing decisions in company value in construction service companies listed on the Indonesia Stock Exchange.

H7 :There is a significant effect of liquidity in companyvalue in construction service companies listed on the Indonesia Stock Exchange.

4. RESEARCH METHODOLOGY

Research Design

This study uses qualitative and quantitative approach. Qualitative approach is a descriptive study and tends to

use analysis. The process and meaning (subject perspective) are more highlighted in qualitative study. Theoretical basis is used as a guide so that the focus of the research is corresponded to facts is the field.

Data Analysis Technique
Descriptive Analysis

Sugiyono (2014:147) stated that descriptive statistic is statistic used to analizing data by describing all collected data without any conclusion made, and can be generally applied. There are two data analysis techniques in quantitative study, that are descriptive and inferential statistic. Inferential statistic includes parametrics and nonparametric statistic (Sugiyono, 2014, 147). This research emphasizes the inferential statistic, which often called by inductive or probability statistic, to analize sample data the apply its result on the population (Sugiyono, 2014, 148).

Quantitative Analysis

Data analyzing in this study is using PLS (Partial Least Square) application ver. 3.0 M3 PLS, that is first developed by Wold as a general method to estimate path model using laten construct with multiple indicators. PLS is a powerful indeterminacy factor of analysis method because it does not assume data should use a specific scale measurement and can take a small number of sample. PLS can also be used to confirm the theory.

Data Processing

Data processing using PLS based on predictive measurement that is nonparametric. Measurement model or outer modelwith reflection indicator is evaluated using convergent and discriminant calidity from its indicator and composite realibility indicator block.

5. DATA ANALYSIS AND DISCUSSION

Research Data

Data used in this research is a secondary data, that is financial reports from construction service companies listed on Indonesia Stock Exchange during 2013-2017 with a total of 50 data but IDPR construction service company at 2013 did not have financial statement at that time since it had not go public, and that makes a total data of 49. After data screening bu purposive sampling, we had 10 companies to be the sample of this study

Data Analysis

Data analysis methods using Partial Least Square (PLS) is a variance based structural equation model. An analyzing toward PLS model is done in three steps, that are an outer and inner model analysis, then hypothesis testing.

Hypothesis Testing

Hypothetis testing using PLS Path Modeling (PLS-SEM) with the help of *SmartPLS 3.0* is done by boostrapping count. This test is done to look for the significance of influences between variables by looking for parametric coefficient and T-statistic significance score. To look for parametric coefficient and T-statistic significance score by boostrapping can be seen through *path coefficients report* that os*original sampel (O)* as a

parametric coefficient and *T-Statistics* (|O/STDEV|) that are presented below:

Path Coefficients Table

No.	Path Coefficients	Original Sampel	T-Statistics	P Values
1.	LD-PB	0.660	2.352	0.021
2.	LD-CF	0.752	2.518	0.011
3.	LD-FD	-0.432	2.175	0.033
4.	PB-VF	0.426	2.057	0.045
5.	CF-NP	0.626	2.161	0.027
6.	FD-VF	0.443	2.036	0.036
7.	LD-VF	0.610	2.502	0.009

Source: Analyzed by author

Data Analysis Result

Table presented above shows a whole hypothesis testing submitted in this research done by SmartPLS 3.0 based PLS testing.

Discussion

In this part, author will discuss about data analysis result by correlating data analysis result with theories explained at the previous chapter, and also discussing results using concept from previous studies, to make a logical conclusion.

1. **Effect of LD (Liquidity) on PB (Profitability) on construction company listed on Indonesia Stock Exchange.**
    This study shows that Liquidity affects the Company Value and indicates that the higher the Liquidity, the higher the Company Value, and vice versa. High cash capability will impact the ability of short-term liabilities of the company and have a positive impact on the value of the company (KikynoviemMery, 2017). The results of this study is in line with the results of Telasih (2014) showed that liquidity (LD) affects on profitability (PB).

2. **Effect of LD (Liquidity) on CF (Cash Flow) on construction company listed on Indonesia Stock Exchange.**
    In the results of research data above can be seen that the finance of a company can grow in value of the construction company cash flow itself because all other costs and the company's earning can be seen from construction company's cash flow in the presence of liquidity of the company against good cash flow causing many investors join the construction company, so the growth of construction companies is good for the investors.

3. **Effect of LD (Liquidity) on FD (Financial Decisions) on construction company listed on Indonesia Stock Exchange.**
    The results of this study shows that construction companies can grow from funding/financial decision but there are constraints from the external, that is the funding decision is not easy because many regulations that the company has to face to obtain additional funds from debt or the issuance of shares, therefore cause the continuity of work is hampered

and many work that does not match deathline as determined by the stakeholders.

4. **Effect of PB (Profitability) on CF (Company Value) on construction company listed on Indonesia Stock Exchange.**

   Profitability research results have a significant positive effect on company value. This means the higher the value of profitability gained, the higher the company value of the company. Because high profits will provide an indication of good company prospects that can trigger investors to increase share demand. Increased stock demand will lead to the increasing of company value. An increase in earnings per share of the company will make investors interested to invest their capital by buying shares of the company.

5. **The effect of CF (Cash Flow) on CV (Company Value) on construction companies listed on Indonesia Stock Exchange.**
   The result of this study is based on the coefficient of the path marked positive. It can be interpreted that the bigger cash flow contained in a company the higher company value, and vice versa. This result is in accordance with research conducted by Vogt and Vu (2000) which stated that firms with higher levels of cash flow will have a higher return than firms with low cash flows. In addition, cash flows should be paid to shareholders if the company wants to maximize its value. Crutchley and Hansen (1989) through his research stated that the company can distribute cash flow to shareholders by making dividend payments to avoid misuse of the cash flows. Market pressure will encourage managers to distribute cash flows to shareholders or eliminate corporate risk

6. **The effect of FD (Funding Decision) on CV (Company Value) on construction companies listed on Indonesia Stock Exchange.**
   The result of this study found that funding decision has a positive significant effect to company value. This indicates that the company's decision on the composition of funding to be used will affect the value of the company. Increasing profits will also affect the market value of the company's stock, so it will have an impact on increasing the value of the company. The higher the value of the company will attract investors to invest. The results of this study support several previous studies conducted by Moradi et al. (2012), Rizqia et al. (2013), Wijaya et al (2010), and Afzal and Rohman (2012) who found that funding decisions have positive and significant impact on company value.

7. **The Effect of LD (Liquidity) on CV (Company Value) on construction companies listed on the Indonesia Stock Exchange.**
   The results of this study support the research conducted by Erlangga (2009) which shows that the dividend policy can moderate the relationship between financial performance andcompany value.The dividend policy can increase the value of the company when the liquidity is high and vice

versa. The study conducted by Erlangga (2009) is supported by Fadhli's research (2015). The higher the liquidity the lower the company value, which is reflected through the stock price.

6. CONCLUSION

This study examines "Analysis of the effect of liquidity on profitability, cash flows, funding decisions and company value on the listed construction services company InIndonesia Stock Exchange". based on this research found that:

1. The effect of LD (Liquidity) on PB (Profitability) has a positive coefficient value of 0,660 and the value of t-statistic shows a significant value of 2,352. Based on the results, it can be concluded that LD (Liquidity) has a positive and significant impact on PB (Profitability) on service companies listed on Indonesia Stock Exchange.

2. The effect of LD (Liquidity) on Cash Flow has a positive coefficient value of 0,752 and the value of t-statistic shows a significant value of 2,518. Based on the results, it can be concluded that LD (Liquidity) has a positive and significant impact on Cash Flow on service companies listed on Indonesia Stock Exchange.

3. The effect of LD (Liquidity) on FD (Funding Decisions) has a negative coefficient value of -0,432 and the value of t-statistic shows a significant value of 2,175. Based on the results, it can be concluded that LD (Liquidity) has a significant impact on FD (Funding Decisions) on service companies listed on Indonesia Stock Exchange.

4. The effect of PB (Profitability) on Company Value has a positive coefficient value of 0,426 and the value of t-statistic shows a significant value of 2,057. Based on the results, it can be concluded that PB (Profitability) has a positive and significant impact on Company value on service companies listed on Indonesia Stock Exchange.

The effect of Cash Flow on Company Value has a positive coefficient value of 0,626 and the value of t-statistic shows a significant value of 2,161. Based on the results, it can be concluded that Cash Flow has a positive and significant impact on Company Value on service companies listed on Indonesia Stock Exchange

5. The effect of FD (Funding Decisions) on Company Value has a positive coefficient value of 0,443 and the value of t-statistic shows a significant value of 2,036. Based on the results, it can be concluded that the funding decisions (FD) has a positive and significant impact on Company Value on service companies listed on Indonesia Stock Exchange.

6. The effect of LD (Liquidity) on Company Value has a positive coefficient value of 0,610 and the value of t-statistic shows a significant value of 2,502. Based on the results, it can be concluded that LD (Liquidity) has a positive and significant impact on Company Value on service companies listed on Indonesia Stock Exchange.

Suggestions

Suggestions that can be given by research based on the results of this study are as follows:

The government that plays an important role in infrastructure development of the nation is expected to pay attention to how the sustainability of construction companies in order to run optimally and so that this national development can increase economic growth in each region - especially the areas that are left behind