CHAPTER I

INTRODUCTION

1.1 Background of the Study

Globalization competition in today's business world has increased rapidly. This can be seen from the rapid development of information and technology all over the world. Several companies compete with each other in developing their strategies to reach the companies' goal. Company is established with obvious goals in the long-term and short-term. The long-term goal that should be reached by company is the development of the company value which will determine the stock market value. Investors usually will evaluate the company that has been gone public by looking at the fluctuation of the stock price in the stock exchange. Meanwhile, the short-term goal is to gain the maximum profit by exploiting the resources.

Company value which uses Price Book Value (PBV) as the indicator, can be interpreted as the level of success of a company to maintain the company's continuity. Generally, most company attempt to increase the company value in every period in order to attract the investor to invest in that company. Normally, high company value will impact to the share value which will satisfy the shareholders. It will also encourage the market trust to the company's performance and the prospect in the future. Good company performance will impact to the dividend that will be given to the shareholder. High dividend will attract investors and the demand of share will increase. As the share increase, the company value will definitely increase.

Table 1.1 Price Book Value of Consumer Goods Companies

No.	Company	2017	2018	2019
1.	PT. Indofood CBP Sukses Makmur	4.55	4.02	3.65
2.	PT. Industri Jamu dan Farmasi Sido Muncul Tbk	1.4	2.17	3.12
3.	PT. Kalbe Farma Tbk	5.96	4.87	4.77
4.	PT. Mayora Indah Tbk	6.28	7.02	4.74

Source: www.idx.com

The table 1.1 gives information about the PBV of several consumer goods companies. The table shows that the PBV of each company increase and decrease every year which cause the stock price to increase or decrease. PBV ratio compares the stock price and equity book value of the company from the net profit per shares. Companies will be good if the company value is more than 1.00 because the higher the PBV, the higher the stock return will be. When the stock return is high, the companies' income will be higher. The higher the PBV shows the higher the trust of the market to the company's prospects. The table 1.1 shows several consumer goods companies which had high PBV especially for PT. Mayora Indah Tbk from 2017-2018, which the PBV was between 6 to 7. These several companies make the author interested to research about consumer goods companies.

According to Indonesia Stock Exchange (IDX), consumer goods companies have become the leader of composite stock price index (IHSG) for 10 years. For that reason, consumer goods companies become most of the investors' target to invest. Most of consumer goods companies have applied their companies to the public and have the tight competition. As the result, companies find way and strategy to increase their profit. People will always need consumer goods companies to fulfill their daily needs. As the result, most of the consumer goods companies have the high company value which will give the opportunity for the investors.

Generally, investors will do analysis about certain company before they decide to invest in that company. Usually, the information and data that is used for analysis is from the financial statement of the company. This analysis is very important to determine the company performance for some period. Usually financial statement of each company should be stated transparently to maintain investors' trust.

Tax is the biggest revenue for a country especially Indonesia. The revenue from tax plays role in improving the citizen's welfare in Indonesia. Tax payment is the realization of the country's obedience and the citizen's role in order to collect fund to finance the country and increase the infrastructure development. Most company assumes that tax expense is one of the biggest expenses which decrease the net profit, so that company will think of strategy to maximize the profit. One of the strategies that the company does is tax aggressiveness which aims to minimalize the tax expenses and increase the net profit. The increase of net profit will give good impact to the company value. However, if the company does tax aggressiveness excessively, the company value will decrease. The result of the previous research stated that the tax aggressiveness have the negative effect to the company value. However, other researcher also stated that tax aggressiveness do not effect the company value.

There are some factors that may effect the company value, such as profitability, liquidity, and tax aggressiveness. The first factor that may effect the company value is profitability. Profitability is the company's capability to make profit by increasing the sales, assets, and maintain the capital in the certain period. Basically, profitability is about the net profit that the company may produce in their operational. The higher the net profit the company generate, the more profit that the shareholders will get. Company's profitability is usually determined by the efficiency and the company performance in maximizing the company's profit. Profitability of company determines the company's performance, quality, and the production. Company that has good prospect in the future will cause the stock price to increase. Profitability of company may also maintain the continuity of the company and the welfare of the shareholders or the workers. Investors that invest in a certain company definitely expect for high return or dividend that they may obtain. As a result, since many investors are attracted to invest, the company value will increase. The indicator that will be used in this research is Return on Asset (ROA). Return on Asset (ROA) is used to evaluate the company's efficiency in maximizing the profit. If the ratio of the Return of Asset (ROA) is high, then the company's capability to generate profit is high.

Liquidity as the other factor that effects the company value is the short-term obligations that must be paid by a company on time. If the company has high liquidity ratio, then the company will be valued as company with good performance. High liquidity shows the strength of the company to fulfill current liabilities from current assets so that this increases the confidence of outsiders towards the company. High liquidity ratios can also be identified as the availability of company funds to carry out company operations and to pay dividend. This will automatically become good news for the investors to invest in this company since there will be return on their investments and increase the company value. The indicator of the liquidity of a company is current ratio (CR) which is the comparison between current assets and current liabilities.

The factor that also can effect the company value is tax aggressiveness which uses Effective Tax Rate (ETR) as the indicator. Tax aggressiveness is an action that is done in order to decrease the tax burden by having tax planning. Tax planning can be done in legal or illegal way. However, tax aggressiveness that is conducted by company to decrease the company's tax payable is by using the legal way which utilizes the weakness of the tax regulation in the taxation law. Tax aggressiveness that is done by company may give the bad image in the public. As a result, all the investors will rethink to invest in that company which will lower the company value.

According to Dinah A Farah and Darsono (2017), profitability and corporate governance have positive effect towards the company value while tax aggressiveness has negative effect towards the company value. According to Anggraeni and Muhammad Sulhan (2020), profitability has positive effect towards the company value while liquidity has negative effect towards the company value. According to Septyaningrum Melati (2020), tax aggressiveness has negative effect towards the company value. Therefore, firm size and leverage have significant positive effect toward the company value.

Based on the statement, there are some differences in the research that had been done by the previous researchers which attract this researcher to do the research about **"The Effect of Profitability, Liquidity and Tax Aggressiveness toward the Company Value in the Consumer Goods Companies Listed in Indonesia Stock Exchange"**.

1.2 Problem Limitation

The problem limitations in this research are:

1. The research object is consumer goods companies that are consistently listed in Indonesia Stock Exchange.
2. In this research, profitability use Return on Assets (ROA) as the indicator, liquidity use Current Ratio (CR) as the indicator, tax aggressiveness use Effective Tax Rate (ETR) as the indicator, and company value use Price Book Value (PBV) as the indicator.
3. The research data period is year 2017-2019.

1.3 Problem Formulation

Based on the background of study above, the problem formulation in this research are:

1. Does profitability have significant effect toward the company value in the consumer goods companies listed in Indonesia Stock Exchange?
2. Does liquidity have significant effect toward the company value in the

consumer goods companies listed in Indonesia Stock Exchange?

3. Does tax aggressiveness have significant effect toward the company value in the consumer goods companies listed in Indonesia Stock Exchange?
4. Do profitability, liquidity, and tax aggressiveness simultaneously have significant effect toward the company value in the consumer goods companies listed in Indonesia Stock Exchange?

1.4 Objective of Research

Based on the background of study, there are some objectives of research that will be conducted in this research, as below:

1. To analyze whether profitability has significant effect towards the company value in the consumer goods companies listed in Indonesia Stock Exchange.
2. To analyze whether liquidity has significant effect towards the company value in the consumer goods companies listed in Indonesia Stock Exchange.
3. To analyze whether tax aggressiveness has significant effect towards the company value in the consumer goods companies listed in Indonesia Stock Exchange.
4. To analyze whether profitability, liquidity, and tax aggressiveness simultaneously have significant effect toward the company value in the consumer goods companies listed in Indonesia Stock Exchange.

1.5 Benefit of Research

The benefits from conducting this research are as follow:

1.5.1 Theoretical Benefit

1. This research can give information about the theory of accounting, financial and tax.
2. This research can be used as the references for other researchers which conducting the same topic research.

1.5.2 Practical Benefit

1. This research is expected to give information to investor in understanding the factors that have effect towards the company value in the consumer goods companies listed in Indonesia Stock Exchange.
2. This research may become the reference for the company to increase their company value in order to attract investors.