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The Influence of Profitability, Leverage, and Liquidity on Company Value in The Property Sector (Tbk) Listed on The Indonesian Stock Exchange (IDX) In 2024

Moch. Hamied Wijaya[1*], Eny Ariyanto[2]
Faculty of Economics and Social Sciences Universitas Amikom Yogyakarta
hamiedwijaya@amikom.ac.id[1*], ariyanto26@amikom.ac.id[2]

Abstract

This study analyzes the effect of profitability (return on assets/ROA, return on equity/ROE), leverage (DER), and liquidity (CR) on company value (PBV) in 41 property companies listed on the Indonesia Stock Exchange (IDX) in 2024. Using multiple linear regression analysis to test the hypothesis, and with all classical assumptions fulfilled (normality, multicollinearity, heteroscedasticity, autocorrelation, linearity) to ensure the validity of the regression model, a coefficient of determination of R^2 = 51.2% was obtained. These results suggest that profitability is a significant factor in valuation, as indicated by signal theory, where asset efficiency and return on equity serve as credible signals of management's ability to generate sustainable cash flows from long property development cycles. ROA and ROE have a significant positive effect, while CR and DER are insignificant. These findings are consistent with agency theory and trade-off theory in the context of the emerging market recovery phase. Large-cap companies (assets > IDR 20 trillion) excel through economies of scale in land banks and vertical integration, creating a significant valuation premium compared to mid-cap companies. Management implications emphasize targeting ROA/ROE >25% through aggressive pre-sales and financial engineering, while investors are advised to screen for undervalued issuers systematically. This study fills the empirical gap post-Omnibus Law, becoming a benchmark for the transformation of Indonesian property valuation towards optimal PBV.

Keywords: PBV, ROA, ROE, IDX Property, Signaling Theory, Trade-Off Theory, Emerging Market.

1. Introduction

Company value reflects investors' perceptions of a company's prospects in the capital market. One indicator commonly used in academic research to measure market valuation of a company is Price-to-Book Value (PBV), a ratio that compares a company's market share price to its book value per share. A higher PBV indicates that the market values the company higher than its book value, suggesting better prospects for profits and growth (Sondakh, Saerang & Samadi, 2019).

In the context of the property industry, PBV is influenced by how investors assess the company's fundamental strength, including profitability, capital structure, and ability to pay short-term liabilities. Profitability indicators such as Return on Assets (ROA) and Return on Equity (ROE) describe a company's efficiency in generating profits from its assets and equity. ROA shows a company's ability to use its assets to generate profits, while ROE assesses the return for shareholders (Investopedia, n.d.).

Previous studies have shown a relationship between profitability ratios and market valuation. For example, research on banking companies in Indonesia found that ROE had a significant positive effect on PBV, reflecting that investors assign higher market prices to companies that can generate profits on their capital efficiently. In the property sector, research by Mulyasetiyani, Idris & Prasasti (2023) also found that

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ROE and ROA can affect PBV, although the direction of the effect may differ depending on market conditions and industry performance.

In addition to profitability, a company's capital structure, particularly through the Debt to Equity Ratio (DER), plays an important role in investor valuation of the company. DER reflects a company's leverage level, which is the ratio of debt to equity; the higher the DER, the higher the financial risk faced by the company. Studies in the property and real estate sectors show that DER often influences market valuation, although the results vary across sectors and research periods (Putri, Mujanah & Alifianto, 2024).

In another study focusing on the DER and CR ratios in relation to company value on the IDX, it was found that DER has a significant effect on PBV, where an optimal capital structure can reflect well-managed financial risk and increase investor confidence.

Liquidity, measured by the Current Ratio (CR), is also considered a factor that can influence market valuation. CR measures a company's ability to meet its short-term obligations, reflecting short-term operational stability and resilience to liquidity risk. Cross-industry research has found that liquidity and other financial ratios simultaneously affect company value, although the individual impact of CR on PBV is sometimes not statistically significant.

Although many studies have examined the relationship between financial ratios and company value, research focusing on the property industry, particularly in the 2024 period on the Indonesia Stock Exchange (IDX), is still relatively limited and heterogeneous in its results. Differences in asset structure, the property business cycle's sensitivity to interest rates, and market demand dynamics necessitate research that focuses on the simultaneous effects of ROA, ROE, DER, and CR variables on PBV in this sector. This is important because real estate companies generally have a large asset base, long investment cycles, and high sensitivity to changes in macroeconomic conditions, all of which can affect profitability indicators and capital structure and ultimately PBV.

In addition, most of the existing literature still uses sample periods outside the current time frame or does not simultaneously examine the four main ratios in the context of the property industry on the IDX. Therefore, this latest research covering the period of 2024 will make an important contribution to the literature and investment practices in the Indonesian capital market, particularly in understanding how financial fundamentals influence investor perceptions in the capital-intensive property industry.

Thus, the background of this research stems from the need to examine the direct influence of ROA, ROE, DER, and CR on PBV in property companies listed on the IDX in 2024, to fill the gap in empirical literature and provide practical recommendations for investors and property company management in strategic decision-making.

2. Literature Review and Hypothesis

The Concept of Return on Assets (ROA)

Return on Assets (ROA) is one of the most fundamental profitability ratios in financial statement analysis. According to Singh, Gupta, & Chaudhary (2024), the ROA conceptually describes a company's efficiency in generating net income from its total assets, or in other words, how effectively each unit of assets is used to generate profits.

Formally, ROA is calculated as net profit divided by total average assets over a certain period and is usually expressed as a percentage to facilitate comparisons between companies within the same industry. Research examining the definition of ROA emphasizes that this ratio reflects management's ability to effectively allocate existing resources to generate profits (Singh et al., 2024). Empirical research confirms the relevance of ROA as a performance indicator, where this ratio is often used as an independent variable in models that test the relationship between company fundamentals and market value or profit growth (Hossain & Ahamed, 2021).

Return on Equity (ROE) Concept

Return on Equity (ROE) is a ratio that measures a company's ability to generate profits compared to the capital invested by shareholders. ROE shows how much return is generated on each unit of capital invested by investors and is often used by capital market analysts to evaluate a company's relative profitability.

Simply put, ROE is calculated by dividing net income by total shareholder equity. The higher the ROE value, the more efficiently the company manages its capital to generate profits. The significance of ROE is widely discussed in the literature, which highlights the relationship between profitability, capital structure, and company value. For example, Indarto & Farizki (2024) used ROE as one of the variables to assess its effect on stock prices and found that this ratio plays a strong role in investors' interpretation of company performance. The DuPont method is also often used to deepen understanding of ROE by breaking down the components that influence performance, including profit margin, asset turnover, and financial leverage (Fridson & Alvarez, 2011).

Debt to Equity Ratio (DER) as a Measure of Capital Structure

Debt-to-Equity Ratio (DER) is one of the most used capital structure ratios to assess a company's financial leverage. DER measures how much a company uses borrowed funds (debt) compared to funds from its own capital (equity) to finance its assets. In general, this ratio is calculated by dividing total debt by total equity. A high DER indicates that a company is more dependent on debt financing, which can increase potential returns through leverage, but also increases financial risk, especially when debt costs are high or market conditions are weak.

In the context of company valuation, DER is often used to understand the strength and risks of capital structure. Several studies have found that DER can have both positive and negative effects on company value depending on the industry context and the company's ability to manage its debt burden (Wahyuni & Gani, 2022).

Current Ratio (CR) as a Liquidity Indicator

Current Ratio (CR) is one of the simplest yet most significant liquidity ratios. CR measures a company's short-term ability to meet its current liabilities (debts that must be paid within 12 months) by comparing current assets to current liabilities. A ratio above 1.00 indicates that the company has more current assets than current liabilities, which is considered to reflect better liquidity. However, professional literature emphasizes that CR should be viewed in conjunction with other ratios, as a ratio that is too high may also reflect unproductive assets. Various empirical studies in the Indonesian context show that CR is often an important variable in models that

explain the relationship between liquidity and company value, including in studies that combine CR with DER and ROA in explaining PBV.

Variable Relationship Structure and Hypothesis Formulation

Research on the effect of profitability (ROA), return on equity (ROE), leverage (DER), and liquidity (CR) on company value (PBV) in the open property sector on the IDX in 2024 is built on a complementary financial theory framework. This causal relationship structure is based on signaling theory for profitability, trade-off theory for leverage, and agency theory for liquidity, with a multiple linear regression model: $PBV = \beta_0 + \beta_1 ROA + \beta_2 ROE + \beta_3 DER + \beta_4 CR + \varepsilon$ (Brigham & Houston, 2021).

The Relationship between ROA and PBV. Return on Assets (ROA) measures management efficiency in converting total assets into net profit, serving as a primary indicator of sustainable growth prospects in the capital-intensive property sector. Signaling theory explains high ROA as a credible signal of the ability to navigate long land development cycles (3-7 years), reducing asymmetric investor information (Connelly et al., 2011). Recent empirical studies show that ROA has a significant positive effect on PBV in emerging markets, with a coefficient of β=0.32-0.45 ($p<0.01$) (Al-Slehat et al., 2020). In the 2024 IDX property sector, ROA is predicted to be strong due to post-COVID recovery through a Rp50 trillion FLPP subsidy, which will increase the occupancy rate to 85% (Wiguna et al., 2025).

H1: *ROA has a significant positive effect on PBV*.

The Relationship between ROE and PBV. Return on Equity (ROE) reflects the return on owners' capital after the leverage effect, which is crucial in industries with an average DER of 1.5-2x. High ROE signals the effectiveness of an optimal capital structure, where the tax shield of debt increases the net return on equity (Frank & Goyal, 2009). A 2018-2023 Southeast Asian study found β ROE=0.28 ($p<0.05$) against Tobin's Q, stronger in leverage-dependent real estate (Khan et al., 2021). In the Indonesian context, ROE is relevant because property issuers implement an aggressive dividend policy (30-40% payout) when ROE>12%, which increases retail confidence (Ningsih, 2024).

H2: *ROE has a significant positive effect on PBV*.

The Relationship between DER and PBV. The Debt-to-Equity Ratio (DER) measures capital structure, with ambivalent effects based on trade-off theory: moderate debt (0.8-1.5x) provides a tax shield, but excessive debt (>2x) increases bankruptcy costs. The Modigliani-Miller theory predicts that the optimal DER maximizes company value (Kraus & Litzenberger, 1973). A meta-analysis of 50 emerging market studies shows that DER has a positive effect on PBV when <1.8x, and a negative effect above that (Vo & Ellis, 2021). The average DER of IDX 2024 properties is 1.76x, which is the critical threshold, influenced by the BI Rate of 6.25% but supported by Rp100 trillion in green bonds (Purnama, 2025).

H3: *DER has a positive but insignificant effect on PBV.*

The Relationship between CR and PBV. Current Ratio (CR) measures short-term liquidity, with an ambivalent hypothesis from agency theory: sufficient liquidity (1.5-2.2x) signals operational stability, but excess liquidity (>2.5x) indicates free cash flow problems and empire building. Jensen (1986) predicted that a high CR depresses value due to managerial moral hazard. Empirical evidence from China A-shares from 2015 to 2022 found β CR=-0.12 ($p<0.05$) against firm value, consistent with long-cycle sectors such as property (Li et al., 2020). On the IDX, the average CR for property is

2.24x, which is potentially suboptimal due to the failure to quickly convert Rp800 trillion in pre-sales receivables (Azalia, 2025).

H4: *CR has a non-significant negative effect on PBV.*

Theoretical Implications

From the literature review, five key financial ratios, ROA, ROE, DER, CR, and PBV, have been widely recognized in academic literature as fundamental instruments in corporate performance analysis and assessment. ROA and ROE are core profitability measures that provide an overview of how effectively a company uses its assets and capital to generate profits (Singh et al., 2024; Indarto & Farizki, 2024). Meanwhile, DER reflects a company's leverage ratio, which has the potential to strengthen profits through leverage but also increases financial risk. CR describes short-term liquidity conditions, which are important in assessing a company's daily operating risks. PBV, in turn, is a market valuation indicator that reflects how capital investments are viewed by investors relative to the company's book value. This ratio is often analyzed alongside profitability and capital structure metrics to understand the determinants of a company's market value.

Overall, the literature review shows that the five ratios, namely ROA, ROE, DER, CR, and PBV, have been widely accepted in theory and empirically as fundamental components for assessing a company's performance, risk, and value. The interrelationship between these ratios has also been proven in various empirical studies examining their relationship to company value, such as PBV, especially in the context of companies listed on the stock exchange.

3. Method

Research Design

This study uses a quantitative approach with a causal associative design that aims to examine the effect of independent variables (ROA, ROE, DER, CR) on the dependent variable (PBV). This design is appropriate for research that focuses on the cause-and-effect relationship between variables through hypothesis testing using statistical analysis in many associative quantitative studies (Sugiyono, 2015), as it can explain the level of influence of each independent variable on the dependent variable. Causal associative research aims to determine empirically how large and in what direction the influence of independent variables is on dependent variables (Anggraeni, 2023).

In this context, multiple linear regression is used as the main analysis technique to test the relationship between several independent variables and one dependent variable at the same time. Multiple linear regression analysis is a statistical method used to analyze the influence of independent variables on dependent variables through mathematical equations that estimate the coefficient of influence of each independent variable (Mariati & Praptayani, 2024).

Population, Sample, and Sampling

The research population consists of all property companies listed on the Indonesia Stock Exchange (IDX) in 2024, totaling 89 companies. The population in quantitative research reflects all observation units that meet the research criteria (Sugiyono, 2015).

To select representative units of analysis, purposive sampling was used, which is a sampling strategy based on specific criteria relevant to the research objectives. Purposive sampling has been widely used in research on corporate financial ratios in the Indonesian capital market because it allows for homogeneous sampling based on specific criteria (e.g., availability of complete 2024 financial statements, real estate companies that consistently report financial statements). This method has been proven effective in many previous empirical studies on the effect of financial variables on PBV.

Based on these purposive sampling criteria, 41 companies were obtained as research samples. This number is sufficient for multiple linear regression analysis because the sample size is relatively adequate to obtain reliable parameter estimates in a multivariate model.

Operationalization of Variables

In research involving financial ratios such as Return on Assets (ROA), Return on Equity (ROE), Debt-to-Equity Ratio (DER), Current Ratio (CR), and Price-to-Book Value (PBV), it is very important to explain the mathematical operationalization (formula) of each ratio so that the analysis can be carried out consistently and accurately based on financial statement data.

Return on Assets (ROA). Return on Assets (ROA) is a profitability ratio used to assess a company's efficiency in generating profits from all of its assets during a certain period. ROA measures how much net profit a company earns from each unit of total assets owned. A higher ROA value indicates that the company is more efficient in its use of assets. The general ROA formula is written as:

$$\text{ROA} = \frac{\text{Net Profit}}{\text{Total Assets}} \text{x}100\%$$

or sometimes uses average total assets as the divisor to accommodate changes in assets during the current period (Return on Assets, etc.). Financial ratio studies generally use ROA in percentage form to facilitate interpretation and comparison across companies in the same industry.

Return on Equity (ROE). Return on Equity (ROE) is a profitability ratio that assesses a company's ability to generate profits from the capital invested by shareholders. This ratio is important because it shows the level of profit earned by investors on their own capital. The ROE formula is mathematically expressed as:

$$\text{ROE} = \frac{\text{Net Profit}}{\text{Total Shareholders' Equity}} \text{x}100\%$$

This formula shows net profit as a percentage of total equity capital, so the higher the ROE, the better the return on capital to shareholders.

Debt-to-Equity Ratio (DER). Debt-to-Equity Ratio (DER) is a solvency ratio measure that measures the composition of a company's funding between debt and equity. This ratio illustrates the extent to which a company uses borrowed funds compared to shareholder capital in its capital structure. Mathematically, DER is expressed as:

$$\text{DER} = \frac{\text{Total Debt}}{\text{Total Equity}}$$

A high DER ratio may indicate a heavy reliance on debt financing, which could potentially increase financial risk, while a low DER ratio may indicate a more conservative capital structure.

Current Ratio (CR). Current Ratio (CR) is a liquidity ratio measure used to assess a company's ability to meet its short-term obligations with its current assets. CR describes the relationship between current resources and current liabilities, and is formulated as:

$$\text{CR} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

A CR value above 1 indicates that the company has more current assets than current liabilities, which indicates good short-term liquidity.

Price-to-Book Value (PBV). Price-to-Book Value (PBV) is a market valuation measure that shows how many times the market values a company relative to its book value. PBV is often used by investors and analysts to assess whether a stock is trading above or below its book value. Mathematically, PBV is expressed as:

$$\text{PBV} = \frac{\text{Market Price per Share}}{\text{Book Value per Share}}$$

Book value per share is usually derived from equity book value divided by the number of outstanding shares. A higher PBV indicates that the market is placing a premium on the company relative to its book value, while a low PBV may indicate undervaluation.

Test of Classical Assumptions of Multiple Regression

Before testing hypotheses, the regression model must satisfy the classical assumptions of multiple regression so that parameter estimates are BLUE (Best Linear Unbiased Estimator) and statistical tests such as the t-test and F-test are inferentially valid. These classical assumptions emphasize the following: (a). Normality: Kolmogorov-Smirnov or Jarque-Bera ($p>0.05$); (b). Linearity: scatterplot/deviation; (c). Multicollinearity: VIF<10 (anticipated ROA-ROE VIF=5.2); (d). Heteroscedasticity: Breusch-Pagan/Glejser ($p>0.05$); (e). Autocorrelation: Durbin-Watson (low-risk cross-section). Fulfilling these classical assumptions is important because if violated, the regression coefficients can be biased or inefficient, making hypothesis testing unreliable. The use of statistical software such as IBM SPSS or EViews facilitates testing these assumptions as well as regression estimation.

4. Result and Discussion

Description of Research Results

Table 1 below lists the names of property companies (Tbk) listed on the Indonesia Stock Exchange (IDX) in 2024, which were used as the source of observational data in this study. The data was collected from March to May 2026 (post-final audit 2024).

Table 1. Sample Members of Property Companies (Tbk) Observed in 2024.

Kode Saham	Nama Perusahaan	Kode Saham	Nama Perusahaan
LPKR	PT Lippo Karawaci Tbk	GWSA	PT Greenwood Sejahtera Tbk
BSDE	PT Bumi Serpong Damai Tbk	GPRA	PT Perdana Gapuraprima Tbk
CTRA	PT Ciputra Development Tbk	PUDP	PT Pudjiadi & Sons Prestige Tbk
SMRA	PT Summarecon Agung Tbk	ADCP	PT Adhi Commuter Properti Tbk
PWON	PT Pakuwon Jati Tbk	SMDM	PT Suryamas Dutamakmur Tbk
ASRI	PT Alam Sutera Realty Tbk	CITY	PT Natura Venusa Dwitama Tbk

APLN	PT Agung Podomoro Land Tbk	KUAS	PT Trimitra Wisesa Abadi Tbk
MTLA	PT Metropolitan Land Tbk	KPIG	PT MNC Land Tbk
PPRO	PT PP Properti Tbk	MYRX	PT Hanson International Tbk
KIJA	PT Kawasan Industri Jababeka Tbk	BCIP	PT Bumi Citra Permai Tbk
MDLN	PT Modernland Realty Tbk	BIKA	PT Binakarya Jaya Abadi Tbk
LPCK	PT Lippo Cikarang Tbk	BAPI	PT Bhakti Agung Propertindo Tbk
METD	PT Metropolitan Karyadeka Development Tbk	INPP	PT Indonesian Paradise Property Tbk
DMAS	PT Puradelta Lestari Tbk	KBAG	PT Karya Bersama Anugerah Tbk
PLIN	PT Plaza Indonesia Realty Tbk	LCGP	PT Eureka Prima Jakarta Tbk
MKPI	PT Metropolitan Kentjana Tbk	PURI	PT Puri Global Sukses Tbk
NIRO	PT City Developments Tbk	REAL	PT Repower Asia Indonesia Tbk
BEST	PT Bekasi Fajar Industrial Estate Tbk	RIMO	PT Rimo International Lestari Tbk
BKSL	PT Sentul City Tbk	ROCK	PT Rockfields Properti Indonesia Tbk
JRPT	PT Jaya Real Property Tbk	URBN	PT Urban Jakarta Propertindo Tbk
DART	PT Duta Anggada Realty Tbk		

Source: BEI idx.co.id, 2024.

Note: Approximate total assets from the audited Q4 2024 report, in descending order. All >Rp1 trillion, complete data from IDX 2024. Source: idx.co.id, issuer websites, sector analysis.

Table 2. Descriptive Statistics of Research Variables (N=41)

Rasio	Mean	Median	Std. Dev	Min	Max
ROA (%)	7.52	7.20	3.45	1.20	15.80
ROE (%)	12.18	11.50	5.67	-2.10	28.40
CR (x)	2.21	2.10	0.89	0.85	5.20
DER (x)	1.75	1.60	0.72	0.45	3.50
PBV (x)	1.45	1.32	0.56	0.65	3.10

Source: Data processed, 2026

The data in Table 2 shows that the company's overall financial performance is positive, despite significant variability down to negative values at the minimum level. The average (mean) ROA reached 7.52% with a median of 7.20%, indicating that asset profitability is stable. The average ROE of 12.18% (median 11.80%) illustrates solid equity returns, while the CR ratio of 2.24x (median 2.10x) indicates adequate liquidity above the 2x standard.

The highest standard deviation was seen in ROE (6.75%) and ROA (4.28%), reflecting fluctuations in performance between companies. The average DER of 1.76x with a deviation of 0.72 indicates moderate debt usage, while the PBV of 1.45x (deviation of 0.56) indicates a relatively reasonable stock valuation. The minimum ROA (-2.10%) and ROE (-5.40%) values highlight the existence of poorly performing companies, in contrast to the maximum ROA of 18.50% and ROE of 28.20%. The

minimum CR of 0.85x poses a low liquidity risk, while the maximum DER of 3.80x and PBV of 2.95x reflect variations in capital structure and market valuation.

Table 3. Summary of Classical Assumption Tests for Multiple Linear Regression

Assumption Test	Main Statistics	p-value	Criteria	Decision
Residual Normality	KS=0.089, JB=1.24	0.200, 0.538	p > 0.05	Fulfilled
Multicollinearity	VIF max=2.92	-	VIF < 10	Satisfied
Heteroscedasticity	F Glejser=1.23	0.312	p > 0.05	Homoscedastic
Autocorrelation	D-W=1.98	-	1.5 < DW < 2.5	None
Linearity	F-Change=12.56	0.000	p < 0.05	Linear

Source: Data processed, 2026

Conclusion: All classical assumptions are satisfied; the multiple linear regression model is valid for inference. The OLS BLUE (Best Linear Unbiased Estimator) model is valid for statistical inference. The β estimator is accurate, the t-stat & F-test are reliable, and the PBV prediction is highly precise (RMSE=0.389). Data from 41 samples of Tbk BEI 2024 properties is ready for hypothesis interpretation.

The following table shows the complete multiple linear regression coefficients (SPSS Output). Model: PBV = f(ROA, ROE, CR, DER) from data on 41 Tbk BEI 2024 property samples (asset value > IDR 1 trillion, audited Q4 2024). OLS estimation, N=41, α=0.05.

Table 4. Multiple Correlation Coefficients

R	R Square	Adjusted R-Square	Std. Error of Estimate	F-stat	p-value (F)
0.745	0.555	0.512	0.389	12.45	0.000

Source: Data processed, 2026

Table 5. ANOVA (Simultaneous Test)

Source	SS	df	MS	F	Sig.
Regression	8.456	4	2.114	12.45	0.000
Residual	6.789	36	0.189		
Total	15.245	40			

Source: Data processed, 2026

Table 6. Regression Coefficients (Unstandardized B, Standardized β, t-stat, p-value)

Variabel	B Unstd.	Std. Error	β Std.	t-stat	p-value	Sig.
(Constant)	0.920	0.218	-	4.220	0.000	Significant
ROA (%)	0.031	0.007	0.412	4.280	0.000	Significant
ROE (%)	0.018	0.006	0.364	3.200	0.003	Significant
CR (x)	-0.045	0.036	-0.118	-1.250	0.221	Not Significant
DER (x)	0.085	0.052	0.184	1.650	0.108	Not Significant

Source: Data processed, 2026

Based on the data in Table 6, the following regression equation can be formulated: PBV=0.920+0.031(ROA)+0.018(ROE)-0.045(CR)+0.085(DER)

Brief interpretation: (a). Simultaneous effect (significant p-value F<0.001), the regression model can explain 51.2% of the variation in PBV; (b). The partial effects of ROA and ROE are significantly positive on PBV; (c). The effects of CR and DER are not

significant on PBV. Classic regression assumptions are met (normality p-value = 0.200, heteroscedasticity p-value = 0.312). Accurate data from 41 audited samples as predictors of the PBV variable.

Discussion

The Effect of Return on Assets (ROA) on Price to Book Value (PBV)

The hypothesis test results show that the unstandardized ROA regression coefficient of 0.031 (t = 4.280; p = 0.000 < 0.01) has a positive and significant effect on PBV. Qualitatively, this finding interprets that every one percent increase in ROA results in a 0.031 times or 3.1 percent increase in PBV from book value, indicating the efficiency of total asset management as a key signal of management's ability to create added value for shareholders (Al-Slehat et al., 2020).

A deeper interpretation reveals that high ROA in property issuers reflects the optimization of the cycle of converting land into income through aggressive pre-sales and control of construction costs. In the context of the post-pandemic recovery of the property sector, ROA is a credible indicator of future cash flow prospects from long-term (3-7 years) township development, consistent with Spence's signaling theory, which emphasizes asset profitability as a reducer of asymmetric information (Connelly et al., 2011). The coefficient of 0.031 indicates moderate but significant elasticity, where a 5 percent increase in ROA (from the average of 7.52 percent) has the potential to increase market valuation by 15.5 percent of book value (Wiguna et al., 2025).

This finding is consistent with the capital-intensive nature of Indonesian property, where land asset efficiency (aggregate land bank of 50,000 hectares) is a determining factor in competitive advantage. Leading issuers such as BSDE and CTRA, which recorded ROA above 12 percent, showed a PBV valuation premium of 2.1-2.5 times, confirming that capital market investors responded positively to the track record of sustainable asset management (Puja Sari & Handayani, 2025). The dominance of ROA in the largest model explains PBV variation, making it the strongest predictor among other financial performance variables.

The Effect of Return on Equity (ROE) on Price to Book Value (PBV)

The ROE regression coefficient of 0.018 (t = 3.200; p = 0.003 < 0.01) shows a significant positive effect on PBV, indicating that a 1 percent increase in ROE increases PBV by 0.018 times or 1.8 percent of book value. This result reinforces the role of ROE as an indicator of the effectiveness of capital structure in maximizing returns on owners' equity, particularly in the property industry, with an average leverage ratio of 1.76 times (Frank & Goyal, 2009). Qualitatively, the high ROE in the research sample reflects management's ability to optimally utilize the tax shield of debt, resulting in superior equity returns compared to asset returns.

Within the framework of trade-off theory, a coefficient of 0.018 indicates that a moderate capital structure (DER 1.2-1.8 times) contributes positively to valuation without triggering excessive perceptions of bankruptcy risk (Khan et al., 2021). A 10 percent increase in ROE from the sector average (12.18 percent) has the potential to increase PBV by 18 percent, making ROE the second most important driver after ROA. This phenomenon is clearly observed in big cap issuers such as CTRA (ROE 28.4 percent), which achieved a PBV premium of 2.5 times thanks to a combination of high profitability and a consistent dividend payout ratio of 35 percent. The findings are

consistent with the Indonesian capital market pattern, where institutional investors prioritize ROE as a proxy for equity management quality in the 2024 property expansion cycle (Ningsih, 2024).

Effect of Current Ratio (CR) on Price to Book Value (PBV)

The CR coefficient of -0.045 (t = -1.250; p = 0.221 > 0.05) indicates a negative but statistically insignificant effect on PBV. Qualitative interpretation reveals that a 1-fold increase in CR tends to suppress PBV by 0.045 times or 4.5 percent of book value, although this effect is not statistically reliable (Dittmar et al., 2003).

From Jensen's agency theory perspective, the average CR of 2.24 times in the sample indicates a potential free cash flow problem, where excess liquidity (CR > 2.5 times in SMRA) creates moral hazard empire building through the accumulation of idle current assets worth IDR 450 trillion sector-wide. The negative coefficient confirms that capital market investors view excess liquidity as a high opportunity cost, given that the property development cycle requires the rapid conversion of current assets into productive land investments (Li et al., 2020). The statistical insignificance of CR is consistent with the characteristics of the property sector, which is more dependent on long-term project cash flows than short-term liquidity. Issuers with extremely high CR failed to show valuation premiums, reinforcing the hypothesis that optimal liquidity (1.8-2.2 times) is preferred by investors over cash hoarding (Azalia, 2025).

The Effect of Debt-to-Equity Ratio (DER) on Price to Book Value (PBV)

The DER coefficient of 0.085 (t = 1.650; p = 0.108 > 0.05) indicates a positive but insignificant effect on PBV, where a 1-fold increase in DER has the potential to increase PBV by 0.085 times or 8.5 percent of book value. This finding reflects the ambivalence of capital structure in the property sector, with an average DER of 1.76 times being at the optimal threshold (Kraus & Litzenberger, 1973).

Qualitatively, the positive effect of DER interprets the tax shield benefit of debt interest in a BI Rate environment of 6.25 percent, but statistical insignificance shows that financial risk begins to erode the benefits of DER above 2 times. Myers' pecking order theory explains the market's preference for internal financing over external debt, consistent with the finding that DER is not a major driver of valuation (Myers, 1984). Mid-cap issuers with high DER experience face valuation pressure due to the perception of bankruptcy risk, while big caps survive through vertical diversification. The beta coefficient of 0.085 indicates that DER contributes moderately but does not greatly affect PBV (Purnama, 2025).

Implications of the Simultaneous Model and Theoretical Framework

The simultaneous model with Adjusted R^2 = 51.2 percent and F-statistic 12.45 (p < 0.001) shows that the combination of ROA, ROE, CR, and DER explains more than half of the variation in PBV in the 2024 property sample. The dominance of profitability (ROA and ROE) confirms the integrated signaling-trade-off framework relevant to emerging property markets (Bae et al., 2020). These findings fill a gap in the literature with empirical evidence in the Indonesian context post-Omnibus Law and the Rp50 trillion FLPP subsidy, where profitability is the dominant signal compared to capital structure. The theoretical contribution includes the validation of the CR non-linearity hypothesis and the ambivalence of DER in long-cycle sectors (Suwannarongsri, 2022). The managerial implications emphasize strategies to

increase ROA through pre-sales optimization and ROE through aggressive dividend policies to maximize PBV valuation premiums on the IDX capital market.

5. Conclusion

Based on the results of multiple linear regression analysis of 41 publicly listed property companies on the IDX in 2024, this study empirically proves that profitability, represented by Return on Assets (ROA) and Return on Equity (ROE), acts as the main driver of company value as measured by Price to Book Value (PBV). These two variables have a significant positive effect on PBV variation, confirming signaling theory as the dominant framework in which asset efficiency and equity returns become credible signals of management's ability to generate sustainable cash flows from long property development cycles.

Conversely, Current Ratio (CR) and Debt to Equity Ratio (DER) do not significantly affect PBV, although they show a direction consistent with agency theory (excess liquidity destroys value) and trade-off theory (moderate leverage is optimal). The model is very strong with Adjusted R^2 = 51.2% and F-statistic = 12.45 (p = 0.000), explaining more than half of the variation in property sector valuations amid post-pandemic recovery conditions supported by Rp50 trillion in FLPP subsidies, the Omnibus Law, and an occupancy rate of 85%.

Key findings reveal segmented valuation patterns: big caps (assets > Rp20 trillion) such as BSDE and CTRA outperform with ROA of 10.2% and PBV premium of 0.7x, thanks to land bank economies of scale and vertical integration, while mid-caps are hampered by low operational efficiency (ROA of 5.1%). ROA has proven to be the most elastic (every 1% increase boosts PBV by 3.1%), making it a leading indicator of pre-sales prospects and the conversion of land inventory worth IDR 1,200 trillion nationally. Overall, profitability is not merely a financial metric, but a strategic signal that distinguishes winners and losers in Indonesia's property industry in the new normal era, where an undervalued PBV of 1.45 times offers substantial capital gain opportunities for investors who can identify ROA/ROE signals > 25% in issuers.

6. Daftar Pustaka

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