

CHAPTER I

INTRODUCTION

1.1 Research Background

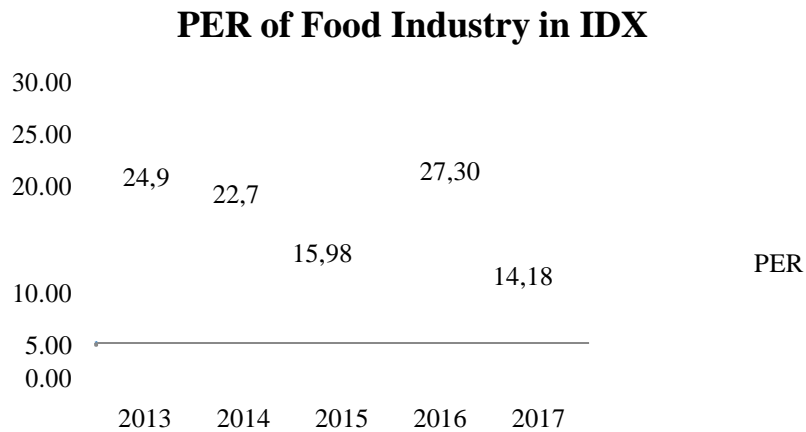
Along with the increasing of population in this world, the volume of needs for food continues to increase. Many people enjoy the ready-to-eat food, and it makes there is a lot of new food companies because they think it will increase their profit every year.

The increasing of food companies has increased the companies competition too. In order to survive in the competition, the company must assemble its forces to reach the goal of the company (Hamidy, 2014). The main goal of the company based on the theory of the firm is maximize the asset or the value of the company. The value of the company is the market value of a company's equity plus the market value of the debt. In addition, the value of the company is characterized by a higher rate of return on investment to shareholders (Hermuningsih, 2013).

According to Brigham and Houston (2011), there are several ratios analysis approaches to assess the company's value, such as Price Earnings Ratio (PER), Price Book Value Ratio (PBV), Market Book Ratio (MBR), Dividend Yield Ratio and Dividend Payout Ratio (DPR). This research uses Price Earning Ratio (PER) to measure the company's value.

Below is the Price Earnings Ratio (PER) of Food Industry in Indonesia Stock Market (IDX) from 2013 to 2017.

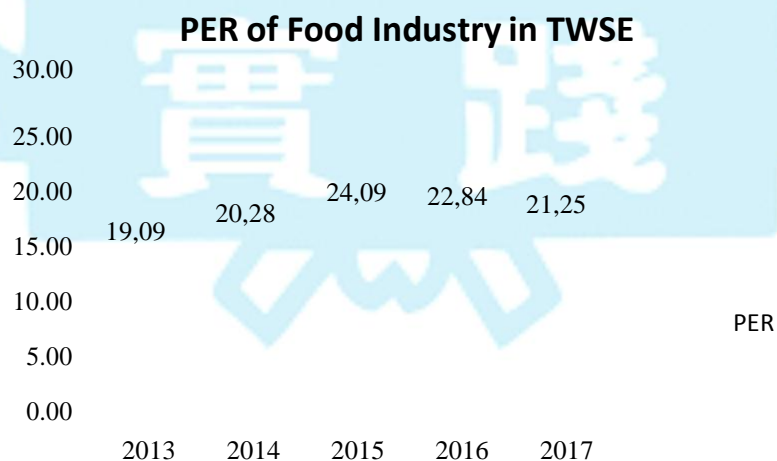
Graphic 1.1 PER of Food Industry in IDX



Based on the graphic above, company's value of food industry is fluktiatif in Indonesia Stock Market (IDX) from 2013 to 2017. It has declined on 2013 to 2015 by 8,96. On 2016 company's value has increased drastically by 11,32 and on 2017 has fallen down sharply by 13,12 from last year.

This condition is also occurred on Food Industry in Taiwan Stock Market (TWSE), and below is the Price Earning Ratio (PER) of Food Industry in Taiwan Stock Market (TWSE).

Graphic 1.2 PER of Food Industry in TWSE



On 2014, the company's value of food companies in Taiwan Stock Market has increased by 1.19 and on the next year it has grow up as well by 3.81. Although, from 2016 to 2017, the company's value of food companies in Taiwan Stock Market has decreased for 2 straight years by 1,25 and 1,59.

According to Tahu and Susilo on 2017, The company's value can be seen from how the development of the financial performance of a company, where financial performance is derived from the financial statements as the financial information of a company. In other words, the use of financial information provided by a company usually analyst or investor will calculate financial ratios which include liquidity ratios, leverage, activity and profitability of the company's basic consideration in investment decisions (Riyanto, 2001). In this research we implement current ratio as a proxy for liquidity ratio, debt ratio as a proxy for leverage ratio and return on assets as a proxy for profitability ratio, the reason will be explain on Chapter 2 : Literature Review.

Based on description above, then the title of this research is **“The effect of current ratio, debt ratio and return on assets on company's value of food industry companies listed in Indonesia Stock Market and Taiwan Stock Market”**.

1.2 Problem Statement

The research will examine the effect of the financial ratios on company's value by providing answers to the following questions :

1. Is there a significant effect of Current Ratio (CR) on Company's value of Food Industry Companies listed in Indonesia Stock Market and Taiwan Stock Market ?
2. Is there a significant effect of Debt Ratio (DR) on Company's value of Food Industry Companies listed in Indonesia Stock Market and Taiwan StockMarket?

3. Is there a significant effect of Return on Assets on Company's value of Food Industry Companies listed in Indonesia Stock Market and Taiwan Stock Market ?

1.3 Research Objectives and Significance

The objectives on this research are :

1. To examine the effect of Current Ratio (CR) on Company's value on Food Industry companies listed in Indonesia Stock Market and Taiwan Stock Market.
2. To examine the effect of Debt Ratio (DR) on Company's value on Food Industry companies listed in Indonesia Stock Market and Taiwan Stock Market.
3. To examine the effect of Return on Assets (RoA) on Company's value on Food Industry companies listed in Indonesia Stock Market and Taiwan Stock Market.

The significances on this research are :

1. This research is expected to help the investor to make an investment decision on Food Industry companies listed in Indonesia Stock Market and Taiwan Stock Market.
2. This research is expected to help the companies to fix its financial performance.

1.4 Research Scope

Research Scope on this research are :

1. This research uses the sample only for Food Industry companies listed on Indonesia Stock Market and Taiwan Stock Market.
2. The range of this research is from 2015 to 2017.