

The Effect of Financial Ratio on Stock Prices of Companies Listed on the Indonesia Stock Exchange

Ahmad Ainul Yaqin¹, Habsyah Fitri Aryani^{2*}, Siti Khomsatun³

^{1,2,3} Department of Accounting, Faculty of Economics and Business, University of Nahdlatul Ulama Indonesia, Jakarta, Indonesia

Abstract

This study aims to analyze and determine the effect of Current Ratio, Debt to Equity Ratio, Net Profit Margin, Earning Per Share, and Return on Asset on the Share Price of companies listed on the Indonesia Stock Exchange in 2017-2021. This research uses the hypothesis testing method, namely the associative hypothesis method. This research uses research data, namely the company's annual financial report obtained from the idx.co.id website and the website of each company. This study used a sample of food and beverage subsector companies listed on the Indonesia Stock Exchange in 2017-2021. In the selection of samples using the Purposive Sampling technique so that 12 companies were produced that could be used as samples in this study. This study is for data analysis using multiple linear regression. This study used independent variables including Current Ratio, Debt to Equity Ratio, Net Profit Margin, Earning Per Share, Return on Asset. The Dependent variable used in this study is the closing share price. The results of this study show that the Current Ratio, Debt to Equity Ratio, Net Profit Margin, Earning Per Share and Return on Asset have a joint effect on the share price of companies listed on the Indonesia Stock Exchange in 2017-2021. The results of the study partially stated that the Debt to Equity Ratio and Net Profit Margin affect the stock price, while the Current Ratio, Earning Per Share, and Return on Asset do not affect the share price of companies listed on the Indonesia Stock Exchange in 2017-2021.

Article Info

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Corresponding Author:

Habsyah Fitri Aryani
(habsyahvie@unusia.ac.id)

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1. Introduction

According to records from PT Kustodian Sentral Efek Indonesia (KSEI), the number of investors in Indonesia has increased since early 2022. The number of capital market investors increased by 25% from 7,489,337 investors in 2021 to 9,376,678 as of August 8, 2022. This is based on the number of Single Investor Identification (SID). Securities (securities) with the largest number of investors are mutual funds, then stocks and finally Government Securities (SBN).

In Indonesia, stocks are one of the capital market instruments that are in demand by investors (www.idx.co.id). Stock prices in Indonesia are generally explained in the Composite Stock Price Index (IHSG). According to Siregar (2022), stock prices are one of the parameters that can be used to determine whether a company is good or bad.

The trend of ups and downs in stock prices is determined by players in the capital market (Ge & Zhu, 2022; Bradley & Stumpner, 2021). Demand and supply carried out by players in the capital market can also occur due to events outside the capital market. One example is during the meeting between Luhut Panjaitan and Elon Musk there was Kopiko candy owned by PT Mayora Indah Tbk. The photo was widely discussed on social media. As a result of the photo, the shares of PT Mayora Indah Tbk experienced an increase in share prices (Fadhillah, 2022).

On September 24, 2019, the JCI experienced the worst performance in Asia, being in the red zone at 6,131 30 minutes before noon on that day. The JCI continued to fall since the opening in the morning, namely 74.615 points or 1.20 percent (Yadika, 2019). Since the period from September 13, 2019 to October 1, the JCI has fallen drastically, namely 3.1% point-to-point (Setiaji, 2019). On that date, there was a large-scale demonstration in Indonesia to the DPR/MPR regarding the revision of the KPK Law and the Draft Criminal Code (RKUHP).

On March 2, 2020, the JCI weakened at the closing. The JCI closed down 91.46 points or 1.68% to 5,361.25 (Antara, 2020). The decline in the JCI closing level was the lowest level in the last 3 years (Andriani, 2020). This happened because of the announcement of the first case of a person infected with the Covid-19 virus in Indonesia.

The decline in stock prices occurred when trading on the capital market closed, namely on December 30, 2022. The JCI weakened by 9.45 points or 0.14% to 6,850.62. The report issued by the IDX revealed that 17.92 billion shares had been sold by investors (changed hands). A total of 298 shares weakened at the close of the capital market (Annur, 2022).

Research conducted by Siregar (2022) in his research revealed that Return on Asset (ROA) has a significant effect, Net Profit Margin (NPM) has no effect and is not significant, simultaneously Return on Asset (ROA) and Net Profit Margin (NPM) have a significant effect on stock prices. Suryawuni et al. (2022) in his research revealed that simultaneously NPM, ROA, Current Ratio (CR) and Earning Per Share (EPS) have a positive and significant effect on stock prices, partially NPM, ROA, EPS have a positive and significant effect, while CR has no effect and is not significant on stock prices.

Ersyafdi and Nasihah (2021) in their research stated that the variables Current Ratio, Net Profit Margin, Return On Asset, Earning Per Share, Debt Equity Ratio, Dividend Payout Ratio, Dividend Per Share and Funding Cash Flow partially affect the stock price of the Jakarta Islamic Index 70 with the period 2018-2019.

This study has differences when compared to previous studies apart from the research population, namely the variables in this study. This study adds DER as a new variable. Because DER is a ratio used to assess a company's ability to pay off debts with the capital owned by the company. In addition, in Suryawuni et al. (2022), suggest that further research use DER.

The selection of the food and beverage sub-sector research object is because food and beverage sub-sector companies are companies that always produce daily staple goods, so it is very interesting to see the stock prices of the goods we consume every day. The food and beverage subsector became interesting to study during the observation year because even though the Covid-19 phenomenon occurred, the public's need for consumer goods remained high. Based on the background explanation and previous research results, the researcher is interested in using the current ratio, debt to equity ratio, net profit margin, earnings per share, and return on assets. The object of research used is the stock price of food and beverage subsector companies listed on the Indonesia Stock Exchange in 2017-2021.

2. Methods

The research method used in this study is a quantitative research method. In the formulation of the problem in this study, the formulation of the problem of associative causal relationships is used. Causal relationships are relationships that are cause and effect, this means that there are independent variables (variables that influence) and dependent variables (variables that are influenced) (Sugiyono, 2018). The population used in this study were food and beverage sub-sector companies listed on the Indonesia Stock Exchange in 2017-2021. There are 18 companies included in the food and beverage sub-sector listed on the Indonesia Stock Exchange. In conducting sampling in this study, a non-probability sampling technique was used. The purposive sampling technique is one of the types of non-probability sampling techniques, this study uses this technique. There are several considerations in determining the research sample, including:

- a. Companies listed on the Indonesia Stock Exchange in 2017-2021 food and beverage sub-sector

- b. Companies that publish financial reports regularly on their respective websites and/or the Indonesia Stock Exchange.
- c. Companies that experience consecutive profits.

Table 1. Research Sample

No	Keterangan	Jumlah
1	Companies listed on the Indonesia Stock Exchange in 2017-2021, food and beverage sub-sector	18
2	Companies that routinely publish financial reports on their respective company websites and/or the Indonesia Stock Exchange	(4)
3	Companies that experience consecutive profits	(2)
4	Number of Companies selected as research samples	12
Number of Observations (12X5)		60

Source: Data Processed (2023)

This study uses secondary data. Secondary data is data obtained by someone who conducts research indirectly (Sugiarto, 2017). The secondary data is in the form of annual financial reports of food and beverage sub-sector companies listed on the Indonesia Stock Exchange. Data was obtained by visiting the site www.idx.co.id and the website of each company.

3. Results and Discussion

Descriptive Statistics

Based on the results of the descriptive statistical test as shown in the table below, it is known that the Current Ratio Variable has a minimum value of 0.585 which was found at PT. Ultra Jaya Milk Industry and Trading Company Tbk. in 2018. The maximum value of 15.822 was found at PT. Campina Ice Cream Industry Tbk. in 2017. The Debt to Equity Ratio variable has a minimum value of 0.122 which was found at PT Campina Ice Cream Industry Tbk. in 2021. The maximum value of 1.218 was found at PT Sariguna Primatirta Tbk. in 2017

Table 2. Descriptive Statistical Test Results

	N	Minimum	Maximum	Mean	Std. Deviation
CR	60	0.585	15.822	3.54352	3.389856
DER	60	0.122	1.218	0.56348	0.342617
NPM	60	0.000	1.391	0.12161	0.187336
EPS	60	0.154	15059.306	887.39912	2776.029551
ROA	60	0.001	0.223	0.09408	0.052900
Harga Saham	60	232	11150	3088.78	3121.181
Valid N (listwise)	60				

Source: Data Processed (2023)

Classical Assumption Test Results

a. Normality Test

Based on the results of the one-sample kolmogorov asymp. Sig. (2-tailed) $0.200 > 0.05$ and the probability plot graph produces data that is spread around the diagonal line and follows the direction of the diagonal line, it can be concluded that the data used has been normally distributed.

b. Autocorrelation Test

The results of the Durbin-Watson test can be seen that it is 1.618. If it is assumed that decision making with the $dL < d < dU$ model is $1.4083 < 1.618 < 1.7671$, so this result passes the autocorrelation symptom.

c. Heteroscedasticity Test

Based on the results of the Spearman correlation coefficient test sig. (2-tailed) variable CR $0.686 > 0.05$, DER $0.945 > 0.05$, NPM $0.369 > 0.05$, EPS $0.217 > 0.05$, ROA $0.233 > 0.05$, it can be concluded that in this regression model there are no residuals that form a certain pattern.

d. Multicollinearity Test

Based on the results of the multicollinearity test, the results of the tolerance value > 0.10 and the VIF value < 10.00 from each variable, it can be concluded that the regression model used in this study passes the multicollinearity test.

Regression Analysis

a. Determination Coefficient Test (R²)

Based on the results of the determination coefficient test, it is known that the adjusted R square value is 0.381. Based on these results, it can be concluded that the ability of the independent variables, namely CR, DER, NPM, EPS, and ROA in representing the influence of independent variables on stock prices is 38.10% while 61.90% is influenced by other independent variables not mentioned in this study.

b. Simultaneous Test (F Test)

Based on the results of the simultaneous test, it was produced that the F value was 8.259 and sig. was 0.000. The F value of $8.259 > 4.00$ and sig. $0.000 < 0.05$. So it can be concluded that the variables current ratio, debt to equity ratio, net profit margin, earnings per share, and return on assets together have a significant effect on stock prices.

c. Partial Test (t Test)

Based on the results of the partial test of the independent variables, namely the current ratio, debt to equity ratio, net profit margin, earnings per share, and return on assets above, the following conclusions can be drawn.

The t CR value is -0.276 and sig. 0.784. The sig. value of $0.784 > 0.05$ means that the CR variable has no effect on stock prices. The current ratio is one of the ratios contained in the liquidity ratio. The higher this ratio indicates that the company cannot effectively use the cash owned by the company, which results in demand for the company's shares falling, which has an impact on the company's stock price.

The t DER value is 2.970 and sig. 0.004. The sig. value. $0.004 < 0.05$ means that the DER variable has an effect on stock prices. Based on the analysis of DER influence, this is also reflected in the financial statements of the company PT. Wilmar Cahaya Indonesia Tbk. which is the research sample. The company has a DER value that decreased in 2018 by 0.196. This value decreased compared to the previous year of 0.542. The stock price increased in 2018 by IDR1375. The stock price increased compared to the previous year. In 2017 the stock price was IDR1290. In other words, this also strengthens the results that the size of the DER will affect the stock price.

The t value of NPM is 2.348 and sig. 0.023. The sig. $0.023 < 0.05$ means that the NPM variable affects the stock price. Net profit margin is one of the profitability ratios. A high net profit margin ratio indicates that the company is good because it gets high net profit based on high sales. A high net profit margin ratio makes investors buy the company's shares, resulting in an increase in the company's stock price.

The t value of EPS is -0.980 and sig. 0.331. The sig. $0.331 > 0.05$ means that the EPS variable does not affect the stock price. Earning per share is one of the profitability ratios. High company profits do not necessarily increase stock prices. Company profits can be retained so that dividends are not distributed to investors, resulting in high company profits. This makes investors not interested in buying the company's shares so that it will not affect the company's stock price.

The t value of ROA is 0.912 and sig. 0.366. The sig. $0.366 > 0.05$ means that the ROA variable has no effect on stock prices. Based on the analysis, ROA has no effect, this is also reflected in the financial report of the company PT. Campina Ice Cream Industri Tbk. which is the research sample. It has an ROA value that increased in 2018 by 0.061. This value increased compared to the previous year of 0.035. The stock price decreased in 2018 by IDR346. The stock price decreased when compared to the previous year. In 2017 the stock price was IDR1,185. In other words, this also strengthens the results that the size of ROA does not affect the stock price. The results of this analysis also prove that the company's internal fundamental conditions are not the main determinant in increasing stock prices. There are still other factors in the form of external conditions of the company that affect stock prices.

4. Conclusion

This study is a study that raises the topic of the influence of current ratio, debt to equity ratio, net profit margin, earning per share, return on assets on the stock price of food and beverage sub-sector companies listed on the Indonesia Stock Exchange in 2017-2021. This study has conducted a series of tests to obtain research results. The results of the study indicate that there is an influence between the DER and NPM variables on the stock price of food and beverage sub-sector companies listed on the Indonesia Stock Exchange in 2017-2021. There are several variables used in this study that do not affect the stock price of food and beverage sub-sector companies, including CR, EPS and ROA. These variables do not have an effect, which can be caused by several causal factors, both internal and external factors of the company. In the study, there was an addition of variables because it was suggested to add a new variable, namely the DER variable

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