International Journal of Multidisciplinary Research and Publications
ISSN (Online): 2581-6187

The Effect of Current Ratio, Debt to Equity Ratio, Return on Equity Ratio and Price Earning Ratio on Stock Prices in the Food and Beverage Sector listed on the Indonesian Stock Exchange

Ida Ayu Dinda Priyanka Maharani[1], Dewi Soraya[2]
[1, 2]Faculty of Economics and Business, Warmadewa University, Denpasar, Bali, Indonesia
Email address: iadindapriyanka(at)gmail.com

***Abstract*— *Financial ratio analysis is the activity of comparing numbers in a financial report. Comparisons can be made between one component of the financial statements or between elements that exist between financial statements and it is possible to compare figures in one or several periods (Kasmir, 2015). Aspects in the financial statements will be the basic assessment, which is the key for investors in investing their funds (Haryanto, 2014). There are several ratios that can be used as a benchmark for stock prices, namely Current Ratio (CR), Debt To Equity Ratio (DER), Return On Equity (ROE) and Price Earning Ratio (PER). The inconsistency of research results that examine the effect of ROA and DER on income smoothing practices shows that previous studies have not been conclusive, thus encouraging researchers to conduct further research. This research was conducted on issuers of the food and beverage sector listed on the Indonesia Stock Exchange for the 2017-2020 period. The population of this study is the issuers of the food and beverage sector listed on the Indonesia Stock Exchange for the 2017-2020 period as many as 19 companies. The sampling method used in this study was purposive sampling method so that a sample of 12 issuers was obtained. The type of data used in this study is quantitative data, and the source of data used in this study is secondary data. The data collection technique used in this research is through the documentation method. The data analysis technique used in this research is multiple linear regression analysis. The results showed that the ROE variable had a significant negative effect on the practice of income smoothing, while the variables CR, DER and PER had a significant positive effect on the practice of income smoothing.*

***Keywords*— *Current Ratio, Debt to Equity Ratio, Return On Equity Ratio, Price Earning Ratio, Stock Prices.*

I. INTRODUCTION

The capital market has an important role in the economy of a country. So that the capital market can be seen as a barometer of the economic condition of a country, including Indonesia. Through the capital market, companies can obtain funds to carry out their economic activities, this is indicated by the increasing number of companies listed on the Indonesia Stock Exchange. One indication of the working of the capital market optimally is the availability of information. This information is useful for investors as a basis for conducting an assessment of the company that will be used as an investment forum (Puspitasari, 2010:1). Investment is a term of several meanings related to finance and economics. This is related to the accumulation of assets in the hope of getting profits in the future (Anggreani, 2019). One of the investments made by investors is to buy company shares.

The stock price is an indicator of the success of a company. The stock price is determined by the demand and supply of the relevant stock market on the stock exchange, so the stock price in the company often fluctuates (Hartono, 2014). Therefore, before making an investment, investors first observe and assess the performance of the company to be selected. Financial ratio analysis is the activity of comparing numbers in a financial report. Comparisons can be made between one component of the financial statements or between elements that exist between financial statements and it is possible to compare figures in one or several periods (Kasmir, 2015).

Aspects in the financial statements will be the basic assessment, which is the key for investors in investing their funds (Haryanto, 2014). This is because the financial performance reflected in the company's financial statements informs the company's current and past financial condition, which can be used to predict the company's condition in the future (Hartono, 2014). The current ratio is a ratio to measure the company's ability to pay short-term obligations or debts that are due immediately when billed in their entirety. In other words, how much current assets are available to cover short-term obligations that are due soon. Debt to Assets ratio (DAR) is a debt ratio used to measure how much company assets are financed by debt or how much company debt affects asset management by comparing total debt with total assets (Kasmir, 2010:112). The lower this ratio, the better because it shows that the portion of capital sourced from the company is getting bigger, which means that funds from outside parties are smaller than funds from the company itself. Return on equity (ROE) is a profitability ratio that describes the company's ability to generate returns for shareholders on the capital they invest in the company (Tandelilin, 2001). The higher the ROE, the better the company is in the eyes of investors, this can cause the share price of the company concerned to increase. Price Earning Ratio is a ratio to measure how investors assess the company's growth prospects in the future. This is reflected in the share price that investors are willing to pay for every rupiah of profit earned by the company. According to (Joshua Eko, 2008:4)

Consumer goods companies are one of the industrial sectors that are engaged in the field of basic human needs. Because it is engaged in a strategic field, many new consumer goods companies have sprung up in Indonesia which further sharpen the competition in this industry. One of the sub-sectors that is quite developed is the Food and Beverages company (Sulistiyo, 2006: 45). The Food and Beverages company was chosen as the object of this research, because this company is relatively stable and tends not to be easily affected by seasons and economic conditions.

II. Literature Review

Stock Price

Stock price is a number that can be used to compare changes in stock prices from time to time. The stock price on the stock exchange will be determined by the strength demand and supply. At the time of request for a share increases, the share price will tend to increase. On the other hand, when more people sell the stock compared to people who are interested in buying it, then the stock price tends to decrease.

Current Ratio

Current Ratio according to Kasmir (2014:134) states that, the current ratio is a ratio to measure the company's ability to pay short-term obligations or debt which are immediately due when they are billed in their entirety. Fahmi (2012) Current ratio is a common measure used on short-term solvency, the ability of a company meet debt requirements when they fall due. In other words, how much current assets are available to cover short-term obligations that are soon due. Ratio smoothly can also be said as a form to measure the level of security (margin of safety) of a company

Debt To Equity Ratio

Kasmir (2014:157) Debt to equity ratio is a ratio that used to value debt with equity. This ratio is found by how to compare all debts, including current liabilities with all equity. This ratio is used to determine the number of funds provided by the borrower (creditor) with the owner of the company. In other words, this ratio serves to find out every rupiah own capital used as collateral for debt. This ratio shows the ratio of debt and capital. This ratio is one of the important ratios because it deals with the problem of trading on equity, which can have both positive and negative effects on the profitability of own capital and the company

Return On Equity

This ratio measures the company's ability to generate profits based on a certain share capital. This ratio is a measure of profitability from the point of view of shareholders. Although this ratio measures profit from the shareholder's point of view, it does not take into account dividends or capital gains for shareholders. The ratio aims to find out and measure how much the level of return on own capital from shares invested in the company through the size of the income or profit generated by the company. return on equity measures the company's ability to earn available profits for shareholders. Roe is a very commonly used profitability measure to measure company performance. companies that have ROE high is considered to have better performance

Price Earning Ratio

Price Earning Ratio is a ratio used to compare the share price per share (which is determined in the capital market) with earnings per share or Earning Per Share. By knowing the amount of Price Earning Ratio of a company, investors can estimate the relative position of a stock to other shares, whether the shares are worth buying or no. there are three variables that also determine the amount of the Price Earning Ratio that is, the dividend payout ratio, the desired rate of return and expected dividend growth rate

Research Hypothesis

A hypothesis is a provisional assumption or a temporary answer to a problem that is presumptive because it still has to be proven true. Based on the background, theoretical basis, previous research results and framework, the following hypotheses can be built:

H1: Current Ratio has a positive and significant effect on stock prices
H2: Debt to Assets Ratio has a positive and significant effect on stock prices
H3: Return on Equity has a positive and significant effect on stock prices
H4: Price Earning Ratio has a positive and significant effect on stock prices

III. Research Methods

The population in this study are all companies that are included in the food and beverage sector listed on the Indonesia Stock Exchange for the 2017-2020 period as many as 19 companies. The sample is part of the number of characteristics by the population (Sugiyono, 2014:67). The sampling technique used in this research is purposive sampling, namely the method of determining the sample with certain considerations. A sample of 12 companies that can be used as samples in this study is from 19 Food and Beverage sector companies listed on the Indonesia Stock Exchange for the 2017-2020 period.

IV. Results and Discussion

TABLE 1. Kolmogorov-Smirnov Test Result on Food and Beverage Companies Listed on The Indonesian Stock Exchange in 2017-2020

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		43
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	3972.266771
Most Extreme Differences	Absolute	.134
	Positive	.097
	Negative	-.134
Kolmogorov-Smirnov Z		.877
Asymp. Sig. (2-tailed)		.426

a. Test distribution is Normal.
b. Calculated from data.

Ida Ayu Dinda Priyanka Maharani and Dewi Soraya, "The Effect of Current Ratio, Debt to Equity Ratio, Return on Equity Ratio and Price Earning Ratio on Stock Prices in the Food and Beverage Sector listed on the Indonesian Stock Exchange," *International Journal of Multidisciplinary Research and Publications (IJMRAP)*, Volume 4, Issue 6, pp. 40-43, 2021.

Based on table 1 above, the data using the SPSS program obtained the Asymp value. Sig. (2-tailed) is 0.426 and the value is greater than 0.05, this means that it is normally distributed, so this regression model meets the normality test.

TABLE 2. Multiple Regression Linear Analysis in Food and Beverage Companies Listed on The Indonesian Stock Exchange in 2017-2020

Coefficients[a]

Mode		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Correlations			Collinearity Statistics	
		B	Std. Error	Beta			Zero-order	Partial	Part	Tolerance	VIF
1	(Constant)	0362.3	495.146		-5.525	.000					
	CR	69.461	16.664	.498	4.168	.000	.362	.560	.451	.819	1.221
	DAR	78.239	712.899	.495	4.302	.000	.355	.572	.465	.885	1.130
	ROE	61.035	94.530	.196	1.704	.097	.349	.266	.184	.889	1.125
	PER	20.481	57.087	.424	3.862	.000	.308	.531	.418	.970	1.031

a. Dependent Variable: HSAHAM

Based on table 2, the linear regression equation is obtained as follows:

$Y = \quad a + b_1 X_1 + b_2 X_2 + b_3 X_3 + b_4 X_4$

$Y = \quad -30362{,}3 + 69{,}461X1 + 33178{,}239X2 + 161{,}035X3 + 220{,}481\ X4$

TABLE 3. F Test Result in Food and Beverage Companies Listed on The Indonesian Stock Exchange in 2017-2020

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	8.3E+008	4	206828197.3	11.860	.000[a]
	Residual	6.6E+008	38	17439840.49		
	Total	1.5E+009	42			

a. Predictors: (Constant), PER, DAR, ROE, CR

b. Dependent Variable: HSAHAM

From the table above, it can be explained that F-count 11.860 > F-table 2.85 then Ho is rejected and Hi is accepted, this means that independent variables such as Current Ratio (X1), Debt To Assets Ratio (X2), Return On Equity (X3) and Price Earning Ratio (X4) is simultaneously a significant explanation of the dependent variable, namely stock prices

TABLE 4. Results of t-test (t-test) in Food and Beverage Companies Listed on the Indonesia Stock Exchange

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Correlations			Collinearity Statistics	
		B	Std. Error	Beta			Zero-order	Partial	Part	Tolerance	VIF
1	(Constant)	-30362.3	5495.146		-5.525	.000					
	CR	69.461	16.664	.498	4.168	.000	.362	.560	.451	.819	1.221
	DAR	3178.239	7712.899	.495	4.302	.000	.355	.572	.465	.885	1.130
	ROE	161.035	94.530	.196	1.704	.097	.349	.266	.184	.889	1.125
	PER	220.481	57.087	.424	3.862	.000	.308	.531	.418	.970	1.031

a. Dependent Variable: HSAHAM

Based on table 4, it can be explained that t-count = 4.168 < t-table = 2.022. So Ho is rejected and Hi is accepted. This means that the variable Current Ratio (X1) is a significant explanation for stock prices. it means that the Current Ratio variable has a significant influence on stock prices. Based on table 4, it can be explained that t-count = 1.704 > t-table = 2.022. So Ho is accepted and Hi is rejected. This means that the Return On Equity (X3) variable is not a significant explanation for stock prices. it means that the Return On Equity variable does not have a significant effect on stock prices.

Discussion Of Hypothesis Test Results

Based on the test results simultaneously with the simultaneous significance test (test statistic F) shows that all the independent variables, namely, Current Ratio (X1), Debt To Assets Ratio (X2), Return On Equity (X3) and Price Earning Ratio (X4) to the price shares, which means that simultaneously all independent variables have a significant influence on stock prices in Food and Beverage sector companies listed on the Indonesia Stock Exchange in 2017-2020, which is indicated by the significance value of F count 11.860 > F table 2.85.

The results of individual tests (partial) with the t-test above show that the Current Ratio has a significant influence on stock prices, as indicated by the t-count value on the Current Ratio variable 4.168 < t-table 2.022. The results of this study are supported by research conducted by Hendra (2013) which found that the Current Ratio has a positive and significant effect on stock prices. This study states that the current ratio level of the Food and Beverage sector companies in this research period is attractive to investors in considering investing, but most of the Food and Beverage sector companies in the 2017-2020 period tend to have a high current ratio.

The results of the individual test (partial) with the t-test above show the Debt To Assets Ratio has a significant effect on stock prices. indicated by the value of t arithmetic 4.302 < t table 2.022. The results of this study are supported by research conducted by Hendra (2013) which found that the Debt To Assets Ratio has a positive and significant effect on stock prices. This occurs because investors are looking for companies that have a small level of debt use in managing their business activities and companies that are able to obligations on time so that the company does not have a large dependence on external parties and causes a higher debt burden.

The results of individual testing (partial) with the t-test above show that Return on Equity has no significant effect on stock prices. indicated by the value of t arithmetic 1.704 > t table 2.022. The results of this study are supported by research conducted by Rizal (2013) which found that Return on Equity had no positive and significant effect on stock prices. ROE is used to measure the level of effectiveness of the company in generating profits by utilizing its equity. The results of this study ROE has a negative effect on stock prices which means that the company cannot generate profits with its own capital which can benefit shareholders.

The results of the individual test (partial) with the t test above show that the Price Earning Ratio has a significant effect on stock prices. indicated by the value of t count 3.862 < t table 2.022. The Price Earning Ratio which can be categorized as high provides an opportunity that the growth of these companies in the future will also be quite high, as a result many investors are interested in investing in the company because of the high level of Price Earning Ratio so that the share price will also increase.

V. CONCLUSION

Based on the results of the analysis and discussion that have been described, it can be concluded as follows:

a. Based on the simultaneous regression test (F test), the results show that the independent variables consisting of Current Ratio (X1), Debt To Equity Ratio (X2), Return On Equity (X3) and Price Earning Ratio (X4) simultaneously have a significant effect to Share Price (Y) in Food and Beverage sector companies listed on the Indonesia Stock Exchange in 2017-2020
b. Based on the partial regression test (t-test) it can be seen that the variables that have a significant effect are Current Ratio (X1), Debt To Equity Ratio (X2) and Price Earning Ratio (X4), while the variables that do not have a significant effect are Return On Equity (X3) to Share Price (Y) in Food and Beverage sector companies listed on the Indonesia Stock Exchange in 2017-2020
c. Based on the beta test, it can be seen that the Current Ratio variable has a dominant influence on the Stock Price (Y) in the Food and Beverage sector companies listed on the Stock Exchange Indonesia in 2017-2020

VI. LIMITATIONS AND SUGGESTIONS

For further researchers, it is recommended to add variables and the research period to determine the contribution and influence of these variables on stock prices so that other analysis results are obtained or better to explain changes in stock prices. The limitation of this study is that the sample companies used are only in the Consumer Goods Industry company so that for the next research it is recommended to increase the number of samples and extend the observation period.

REFERENCES

[1] Anoraga, Pandji dan Pakarti, Piji (2008). Pengantar Pasar Modal, Penerbit Rineka Cipta, Jakarta
[2] Artawan, I Made, (2005), Diktat Pengantar Pasar Modal, Fakultas Ekonomi Universitas Warmadewa, Denpasar
[3] Astutik, Santi Puji. (2009). Pengaruh Kinerja Keuangan Terhadap Harga Saham Pada Perusahaan Yang Tergabung dalam Jakrta Islamic Indeks (JII) di BEI. Skripsi Surakarta: Fakultas Ekonomi Universitas Muhamadiyah Jakarta
[4] Fahmi, Irham, (2013), Pengantar Pasar Modal, Penerbit Alfabeta, Bandung
[5] Fahmi, Irham dan Yovi Lavianti Hadi (2009), Teori Portofolio dan Analisis Investasi, Penerbit Alfabeta, Bandung.
[6] Ghozali, Imam, (2008), Aplikasi Analisis Multivariate dengan Program SPSS, Cetakan ke IV.
[7] Hanafi, Mamduh M. dan Abdul Halim, (2014), Analisis Laporan Keuangan, UPP STIM YKPN, Yogyakarta.
[8] Husnan, Suad, (2000). Akuntansi Basis Pengambilan Keputusan Bisnis, Jilid II Cetakan Pertama, Salemba Empat Jakarta
[9] Husnan, Suad dan Pudjiastuti Enny (2015), Dasar-Dasar Manajemen Keuangan, Penerbit UPP STIM YKPN, Yogyakarta.
[10] Harahap, Sofyan Syafri (2002). Analisis Kritis Atas Laporan Keuangan, Cetakan Ketiga. PT Raja Grafindo Persada Jakarta
[11] Husnan, Suad Dan Enny Pudjiastuti, (2006), Dasar-Dasar Manajemen Keuangan, Edisi Kelima, Penerbit UPP STIM YKPN, Yogyakarta
[12] Jogiyanto Hartono, (2014), Teori Porotofolio dan Analisis Investasi, Edisi Kedelapan, Universitas Fajah Mada, Yogyakarta
[13] Kasmir, (2010), Pengantar manajemen Keuangan, Edisi Pertama, Prenada Media Group Jakarta.
[14] Kasmir, (2013), Analisis Laporan Keuangan, Edisi Keenam, PT Raja Grafindo Persada, Jakarta
[15] Martalena Dan Maya Melinda, (2011), Pengantar Pasar Modal, Penerbit Andi Offset, Yogyakarta
[16] Mulyono, (2014), Analisis Pengaruh Rasio Keuangan Terhadap Harga Saham Perusahaan Perbankan yang Terdaftar di Bursa Efek Indonesia 2010-2012. Jurnal Sarjana pada Fakultas Ekonomi dan Bisnis Universitas Muhamadiyah Surakarta.
[17] Qoribulloh, A.Rizal (2013), Jurnal Pengaruh Rasio keuangan terhadap Harga Saham Pada Perusahaan Manufaktur yang terdaftar di BEI tahun 2011. Universitas Negri Yogyakarta.
[18] Samsul, Mohamad, (2006), Pasar Modal & Manajemen Porotofolio, Penerbit Erlangga, Jakarta.
[19] Sugiyono, (2014), Metode Penelitian Manajemen, CV.Alfabeta, Bandung.
[20] Sunariyah, (2011), Pengantar Pengetahuan Pasar Modal, Edisi Keenam, UPP STIM YKPN, Yogyakarta.
[21] Syamsuddin, Lukman, (2001). Manajemen Keuangan Perusahaan, PT. Raja Grafindo Persada Jakarta.
[22] Samsul, Muhammad, (2010), Pasar Modal dan Manajemen Portofolio, Gelora Aksara Pratama, Surabaya.
[23] Sumarsid, (2001). Pengaruh Rentabilitas Operating Profit Margin terhadap harga Saham pada Perusahaan PT Bukit Asama Tbk. Jurnal Manajemen & Bisnis Vol 5.
[24] Sartono, R. Agus (2010), Manajemen Keuangan Teori Dan Aplikasi, Edisi Ketiga Penerbit BPFE
[25] Syahfri Harahap, Sofyan, 2008. Analisa Kritis atas Laporan Keuangan, PT Raja Grafindo Persada, Jakarta.
[26] Thomas G. Stephan, 2011, A Multiple Factor model for Equropean Stocks, Journal of Deutscher Invesment Trust.
[27] Wicaksono, Adhitya Hendra (2013), Jurnal Pengaruh Current Ratio,Debt To Assets ratio,Return On Equity,Suku Bunga terhadap Harga Saham pada Perusahaan Makanan dan Minuman periode 2009-2011, Universitas negri Yogyakarta.
[28] Yanti, Oktavia Dewi (2015), Jurnal Pengaruh Faktor-Faktor Fundamental terhadap Harga Saham pada Industri Textile di BEI periode 2011-2014, Jurusan Manajemen Keuangan, STIE MDP
[29] _______, Laporan Tahunan Perusahaan Tercatat, diakses tanggal 1 oktober 2015, http://www.idx.co.id/.

Ida Ayu Dinda Priyanka Maharani and Dewi Soraya, “The Effect of Current Ratio, Debt to Equity Ratio, Return on Equity Ratio and Price Earning Ratio on Stock Prices in the Food and Beverage Sector listed on the Indonesian Stock Exchange,” *International Journal of Multidisciplinary Research and Publications (IJMRAP)*, Volume 4, Issue 6, pp. 40-43, 2021.