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The Influence of Liquidity Ratio, Profitability, Leverage and Market Ratio on Stock Return in Food and Beverage Sub-Sector Companies Listed on the Indonesia Stock Exchange

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Abstract**—** *This research was conducted on the Indonesia Stock Exchange (IDX) with the title The effect of liquidity ratios, profitability, leverage and market ratios on Stock Returns in Food and Beverage Sub-Sector Companies Listed on the Indonesia Stock Exchange. Return is the goal of investors to invest in the capital market. Stock return is the reciprocal of investments made by investors or shareholders in the form of profits obtained from buying and selling shares in the capital market. In analyzing and selecting stocks, investors need relevant and adequate information through the company's financial statements.This study aims to determine the effect of liquidity ratios, profitability, leverage and market ratios on Stock Returns in Food and Beverage Sub-Sector Companies Listed on the Indonesia Stock Exchange with the object of research in the form of financial aspects in the sample company. The sample in this study were 13 companies obtained through purposive sampling method. The data used in this study is secondary data in the form of financial reports from 2017 to 2021 through the Indonesian stock exchange website. Data collection uses the documentation method. The data analysis technique used is Multiple Linear Regression Analysis. Based on hypothesis testing using the t test, it is concluded that the profitability ratio and market ratio variables have a positive effect on stock returns. while the leverage variable has a negative effect on Stock Return, while the liquidity ratio variable has no effect on Stock Return. Investors should pay attention and consider these ratios in making investments.*

Keywords**—** *Stock Return, Liquidity Ratio, Profitablity Ratio, Leverage, and Market Ratio.*

I. INTRODUCTION

The capital market functions as an intermediary institution between parties who need funds and those who have excess funds (Mas Ulandari, 2019). Investors invest their funds in the hope that they will receive profit rewards, including capital gains (profits from buying and selling shares) and getting dividends (profit sharing) every year. Investing in the capital market can encourage the creation of an efficient allocation of funds, because in the capital market those who have funds (investors) can choose investment alternatives that provide optimal returns (profits), both now and in the future. In investing, an investor must expect a profit (return). Stock return is the reciprocal of investments made by investors or shareholders in the form of profits obtained from buying and selling shares in the capital market (Hartono, J. 2014: 263) in Choirurodin (2018).

Investors in buying shares must have a desire to get a high return. High stock returns are one of the attractions for investors to invest their funds in the capital market. Investors need pertinent and sufficient information from the company's financial statements for stock analysis and selection. From the investor's point of view, forecasting the future is the essence of financial statement analysis, while from the management's point of view, financial statement analysis will be useful both to help anticipate future conditions and more importantly, as a starting point for planning steps. steps that will improve the company's performance in the future (Mas Ulandari, 2019).

The issue that occurs is that the Indonesia Stock Exchange (IDX) is intensively improving compliance with the submission of company financial reports. Bapepam through the Decree of the Chairman of Bapepam No. Kep. 38/PM/1996 concerning annual reports, requires companies listed on the Indonesia Stock Exchange (IDX) to submit annual reports so that there is transparency in the disclosure of various information related to the performance of issuers/companies. Indicators to measure financial performance are financial ratios. Financial ratios are divided into five parts, namely liquidity ratios, leverage ratios, profitability ratios, activity ratios and market value ratios. A company's ability to fulfil its short-term obligations is gauged by its liquidity ratio. The current ratio is one part of the liquidity ratio, where the current ratio shows the company's ability to meet short-term obligations using current assets. The higher the current ratio in a company, the better the company is in meeting short-term obligations, but a high current ratio also shows excess current assets that are not used optimally (Choirurodin, 2018). Leverage ratio is a ratio that measures a company's ability to meet its long-term obligations. The debt to equity ratio is one part of the leverage ratio, where the debt to equity ratio is a measure used in analyzing financial statements to show the amount of collateral available to creditors. The higher the debt to equity ratio indicates the greater the company's burden on external parties, both in the form of principal and interest on the loan. If the company's burden is getting heavier, then the company's performance will get worse and will have an impact on decreasing stock prices in the capital market which ultimately causes returns to decline (Mas Ulandari, 2019). Profitability ratio is a ratio that

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measures the effectiveness of overall management which is indicated by the size of the level of profit obtained in relation to sales and investment. Return on assets is one part of the profitability ratio, where return on assets is used to measure the effectiveness of the company in generating profits by utilizing its assets. This ratio describes the level of profit earned by the company with the level of investment invested. Increasing ROA will show better company performance and shareholders will benefit from the dividends received. The market ratio is a ratio that describes the current conditions in the market. Earning Per Share is one part of the market value ratio, where earnings per share can be used to show the company's ability to earn profits and distribute the profits earned by the company to shareholders. Earning per share is also one way to measure success in achieving profits for shareholders in the company (Mas Ulandari, 2019).

Food and beverage sub-sector companies were chosen in this study, because this sub-sector has a fairly good position in Indonesia, according to (www.detik.com in Mas Ulandari, 2019) the food and beverage industry has an important role in building the industrial sector, especially for products. Gross Domestic Product (GDP). This is proven by the food and beverage industry being the largest sub-sector, which is 34.42% of other sub-sectors. This shows that the food and beverage industry sector has a significant role in economic growth in Indonesia. Previous research on financial ratios to stock returns was conducted by Gilang and Ketut Wijaya (2015) with the results that the higher the ROA and EPS levels, the higher the stock returns, DER has a negative and significant effect on stock returns. Research conducted by Choirurodin (2018) results that the current ratio and debt to equity ratio have a negative effect on stock returns, while return on equity has a positive effect on stock returns. Research conducted by Desti Miranti, et al (2018) obtained the results that partially the current ratio (CR), debt to equity ratio (DER), return on equity (ROE) variables have a positive effect on stock returns, while the total asset turnover (TATO) variable) has no effect on stock returns. The next research conducted by Wahyu Ridha and Permata Dian (2019) found that the current ratio and return on equity had a positive effect on stock returns, while the debt to equity ratio had a negative effect on stock returns. Then the research conducted by Mas Ulandari (2019) found that return on assets had a positive effect on stock returns, while the current ratio, debt to equity ratio, total asset turnover, and earnings per share had no effect on stock returns. The inconsistency of the results of previous studies indicates that the results of previous studies are not conclusive so that it encourages researchers to conduct further research that examines the effect of motivating the authors to re-examine the effect of the variable "Effect of liquidity ratios, profitability, leverage and market ratios on stock returns in food sub-sector companies. and Beverages Listed on the Indonesia Stock Exchange".

II. Literature Review

Signaling Theory

According to Brimingham, E.F. and Houston, J.F. (2013: 185) in Choirurodin (2018) Signal theory suggests how a company should give signals to users of financial statements. A signal is an action taken by the company's management that provides clues to investors about how management views the company's prospects. Signaling theory emphasizes the importance of information issued by the company on the investment decisions of parties outside the company. Information is an important element for investors and business people because information essentially presents information, notes or descriptions for past, current and future conditions for the survival of a company and how the securities market will be. Investors in the capital market require complete, pertinent, accurate, and timely information as an analytical tool for making investment decisions. One type of information issued by a company that can be a signal for parties outside the company, especially for investors, is the annual report. The annual report should contain relevant information and disclose information that is considered important to be known by users of the report, both internal and external parties. If a company wants its shares to be purchased by investors, the company must disclose its financial statements openly and transparently. The relevance between signaling theory and stock returns is that if stock returns increase, the profits to be obtained by investors will also increase. This can be used as a signal for management to attract investors to invest in the company.

III. Research Methods

This research was conducted on food and beverage sub-sector companies listed on the Indonesia Stock Exchange for the period 2017-2021 by accessing the website www.idx.co.id. The population in this study are food and beverage sub-sector companies listed on the Indonesia Stock Exchange for the 2017-2021 period, totaling 28 companies. The sampling method used in this study was purposive sampling method, and a sample of 13 issuers was obtained. Because the research year was carried out for 5 years, the number of observations made was 65 observations. The independent variables in this study are the liquidity ratio as measured by the current ratio (x1), the profitability ratio as measured by the return on asset ratio (x2), leverage as measured by the debt to equity ratio (x3) and the market ratio as measured by earnings per share. ratio (x4). While the dependent variable in this study is Stock Return. The data in this study uses quantitative data, namely the results of ratio assessments where research data is obtained from financial reports published by issuers and can be accessed through the Indonesian stock exchange website. Multiple linear regression analysis is the method of data analysis employed in this study.

IV. Results and Discussion

TABLE 1. Multiple Regression Analysis

Coefficients[a]

Model	*Unstandardized Coefficients*		*Standardized Coefficients*		
	B	Std.Error	Beta	T	*Sig.*
1. (*Constant*)	0,183	0,222		0,827	0,411
CR	-0,003	0,004	-0,136	-0,765	0,447
ROA	0,253	0,005	0,246	2,509	0,012
DER	-0,267	0,133	-0,289	-2,512	0,010
EPS	0,272	0,002	0,258	2,612	0,004

a. Dependent Variable: *Return* Saham

Multiple Linear Regression Analysis

From the results of the analysis of the regression coefficient test (SPSS) the regression coefficient test equation can be formulated as follows:

Y = 0.183 – 0.003 X1 + 0.253 X2 – 0.267 X3 + 0.272 X4 + e

The regression coefficient test equation shows the direction of influence of each independent variable on the dependent variable. Multiple linear regression equation can be described as follows:

a) α = 0.183 positive constant value, meaning that if the variables current ratio, return on assets, debt to equity ratio and earnings per share are considered constant (fixed or no change), then stock returns will increase by 0.183%.
b) $\beta1$ = -0.003 indicates that the regression coefficient of the current ratio variable is negative, this means that if the current ratio increases by 1 percent, then stock returns will decrease by -0.003% assuming other independent variables do not change (constantly).
c) $\beta2$ = 0.253 indicates that the regression coefficient of the return on assets variable is positive, this means that if the return on assets has increased by 1 percent, then stock returns will increase by 0.253% assuming other independent variables do not change (constant).
d) $\beta3$ = -0.267 indicates that the regression coefficient of the debt to equity ratio variable is negative, this means that if the debt to equity ratio increases by 1 percent, then stock returns will decrease by -0.267% assuming other independent variables do not change. (constant).
e) $\beta4$= 0.272 indicates that the regression coefficient of the earning per share variable is positive, this means that if the earnings per share increases by 1 percent, then the stock return will increase by 0.272% assuming the other independent variables do not change (constantly).

Multiple Linear Regression Determination Coefficient Test

Hasil Uji Determinasi

Model	R	*R Square*	*Adjusted R Square*	*Std. Error of the Estimate*	Durbin - Watson
1	0,786 (a)	0,617	0,601	0,44748	1,916

a. Predictors: (Constant), EPS,CR,ROA,DER
b. Dependent Variable: *Return* Saham

The results of the coefficient of determination test show that the value of Adjusted r-square (R2) = 0.617, which means that 61.7% of stock returns are influenced by the independent variables in this study. Meanwhile 38.3% is influenced by other variables outside the research model.

Model Feasibility Test (F Test)

Hasil Uji F

Model	*Sum of Squares*	df	*Mean Square*	F	*Sig.*
1. *Regression*	0,382	4	0,095	12,477	0,001
Residual	12,015	60	0,200		
Total	12,397	64			

a. Dependent Variable: *Return* Saham
b. Predictors: (Constant), EPS, CR, ROA, DER

Based on the table above, the calculation results show an F value of 12.477 with a significance of 0.001 <0.05. This means that the regression model used is feasible or it can be said that simultaneously the independent variables affect the dependent variable.

Regression Coefficient Test (t Test)

a) The Effect of Liquidity Ratio on Stock Returns in Food and Beverage Sub-Sector Companies Listed on the Indonesia Stock Exchange

Based on the t statistical test, the calculated t value obtained by the variable liquidity ratio proxied by the current ratio is -0.765 and a significance of 0.447 > 0.05. In the regression equation, the coefficient of the current ratio is negative, which means that there is no effect of the current ratio on stock returns. So that the proposed H1 is rejected, which means that the current ratio has no effect on stock returns.

b) The Effect of Profitability Ratios on Stock Returns in Food and Beverage Sub-Sector Companies Listed on the Indonesia Stock Exchange

Based on the t-test, the calculated t-value obtained by the profitability ratio variable as a proxy for return on assets is 2.509 and a significance of 0.012 <0.05. In the regression equation, the coefficient of return on assets is positive, which means that there is a positive (unidirectional) effect between return on assets and stock returns. So that the proposed H2 is accepted, which means that the return on assets has a positive effect on stock returns.

c) The Effect of Leverage Ratio on Stock Returns in Food and Beverage Sub-Sector Companies Listed on the Indonesia Stock Exchange

Based on the t test, the calculated t value obtained by the leverage ratio variable which is proxied by the debt to equity ratio is -2.512 and a significance of 0.010 <0.05. The regression equation shows that the debt to equity ratio coefficient is negative, which means that there is a negative (not unidirectional) effect between the debt to equity ratio and stock returns. So that the proposed H3 is accepted, which means that the debt to equity ratio has a negative effect on stock returns.

d) The Effect of Market Ratios on Stock Returns in Food and Beverage Sub-Sector Companies Listed on the Indonesia Stock Exchange

Based on the t-test, the calculated t-value obtained by the market ratio variable as proxied by earnings per share is 2.612 and a significance of 0.004 <0.05. In the regression equation, the coefficient of earnings per share is positive, which means that there is a positive (unidirectional) effect between earnings per share and stock returns. So that the proposed H4 is accepted, which means that earnings per share have a positive effect on stock returns.

Discussion

The Effect of Liquidity Ratio on Stock Returns in Food and Beverage Sub-Sector Companies Listed on the Indonesia Stock Exchange

Based on the results of data analysis, the liquidity ratio proxied by the current ratio has a significance value of 0.447 which is greater than 0.05 with a negative regression coefficient direction, which means that the current ratio variable has no effect on stock returns. This indicates that the current ratio has not been able to attract the attention of investors in making investment decisions, so that stock returns do not get the influence of the current ratio. In looking at the company's liquidity level, investors may pay more attention to other liquidity ratios, namely the quick ratio which does not include inventory components and prepaid expenses or perhaps a cash ratio which only involves cash and cash equivalents in comparison to the current ratio. The results of this study are supported by the research of Mas Ulandari (2019), which states that the Current Ratio has no effect on Stock Return.

The Effect of Profitability Ratios on Stock Returns in Food and Beverage Sub-Sector Companies Listed on the Indonesia Stock Exchange

The results of the study support the second hypothesis (H2) which states that the profitability ratio proxied by Return On Assets has a positive effect on stock returns. Based on the results of data analysis, return on assets has a significance value of 0.012, smaller than 0.05 with a positive regression coefficient direction, which means that the return on assets variable has a positive effect on stock returns. This shows that the company is able to generate profits so that it can increase the value of net income which means it can also increase the value of sales, so that it will cause greater investor interest in investing which results in rising stock prices and will ultimately increase the company's stock returns. Return on assets is a ratio that looks at the extent to which the investment that has been invested is able to provide an expected return on profits. The results of this study are supported by Mas Ulandari's research (2019), which states that Return on Assets has a positive effect on Stock Return.

The Effect of Leverage Ratio on Stock Returns in Food and Beverage Sub-Sector Companies Listed on the Indonesia Stock Exchange

The results of the study support the third hypothesis (H3) which states that the leverage ratio proxied by the Debt to Equity Ratio has a negative effect on Stock Return. Based on the results of data analysis, the debt to equity ratio has a significance value of 0.010 which is smaller than 0.05 with a negative regression coefficient direction, which means that the debt to equity ratio variable has a negative effect on stock returns. This indicates that the higher the debt to equity ratio indicates the composition of the total debt is greater than the total equity, so that the greater the impact on the company's burden on outsiders. Debt in the company arises as a result of the company's inability to meet its own capital so that the company chooses the option of seeking capital by borrowing or debt from outside parties (creditors). The increasing burden on creditors shows that the company's source of capital is very dependent on outside parties. The greater the debt to equity ratio shows the capital structure that comes from debt to meet equity. Conversely, if the debt to equity ratio has a low value, the better. The high debt to equity ratio will have a negative impact, from the investor's point of view it will mean that to fulfill the company's operational activities from loans or larger debt will show the company's performance is not good then the stock return will decrease, thereby reducing investor interest in investing in the company. The results of this study are supported by research by Wahyu Ridha and Permata Dian (2019), which states that the Debt to Equity Ratio has a negative effect on Stock Return.

The Effect of Market Ratios on Stock Returns in Food and Beverage Sub-Sector Companies Listed on the Indonesia Stock Exchange

The results of the study support the fourth hypothesis (H4) which states that the market ratio proxied by Earning Per Share has a positive effect on Stock Return. Based on the results of data analysis, earnings per share has a significance value of 0.004 which is smaller than 0.05 with a positive regression coefficient direction, which means that the Earning Per Share variable has a positive effect on Stock Return. This shows that the greater the value of earnings per share, the greater the profit received by shareholders per share. Investors view that earnings per share contain important information to predict the amount of dividends per share and the level of stock prices in the future. The increasing number of earnings per share means that the company is in a developing phase so that it can be interpreted that the company can generate net profits per share. So that investors' interest in buying company shares will increase. The results of this study are supported by the research of Gede Gilang and Ketut Wijaya (2015), which states that Earning Per Share has a positive effect on Stock Return.

V. SUGGESTIONS

Future researchers should be able to add variables that affect stock returns through financial ratio analysis outside of the analysis that has been used in this study, and be able to expand the scope of research which is not only limited to food and beverage sector companies so that it can provide a comprehensive view. more and can be implemented in general.

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