



Effect of CR, ROE, and TATO on Stock Prices in BEI-Listed Food & Beverage Firms (2019–2021)

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ABSTRACT

This research was conducted with the aim of testing and analyzing the effect of the Current Ratio, Return on Equity, and Total Asset Turn Over on stock prices in food and beverage companies listed on the IDX in 2019-2021. This research is quantitative research with a causal method. The data collection method was carried out by purposive sampling with a total sample of 69 food and beverage companies registered on the IDX during the 2019-2021 period. The analysis technique used in this research is multiple linear regression analysis. The results showed that Return on Equity had a positive and significant effect on stock prices, while the Current Ratio and Total Asset Turn Over had a positive and insignificant effect on stock prices

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1. Introduction

The capital market, as one of the active drivers of the Indonesian economy, holds its own appeal for many parties, especially investors. The capital market continues to grow each year, even during the pandemic. Law Number 8 of 1995 concerning the Capital Market explains that the capital market aims to support the implementation of national development in order to enhance the distribution, growth, and stability of the national economy towards increasing the welfare of the people. As one of the instruments in the capital market, stocks are the best choice for investment, both in the short and long term. Stocks traded and listed on the Indonesia Stock Exchange have different prices and experience fluctuations at all times due to the activity of supply and demand. The fluctuating stock prices occur due to both internal and external factors of the company. Internal factors that can influence changes in stock prices may arise from the financial condition of the company, while external factors can be influenced by the economic conditions of the country [1]. Therefore, it is necessary to conduct analysis before purchasing stocks so that investors can maximize their profits.

Therefore, ratio analysis is necessary to determine the financial condition of the company. Liquidity ratios in a company can be measured by calculating the current ratio to assess the company's ability to meet its current obligations based on its assets. A high level of liquidity in a company indicates that it is capable of paying its obligations in the short term, making it easier for creditors to provide loans [2]. According to research conducted by Pranajaya & Putra (2018), the current ratio has a positive and significant effect on stock prices.

Next, profitability ratios, measured by return on equity, are one of the important indicators to determine the extent of a company's profitability growth and to measure the company's ability to generate profits in order to attract investor interest [6]. The results of Hisbullah (2021) indicate that return on equity has a positive and significant effect on stock prices.

Next, the calculation of total asset turnover as an activity ratio is used to measure a company's ability to manage its total assets to achieve maximum sales [6]. Research conducted by Sari Sari (2020) indicates that total asset turnover has a positive and significant effect on stock prices.

Research shows that the significant increase in COVID-19 cases that occurred in 2020 had a significant impact on stock returns across all companies [8]. It is noted that food and beverage companies are among those significantly affected by the spread of COVID-19.

Table 1 Phenomena for All Variables During the Research Period

	2019	2020	2021
Food and Beverages			
<i>Member</i>	30	32	72
<i>Delisted</i>	-	-	-
<i>Market Cap., b. IDR</i>	360.524	345.509	596.397
ROE	12.53	4.58	0.05
Indeks			
<i>Consumer Goods</i>	-20,11%	-10,74%	-16,04%
<i>Property</i>	12,54%	-21,33%	-19,11%
<i>Infrastructure</i>	6,88%	-12,00%	11,23%
<i>Finance</i>	15,22%	-1,59%	21,14%



2. Literature Review

Signal Theory

Signal theory states that the coefficient of earnings response reflected in stock price movements at the time of announcement can serve as a signal for investors [10]. Signal theory explains that financial reports are essentially used by companies to provide positive or negative signals to their users [11]. The quality of a company can be seen from its annual reports because large companies will strive to signal to the market that they are more competent than other companies. Annual reports issued by large companies contain more information about the financial position of the company, thus attracting investors to invest in the company.

Stock Price

Stock price is an important factor that investors should pay attention to in investing because it reflects the value of a company [3]. The stock prices circulating in the capital market are determined by market forces or supply and demand activities, thus fluctuating at all times. When demand for stocks is greater, stock prices tend to rise, while when there is more supply of stocks, stock prices will decrease.

Liquidity Ratio

Liquidity ratio is one of the financial ratios that measures a company's ability to meet its obligations that must be paid immediately by the company [12]. In this study, liquidity ratio is proxied by the Current Ratio, which is used to measure the company's ability to meet its short-term financial obligations on time [7]. According to Mardiyanto (2011), the Current Ratio can be calculated by the formula:

$$\text{Current Ratio} = \frac{\text{Aktiva Lancar}}{\text{Utang Lancar}}$$

Profitability Ratio

Profitability ratio is a ratio used to calculate a company's ability to generate profits from sales-related income, assets, and capital based on a certain measurement [14]. The higher the company's profitability value, the better its condition. In this study, profitability ratio is proxied by Return on Equity, which measures the amount of profit earned by the company compared to its equity value in one year [15]. The formula for Return on Equity according to Sugiono (2009) is as follows:"

$$\text{Return on Equity} = \frac{\text{Laba Bersih}}{\text{Total Ekuitas}}$$

Activity Ratio

According to Sugiono (2009), activity ratio is a ratio used to measure a company's ability or effectiveness in using its assets. The activity ratio calculated in this study is the Total Asset Turnover, which is a ratio that measures the proportion of a company's fixed assets to its net sales [17]. Sakhowi dan Mahirun (2011) wrote the formula used to calculate Total Asset Turnover as follows:

$$\text{Total Asset Turn Over} = \frac{\text{Penjualan}}{\text{Total Aktiva}}$$

3. Method, Data, and Analysis

The object of this research is companies in the Food and Beverage sector listed on the Indonesia Stock Exchange (IDX). Out of a total of 76 Food and Beverage companies listed on the Indonesia Stock Exchange and operating during the observation period, the companies that met the criteria as samples in this study were 29 companies in 2019, 31 companies in 2020, and 66 samples in 2021. Thus, the



total sample used during the 3-year observation period from 2019-2021 is 126 samples. The research method employed is multiple linear regression using SPSS 20 software.

4. Result and Discussion

Multiple Linear Regression Analysis

Multiple linear regression analysis is conducted to determine the functional relationship between the independent variables, namely *Current Ratio*, *Return on Equity*, and *Total Asset Turnover*, with the dependent variable, namely *Stock Price*, expressed in mathematical equations. The regression model used in this study is as follows:

$$y = a + b_1 x_1 + b_2 x_2 + b_3 x_3 + e$$

Explanation:

y = dependent variable (stock price)

a = constant

b = regression coefficient

x₁ = Current Ratio (CR)

x₂ = Return on Equity (ROE)

x₃ = Total Asset Turnover (TATO)

e = other factors outside the study

Table 2 Multiple Linear Regression Analysis Results

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	6.115	.323		18.925	.000
Current Rasio	.049	.053	.079	.919	.360
Return on Equity	1.908	.475	.351	4.018	.000
Total Asset Turn Over	.141	.398	.030	.353	.725

a. Dependent Variable: Harga Saham

From the table above, the regression equation can be formulated as follows:

$$\text{Stock Price} = 0.079 \text{ CR} + 0.351 \text{ ROE} + 0.030 \text{ TATO} + e$$

Interpretation:

b₁ = 0.079 This means that if the variables *Return on Equity* and *Total Asset Turnover* are considered constant, then each unit increase in the *Current Ratio* variable will increase the Stock Price by 0.079.

b₂ = 0.351 This means that if the variables *Current Ratio* and *Total Asset Turnover* are considered constant, then each unit increase in the *Return on Equity* variable will increase the Stock Price by 0.351.

b₃ = 0.030 This means that if the variables *Current Ratio* and *Return on Equity* are considered constant, then each unit increase in the *Total Asset Turnover* variable will increase the Stock Price by 0.030.



The Influence of Current Ratio (CR) on Stock Price

Based on the previous discussion in Table IV.17, the significance value of the *Current Ratio* is 0.360, which is greater than the α value (0.05), so H1 is rejected because the *Current Ratio* has a positive but not significant effect on Stock Price.

The Current Ratio is a liquidity ratio that describes a company's ability to manage its current assets to meet its current obligations. The higher the level of liquidity of a company, the better its ability to manage its current assets. However, if the company's liquidity level is too high, it also means that the company cannot allocate those assets properly.

These research findings align with Nur'aidawati (2018) study, which stated that the *Current Ratio* does not significantly affect stock prices. However, this study contradicts Pranajaya dan Putra (2018) research, which stated that the Current Ratio has a positive and significant effect on stock prices. Meanwhile, the study by Lutfi dan Sunardi (2019) stated that the *Current Ratio* has a negative and significant effect on stock prices.

The Influence of Return on Equity (ROE) on Stock Price

Based on the previous discussion in Table IV.17, the significance value of *Return on Equity* is 0.000, which is smaller than the α value (0.05), so H2 is accepted because *Return on Equity* has a positive and significant effect on Stock Price.

A high *Return on Equity* value indicates high company profitability. This high company profitability means that the company can effectively utilize its capital. A positive and significant effect of *Return on Equity* on stock prices reflects that the higher the profit earned, the more investors are interested in buying the company's stocks, thereby increasing the company's stock price. This is in line with the signal theory, which states that financial reports can signal investors to invest in the company.

These research findings align with the studies conducted by Raspati (2019), Lutfi dan Sunardi (2019), Hisbullah (2021), and Azizah dan Yuliana (2022), which stated that *Return on Equity* (ROE) has a positive and significant effect on stock prices.

The Influence of Total Asset Turnover (TATO) on Stock Price

Based on the previous discussion in Table IV.17, the significance value of *Total Asset Turnover* is 0.725, which is greater than the α value (0.05), so H3 is rejected because *Total Asset Turnover* has a positive but not significant effect on Stock Price.

Total Asset Turnover as a proxy for activity ratio indicates a company's ability to manage its total assets to generate net sales. The results of the activity ratio measurement will assist the company in assessing how it manages its assets. The positive and nonsignificant effect of *Total Asset Turnover* on stock prices indicates that there are some companies that are not efficient in managing their assets.

These research findings align with Nur'aidawati (2018) study, which stated that *Total Asset Turnover* does not significantly affect stock prices. However, these results contradict D. I. Sari (2020) study, which stated that Total Asset Turnover has a positive and significant effect on stock prices.

5. Conclusion and Suggestion

Based on the results of data analysis and discussion regarding the influence of *Current Ratio*, *Return on Equity*, and *Total Asset Turnover* on stock prices with exchange rate as a moderating variable in food and beverage companies listed on the IDX in 2019-2021, the following conclusions are drawn:



- a. *Current Ratio (CR)* has a positive but not significant effect on the stock prices of food and beverage companies listed on the IDX in 2019-2021. This can be seen from the data analysis results showing that the coefficient (b) value is 0.079 with a significance value of 0.360. Thus, the higher the *Current Ratio (CR)* value, the higher the company's stock price. *Current Ratio (CR)* does not significantly affect stock prices because not all companies can allocate their current assets properly. Although they have high liquidity, these funds are not effectively utilized by the company to meet its current obligations or other company needs.
- b. *Return on Equity (ROE)* has a positive and significant effect on the stock prices of food and beverage companies listed on the IDX in 2019-2021. This can be seen from the data analysis results showing that the coefficient (b) value is 0.351 with a significance value of 0.000. Thus, the higher the *Return on Equity (ROE)* value, the higher the company's stock price.
- c. *Total Asset Turnover (TATO)* has a positive but not significant effect on the stock prices of food and beverage companies listed on the IDX in 2019-2021. This can be seen from the data analysis results showing that the coefficient (b) value is 0.030 with a significance value of 0.725. Thus, the higher the *Total Asset Turnover (TATO)* value, the higher the company's stock price.

The limitations of this study are focused on the object of study, which is only focused on food and beverage companies listed on the IDX in 2019-2021. In addition, this study is limited to the use of Current Ratio (CR), Return on Equity (ROE), and Total Asset Turnover (TATO) variables on stock prices, so this study is still unclear in depicting the factors affecting stock prices.

Based on the research conducted, companies need to pay attention to the liquidity level and business activities so that their current assets can be allocated properly and their overall assets can be managed efficiently to generate optimal sales. By paying attention to the company's financial ratios, it will also affect the increase in the company's stock prices (company value). Furthermore, future researchers can conduct research on other company objects listed on the IDX or with a longer research period. The use of variables in research can also be supplemented with other financial ratios. Future researchers can also use stock returns as a dependent variable in the research considering that stock prices have high fluctuations over time.

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