

# The Effect of Financial Performance on Share Price for the 2017-2021 Period (Case Study of Food and Beverage Sub-Sectors Listed on the IDX)

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## ABSTRACT

*In this study the authors have a goal to see whether there is an effect of financial performance on stock prices. The financial performance ratios used in this study are the current ratio, debt to equity, return on equity and Total assets turnover. This study uses quantitative data. The sampling method is using purposive sampling method. The hypothesis testing method in this study uses multiple linear regression analysis, correlation coefficient, determination coefficient, partial test (T test) and simultaneous test (F test). The independent variables in this study are the ratio of liquidity, solvency, profitability and activity and the dependent variable in this study is stock prices. The results of this study simultaneously liquidity, solvency, profitability and activity have an effect on stock prices, while partially liquidity, solvency and profitability have a significant negative effect on stock prices and activity has a significant positive effect on stock prices in food and beverage companies listed on the Indonesia Stock Exchange for the period 2017 – 2021*

**Keywords:** stock price, liquidity, solvency, profitability, activity.

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## Introduction

The development of the food and beverage industry in Indonesia is greatly increased by the increasing population, even though the economy in the country is bad, demand in this sector will continue to increase because food and beverage products are one of the basic human needs. The main goal of a company is to seek profit and maximize stock prices. Many factors affect financial performance, one of which is stock price. Researchers are interested in including financial performance (current ratio, debt to equity, return on equity and total assets turnover) as an independent variable and stock price (closing price) as the dependent variable. Because the company's financial performance is of concern to investors as a consideration in investing and making decisions. Investors use stock prices to measure the ability of companies listed on the Indonesia Stock Exchange (IDX). The value of a company's shares reflects how well management has developed and exploited commercial opportunities for the company's benefit and the ability to hold management accountable to owners, workers, society, and government (stakeholders). The impact of financial success on share price has been investigated in several studies, but the findings are conflicting:

Febby Trinanda's research from 2021 claims that the current ratio variable has a limited impact on stock prices. In contrast to Endah Sriwahyuni and Rishi Septa Saputra's research (2017) which found that Current Ratio has a considerable influence on stock prices in part.

According to research conducted by Syaiful Bahri (2018) debt to equity has no significant effect on stock prices, but in contrast to research conducted by Ida Bagus Adyatiem Purnama, Ida Bagus Anom Purbawangsa (2017) which states that the debt to equity ratio has a significant effect on stock prices.

According to research conducted by Januardin Manullang, Hanson Sainan, Phillip and Winson Halim (2019) Return on Equity has a significant effect on Stock Prices, but according to Meyda Dewi Trisbiani, Amanatur Rizqiyah, Amira Dian Novita (2020) return on equity has no significant effect on stock prices.

According to research conducted by M. Arsyadi Ridha (2019) states that total asset turnover has a positive effect on stock prices, according to Rido Raiza Fahlevi, Set Asmapane, and Bramantika Oktavianti (2018) total assets turnover has a positive and insignificant effect on stock prices.

To clarify the results of previous research, the authors intend to re-examine, what factors can affect stock prices, so further study is needed. The difference with previous research is first in the sector studied, in this study the sector chosen by the author is the food and beverage sub-sector listed on the IDX. The second difference is in the period studied, in this study in the period 2017-2021. The third difference is the sample used, the sample in this study were 26 food and beverage companies listed on the IDX. The objectives of this study are:

1. Knowing whether the effect of the current ratio (CR) liquidity level on stock prices (CP)
2. Knowing whether the effect of the level of solvency debt to equity (DER) on stock prices (CP)
3. Knowing the effect of the profitability level of return on equity (ROE) on stock prices (CP)
4. Knowing the effect of the level of activity total assets turnover (TATO) on stock prices (CP)
5. Knowing the effect of the level of liquidity current ratio (CR), solvency debt to equity (DER), profitability return on equity (ROE), and activity total assets turnover (TATO) together affect the share price (CP).

In this study, the authors hope to provide knowledge in the field of finance, especially the capital market and add as information for investors in making a decision and for further researchers it is hoped that it will become a medium for applying the knowledge gained in college and is expected to be a reference in further research.

## **Research Method**

Secondary data types are used in this quantitative research style. The research sample is food and beverage companies listed in 2017-2021 on the Indonesia Stock Exchange. This research uses the internet and library research as its data collection methods. The population of this study is food and beverage businesses listed on the Indonesia Stock Exchange (IDX). Data for the 2017-2021 period obtained from the IDX (Indonesia Stock Exchange) website included 72 companies. Sampling in this study used nonprobability sampling techniques, resulting in the elimination of companies that did not meet the requirements. There are 26 companies that meet the requirements and are sampled in this study.

Table 1. Variable operationalization

No	Variabel	Definition	Measurement	Scale
1	current ratio (X1)	According to Cashmere (2018: 134) the current ratio is a ratio that measures the company's ability to pay its debts, namely short-term debt.	$CR = \frac{\text{Current Assets}}{\text{Current payables}}$	Rasio
2	Debt to equity ratio (X2)	Debt to equity ratio (DER) is a ratio that describes how much capital guarantees all debts by itself.	$DER = \frac{\text{Total Debt}}{\text{Total Equity}}$	Rasio
3	Return on equity (X3)	Return on equity (ROE) is a ratio that displays the rate of return on the capital invested in the business that the owner receives.	$ROE = \frac{\text{Net profit}}{\text{Share Capital}}$	Rasio
4	Total assets turnover (X4)	Total assets turnover is a ratio that compares net sales to average total assets, assessing the company's capacity to generate sales from its total assets.	$TATO = \frac{\text{Total Revenue}}{\text{Total Assets}}$	Rasio
5	Stock price (Y)	According to Jogiyanto (2017: 143) The share price is the current price on the stock market. Supply and demand is what causes this stock price to be low.	Closing Price	Rasio

Source: Data processed by researchers (2023)

## Result

This study looks at the variables that affect the share price of food and beverage companies listed on the Indonesia Stock Exchange. The independent variables used in this study are current ratio, Debt to equity ratio, Return on equity and total assets turnover and the dependent variable in this study is stock price. The period of this study was 5 years, and the number of samples used was 26 companies, so the total observations in this study were 130 observations.

## Conclusion

Based on the results of the research on the effect of financial performance on liquidity, solvency, profitability and activity on stock prices in food and beverage companies listed on the Indonesian Eifeik Exchange (BEiI) for the period 2017 - 2021, this research can be concluded as follows:

1. The results of simultaneous testing state that there is a significant effect of the current liquidity ratio (CR), debt to equity solvency (DER), profitability return on equity (ROE) and total asset turnover activity (TATO) on stock price (CP).
2. Based on the results of the t-test on the current ratio variable, it shows a significant value of 0.009. With a significance value of  $X_1$  (Current ratio) of 0.009 which is smaller than the expected significance value of 0.05, it means that  $H_0$  is rejected and  $H_a$  is accepted. This indicates that the Current ratio has a negative relationship and has no effect on stock prices in food and beverage companies listed on the Indonesia Stock Exchange for the period 2017-2021.
3. Based on the t-test findings, hypothesis testing shows that the probability value or 0.006 0.05 is less than the significance value. As a result,  $H_a$  is accepted and  $H_0$  is rejected. This shows that for 2017 to 2021, the debt-to-equity ratio has a negative association and has no impact on the stock prices of food and beverage companies listed on the Indonesia Stock Exchange.
4. Hypothesis testing shows that the probability value is smaller than the significant value, or  $0.000 < 0.05$  based on the t-test results. This shows that  $H_a$  is accepted while  $H_0$  is rejected. This shows that return on equity affects stock prices, indicating that the third hypothesis is supported by the data.
5. The results of hypothesis testing show that the probability value is greater than the significance value or  $0.692 > 0.05$  based on the t test results. This shows a negative relationship between Total Assets Turnover and stock price.

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