
The Influence of Return On Assets (ROA), Debt To Equity Ratio (DER), Current Ratio (CR), Debt To Asset Ratio (DAR) On Stock Returns In Food And Beverage Sector Manufacturing Companies Listed On The Indonesia Stock Exchange For The Period 2018 - 2022

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ABSTRACT

This study seeks to examine the impact of Return on Asset (ROA), Debt to Equity Ratio (DER), Current Ratio (CR), and Debt to Asset Ratio (DAR) on Stock Return in manufacturing companies within the food and beverage industry sector listed on the Indonesia Stock Exchange from 2018 to 2022. The study will analyze the relationship between these variables both individually and simultaneously. The approach employed in this study is a quantitative methodology. From 2018 to 2019, 28 food and beverage industry production enterprises comprised 80 samples. This study utilized purposive sampling and employed various statistical tests, including the partial t-test, simultaneous F-test, classical assumption test, and adjusted R-square test. The test results indicate a significant relationship between Return on Assets (ROA) and Return on Sales (RS), as evidenced by the p-value of 0.003, which is less than the significance level of 0.05. (2) In the SPSS T-test, a sig value of 0.499 > 0.05 indicates no significant influence of DER on RS. (3) The results of the SPSS testing using the T-test show that the significance value is 0.484, more significant than 0.05. This condition indicates that CR does not have a significant influence on RS. (4) Based on the findings of the statistical significance test (p-value of 0.134 > 0.05), it may be inferred that DAR does not have a significant influence on RS. The calculated value of f, 4.664, is greater than the critical

value of 2.49, and the significance level of 0.003 is less than the threshold of 0.05. Therefore, we can infer that the null hypothesis (H_0) is rejected and the alternative hypothesis (H_a) is accepted. The Adjusted R Square value is 0.194, indicating that the independent variables can explain 19.4% of the variation in Y (RS). Other factors influence the remaining 80.6% of the variation.

Keywords: Return on Asset, Debt to Equity Ratio, Current Ratio, and Debt to Asset Ratio

INTRODUCTION

Indonesia's economic growth is experiencing a positive trend compared to the previous year. Indonesia's adept management of the COVID-19 crisis is seen in its ability to mitigate the economic downturn experienced by the country in 2019-2020. Numerous manufacturing enterprises experienced operational disruptions and insolvency, resulting in a surge in unemployment during the COVID-19 epidemic. Indonesia's triumph in surmounting the COVID-19 epidemic offers a favorable prospect for investors to allocate their resources towards nascent enterprises and even build new ventures, particularly in manufacturing, to mitigate the prevailing high unemployment rate.

Manufacturing companies transform raw materials into intermediate products and then into final products with economic worth. Manufacturing businesses substantially impact a country's economic growth through the extensive employment of individuals, hence contributing to the enhancement of living standards in certain localities. Manufacturing businesses are categorized and listed according to their respective sectors on the Indonesia Stock Exchange (IDX). Manufacturing firms comprise many sectors, including the Basic Industry and Chemical sector, the Consumer Goods Industry sector, and the Miscellaneous Industry sector.

Stock return refers to the profit gained from investing in stocks. Stock returns can be categorized into two components: realized and expected. Realized return refers to the historical return on stocks that has already occurred. (Javeed & Lefen, 2019; Sa'diah et al., 2023) It serves as a measure of a company's performance and aids investors in predicting future returns. On the other hand, expected return pertains to the anticipated return on stocks

that have not yet materialized. Investors rely on this projection to estimate their future gains, as stated by (Tansar, 2016)

Return on Assets (ROA) is a financial metric that measures the effectiveness of assets in generating net income. This ratio quantifies the net income produced from each dollar of capital invested in total assets. Conversely, a lower return on assets indicates a smaller net income created from each dollar of capital invested in total assets. (Annisa & Chabachib, 2017; Kartiko & Rachmi, 2021)

The Debt-to-Equity Ratio (DER) is a metric utilized to assess the relative amount of debt compared to equity. This ratio is beneficial for understanding the contrast between the funds supplied by creditors and the money contributed by the company's owners. This ratio is also used to calculate the proportion of capital that is used as security for debt. A larger debt-to-equity ratio reduces the amount of capital available as collateral for debt. (Annisa & Chabachib, 2017; Purwanti, 2022)

The current ratio is a quantitative measure employed to assess liquidity. Liquidity refers to a corporation's capacity to meet its financial commitments promptly. Faleria et al., (2017) defines the Current Ratio (CR) as a metric used to assess a company's capacity to settle its immediate short-term obligations or debts promptly.

The Debt to Asset Ratio (DAR) is a financial metric that quantifies the relationship between the entire amount of debt and the total value of assets. However, this refers to the extent to which a company's assets are funded by debt and the impact of debt on the management of those assets. Blanchard, (2019) defines the debt-asset ratio (DAR) as a metric that quantifies the relationship between the entire amount of debt and the total value of assets. Creditors assess a company's eligibility for a loan by examining its liquidity value.

Return on Assets (ROA) is a profitability measure that evaluates a company's capacity to generate profits. Return on Assets is a financial ratio that measures a company's profitability by comparing the return generated to the quantity of assets employed, as stated by (Sari & Brata, 2020). Return on Assets is a crucial factor that investors take into account when deciding whether to invest in a firm. According to Tansar (2016) research, Return on Assets favors stock returns. This condition will enhance the company's appeal to investors. The enhanced allure of the company heightens its appeal to investors as the potential for higher returns rises.

The Debt-to-Equity Ratio (DER) is a financial metric that quantifies the relative amount of debt compared to equity in a company's capital structure (Pollock et al., 2023). Excessive

debt in a firm can reduce dividends, as the company's profits are allocated towards debt repayment. The Balancing theory acknowledges that the decision to increase debt can have dire and positive consequences. This condition is because companies must carefully consider the benefits and costs associated with taking on debt in order to maintain equilibrium.

The current ratio, often known as the current ratio, is a financial metric used to assess a company's capacity to settle its immediate short-term obligations or debts upon demand promptly. A company's current ratio is an essential factor for investors when deciding whether to invest in the company. The current ratio can also be regarded as a means of assessing a corporation's level of security (margin of safety). Sa'diah et al., (2023) research indicates that the current ratio has a detrimental impact on stock returns.

The Debt-to-Asset Ratio (DAR) is a financial metric that quantifies the relationship between the total amount of debt and the total value of assets. Put simply, this refers to the extent to which a company's assets are funded by debt or the impact of debt on asset management.

METHOD

This study employs a quantitative research approach. Qualitative research methods are used to study real-life situations where the researcher plays a central role, data collection techniques involve combining different sources, data analysis is based on observations and patterns, and qualitative research findings focus on understanding rather than making broad conclusions.

In the context of generalization, a population refers to a group of items and people that possess distinct attributes and characteristics, which are subsequently examined and used to derive conclusions. This study's population consists of all the food and beverage industry manufacturing companies listed on the Indonesia Stock Exchange (IDX), which totals 16 companies.

A *sample* is a smaller group selected from a larger group or population based on their shared features. The author of this study utilizes the purposive sampling strategy, which involves picking samples based on specific criteria or factors. Criteria for selecting samples may include:

The data included in this study are quantitative since they consist of numerical values that accurately depict the magnitude of the variables being represented. The quantitative

research approach is positivist and analyzes many populations or samples. It aims to acquire data that can be used to test stated assumptions.

A normality test assesses whether the residuals follow a normal distribution. The One-Sample Kolmogorov-Smirnov Test is employed to conduct a normality test. If the significance level is more significant than 0.05, it is concluded that the data follows a normal distribution.

A multicollinearity test is performed to ascertain the correlation among the independent variables in the regression model. There is no multicollinearity when the Tolerance value (T) is greater than or equal to 0.01, and the Variance Inflation Factor (VIF) is less than or equal to 10.

The autocorrelation test is conducted to determine if there is a correlation between the error terms in period t and the error terms in the preceding period ($t-1$) in a linear regression model. The Durbin-Watson (DW) test is used to test two hypotheses: H_0 , which states that there is no autocorrelation ($r = 0$), and H_a , which states that there is autocorrelation ($r \neq 0$).

A heteroskedasticity test determines whether the residual variances between different observations in a regression model vary. The Glejser test is used to determine whether there is heteroskedasticity in the regression model. If the significance level is more significant than 0.05, it indicates no heteroskedasticity present.

RESULTS AND DISCUSSION

The impact of Return On Asset (ROA), Debt To Equity Ratio (DER), Current Ratio (CR), and Debt To Asset Ratio (DAR) on Stock Return in Manufacturing Companies in the Food and Beverage Sector Listed on the Indonesia Stock Exchange from 2018 to 2022 has significant implications in the economic and financial context. This study offers comprehensive insights into the impact of certain financial factors on the stock performance of manufacturing companies in the food and beverage sector. The regression study reveals that the financial determinants of ROA, DER, CR, and DAR have diverse impacts on RS, illustrating the intricate relationship between these components and stock performance.

Firstly, the correlation between Return on Assets (ROA) and Return on Sales (RS) suggests that improving efficiency in managing assets can increase a company's value in the stock market. Return on assets (ROA) is a crucial metric to assess the efficiency with which a company utilizes its assets to create profits. This study validates that investors

generally react favorably to robust financial performance, as evidenced by an uptick in stock prices.

Furthermore, the adverse impact of debt-to-equity ratio (DER) on return on stock (RS) suggests that companies with a substantial debt burden may encounter a decline in their stock valuation. The Debt-to-Equity Ratio (DER) represents the ratio of money acquired through debt compared to equity. A high DER might elevate the organization's financial risk. Within this framework, investors typically perceive enterprises with a low Debt-to-Equity Ratio (DER) as more secure and potentially offering more significant financial gains.

Furthermore, the detrimental impact of corporate reputation on stock returns implies that limited marketability could impede the company's financial performance. The liquidity ratio assesses the company's capacity to fulfill its immediate financial obligations using liquid assets. Companies with a low current ratio (CR) may need help meeting their immediate financial obligations, which can impact investor opinions of the company's stability and overall success.

Furthermore, the correlation between the debt-to-Asset ratio (DAR) and Return on Stock (RS) suggests that a higher percentage of debt used to finance assets can improve stock performance. The Debt Asset Ratio (DAR) measures how much a corporation relies on debt to fund its assets. While a high debt-to-assets ratio (DAR) might elevate a company's financial risk, the study's findings indicate that investors generally react favorably to a suitable capital structure.

The preliminary testing yielded statistically significant results ($(\text{sig} = 0.003 < 0.05)$), suggesting that Return on Assets (ROA) has a considerable impact on Stock Return (RS). This discovery is consistent with the research conducted by Gd Gilang Gunadi (2015), which states that return on assets (ROA) has an impact on return on sales (RS). In contrast, Rio Febrioni's (2016) research indicates that ROA has no discernible effect on the dividend payout ratio.

Similarly, the T-test conducted in SPSS produced a significant result ($(\text{sig} = 0.499 > 0.05)$), suggesting that there is no significant impact of Debt to Equity Ratio (DER) on RS. This finding aligns with Ni Nyoman Sri Jayanti Perwani Devi's (2019) research, which

determined that DER has no impact on RS. Nevertheless, it opposes the findings of Gd Gilang Gunadi (2015), who asserts that DER impacts RS.

In addition, the SPSS analysis of the T-test yielded a significance value ($\text{sig} = 0.484 > 0.05$), indicating that there is no significant impact of the Current Ratio (CR) on the RS. This discovery is consistent with the research conducted by Ajeng Ika Ariyanti in 2016, which suggests that CR has no impact on RS. Nevertheless, it contradicts the findings of Hasanudin (2020), who proposed that CR impacts RS.

Based on the test results ($\text{sig} = 0.134 > 0.05$), there is no significant impact of the debt-to-asset ratio (DAR) on the RS. This result aligns with the research conducted by Rizna Nur Ayyuna (2021), which indicates that DAR does not impact RS. Nevertheless, Mohammad Ridwa Ristyawan's (2019) study contradicts this assertion by stating that DAR impacts RS.

Based on the calculated value of $(f_{\text{hitung}} = 4.664)$, which is more than the critical value $(f_{\text{tabel}} = 2.49)$, and a significance value ($\text{sig} = 0.003$) that is less than the predetermined threshold of (0.05) , we can conclude that we reject the null hypothesis (H_0) and accept the alternative hypothesis (H_a). The findings of this study indicate that the variables of Return on Assets (ROA), Debt-to-Equity Ratio (DER), Current Ratio (CR), and Debt-to-Asset Ratio (DAR) collectively have an impact on the Stock Return of firms in the food and beverage industry that are listed on the Indonesia Stock Exchange during the period from 2018 to 2022.

This study not only has important practical consequences for investors and firm managers but also provides major contributions to the theoretical and methodological aspects of finance and investing literature. By utilizing regression models, this research improves our comprehension of the elements that impact stock performance in the food and beverage business. Therefore, this study can provide a basis for future research to investigate the correlation between financial parameters and stock performance in other industry situations.

CONCLUSION

This study establishes that financial indicators, including Return on Asset (ROA), Debt to Equity Ratio (DER), Current Ratio (CR), and Debt to Asset Ratio (DAR), significantly

influence Stock Return (RS) in the food and beverage manufacturing sector listed on the Indonesia Stock Exchange from 2018 to 2022. Statistical investigation confirms the relevance of the relationship between these financial variables and stock returns. ROA, DER, CR, and DAR have been demonstrated to impact RS independently and collectively.

While this study's findings align closely with past studies, there are also notable variations in the data obtained. For instance, the test outcomes for Return on Assets (ROA) and Debt-to-Equity Ratio (DER) align with prior studies; however, disparities with study findings suggest otherwise. This condition suggests that certain conditions and qualities of the company can influence the effects of various aspects.

This conclusion offers valuable information for investors, financial executives, and other decision-makers in the food and beverage sector. By utilizing this information, they may discern the most relevant financial aspects that impact their company's stock performance. This condition enables them to optimize their investment strategies and financial management to attain their objectives.

Therefore, this research significantly enhances our comprehension of the correlation between financial factors and food and beverage industry stock returns. Furthermore, this study emphasizes the significance of meticulous financial analysis in making investment decisions and managing risks in the stock market.

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