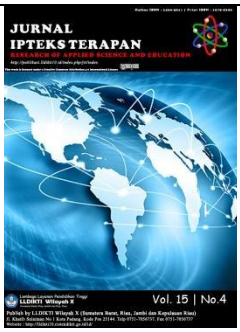

Vol. 17 No.4 2023

INFLUENCE OF CURRENT RATIO (CR), DEBT TO EQUITY RATIO (DER), NET PROFIT MARGIN (NPM) AND PRICE EARNING RATIO (PER) ON STOCK RETURNS IN SERVICES SECTOR COMPANIES PROPERTY

Andre Imanuel Sianturi[1] , Wiliam*[2] , Ratnasari Daeli[3] , Theresia Pinta Uli Br Manurung[4] , Hendra Saputra[5]
[1234]Universitas Prima Indonesia
[5]Universitas Negeri Medan - Indonesia
* Corresponding Email: wiliam@unprimdn.ac.id

Submit :
19/09/2023

Accept :
15/12/2023

Publish :
31/12/2023

Abstract

This research analyzes the influence of the Current Ratio , Debt to Equity Ratio , Net Profit Margin , and Price Earning Ratio on Stock Returns both partially and simultaneously. This research uses a quantitative approach with a descriptive statistical analysis research model. The population was 49 companies, the sample selection used the Purposive Sampling technique so that the sample was 12 companies over a period of 6 years, so 72 data were obtained in the Property and Real Estate sector . The research results show that the classical assumptions have met the requirements. Partially (t test), (1) Current Ratio and Net Profit Margin have no effect and are not significant on Stock Returns , (2) Debt to Equity Ratio has a negative and significant effect on Stock Returns , (3) Price Earning Ratio has a positive and significant effect on Stock Returns . Simultaneously (F test) CR, DER, NPM and PER have a significant effect on stock returns . The coefficient of determination is 13.5% and the remaining is 86.5% Stock Return can be explained by other factors.

Keywords: Current Ratio, Debt To Equity, Net Profit Margin, Price Earning Ratio, Stock

doi: https://doi.org/10.22216/jit.v15i4 01-10
1979-9292 / 2460-5611 ©2021 © 2022 Lembaga Layanan Pendidikan Tinggi Wilayah X

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JURNAL IPTEKS TERAPAN
Research of Applied Science and Education V17.i4 (1116-1122)

ISSN : 1979-9292

E-ISSN : 2460-5611

INTRODUCTION

The relocation of IKN (Capital of the Archipelago) to East Kalimantan has an important goal apart from becoming the capital of the world's lungs, namely attracting the attention of foreign investors to invest. The capital market is a place for investors who want to invest in shares. In investment activities, investors of course hope to get a return (profit) from the capital invested, the size of the return, of course investors hope for a normal return , namely in the form of dividends. Investment is of course not only related to returns , but there are risks that investors will definitely face. Risks can occur that investors don't expect due to external influences such as economics, politics, etc. Risk and rate of return reflect the company's condition and the company's ability to manage existing resources. One thing that investors don't want is for the company to experience losses that make the company unable to provide profits in the form of dividends to shareholders.

Stock returns has the understanding that the results of investment activities will be obtained by investors in the form of profits or losses. The ability to analyze stock prices and financial reports is very influential (Almira & Wiagusitini, 2020). Information in financial reports such as capital, assets, debt is really needed to carry out analysis, the picture of returns obtained is measured using financial ratios, namely Current Ratio (CR), Debt to Equity Ratio (DER), Net Profit Margin (NPM), and Price Earning Ratio (PER). Current Ratio is an indicator of the liquidity ratio, CR results are obtained by dividing total current assets with current debt so that it reflects the company's ability to fulfill its short-term obligations. Research by Hasanudin et al (2020) states that CR has a significant positive effect on stock returns , while research by Lestari and Nursiam (2022)) states that CR has no effect and is not significant on Stock Returns . A low CR is an indication of a liquidity problem , but a high ratio does not guarantee that the company is in good condition.

Debt to Equity Ratio is an indicator of the leverage ratio , DER by dividing total debt with equity reflects the company's ability to fulfill its long-term obligations. Research by Hasanudin et al (2020) states that DER has a negative and significant effect on stock returns . Meanwhile, research by Sinaga et al (2020) states that DER has no effect on stock returns . A DER that is too high indicates that the company's interest expense is very large, so that the profits obtained by the company are used to pay interest expenses, which has an impact on decreasing company performance.

Net Profit Margin is an indicator of the profitability ratio, NPM is the comparison of net profit (profit for the current year) with sales results, so it is known that the company can manage its sources of funds and resources well so that the profit generated is also good. Yuningsih's research (2020) states that NPM has a positive and significant effect on stock returns , while Lestari & Nursiam's research (2022) states that NPM has no

JURNAL IPTEKS TERAPAN
Research of Applied Science and Education V17.i4 (1116-1122)

ISSN : 1979-9292

E-ISSN : 2460-5611

effect on stock returns . A high NPM is not necessarily directly proportional to stock returns , because the company may withhold dividends to generate capital, but a high NPM will be a favorite for investors who want to invest.

Price Earning Ratio is an indicator of market value ratios . This ratio reflects the ratio between share price and company earnings . A large PER value indicates the stock price is very expensive and could be overvalued , but a small PER value also indicates poor financial performance, but the PER value is expected does not experience ups and downs which cause unstable stock returns but continues to rise consistently because this is a reflection of financial performance which has an impact on the level of stock returns. As an illustration, if the PER is 14 times, it means that the share price is paid 14 times for every rupiah of profit company, in other words investors pay the share price for every rupiah of profit company. Mutia and Martaseli's (2018) research states that PER has a positive and significant effect on stock returns , while Carlo's (2014) research states that PER has no effect on stock returns.

Year	Code	CR	DER	NPM	PER	Stock returns
2017	CRTA	1.95	1.05	0.16	24.69	-0.11
2018		2.02	1.06	0.17	15.78	-0.15
2019		2.17	1.04	0.17	16.77	0.03
2020		1.78	1.25	0.17	13.87	-0.05
2021		2.00	1.10	0.21	10.32	-0.02
2022		2.19	1.00	0.22	9.31	-0.03
2017	JRPT	1.11	0.58	0.46	10.97	0.03
2018		1.13	0.57	0.45	9.85	-0.18
2019		1.15	0.51	0.43	8,11	-0.19
2020		1.29	0.46	0.46	8.06	0.00
2021		1.03	0.44	0.36	7.34	-0.13
2022		1.01	0.42	0.39	7.67	-0.04
2017	DUTY	3.79	0.27	0.38	18.66	-0.10
2018		3.60	0.34	0.51	8.91	-0.19
2019		3.91	0.33	0.58	38.58	0.14
2020		3.20	0.33	0.37	13,17	-0.24
2021		3.27	0.40	0.34	9.50	-0.11
2022		2.43	0.43	0.28	9.80	0.17
2017	GPRA	4.59	0.45	0.10	13.83	-0.40
2018		5.70	0.42	0.12	12.69	0.07
2019		4.60	0.51	0.14	6.64	-0.31
2020		3.55	0.64	0.11	10.78	-0.01
2021		2.97	0.59	0.11	7.18	0.16
2022		2.96	0.51	0.21	5.61	0.14

Table 1. Research Phenomenon

In the table above companies from 12 research sample companies were taken to represent the phenomenon in the table to see the influence of independent variables on stock returns . In 2019 - 2022, the CRTA company experienced successive declines in PER , but its stock returns fluctuated. In 2017 - 2022, the JRPT company experienced successive decreases in DER , but its stock returns fluctuated. In 2019 – 2022, the DUTI company experienced successive declines in NPM but its stock returns fluctuated. In 2018 - 2022 the GPRA company experienced a

JURNAL IPTEKS TERAPAN
Research of Applied Science and Education V17.i4 (1116-1122)

ISSN : 1979-9292

E-ISSN : 2460-5611

decline in CR but its share returns fluctuated.

RESEARCH METHODS

Property & Real Estate sector service companies listed on the Indonesia Stock Exchange (BEI) during the 2017-2022 period were the place for this research. The research period runs from December 2022 to July 2023. Books and journals are the references used so that t he research objectives can be achieved. Quantitative is the approach used in this research, the researcher collects information or data in the form of numbers so as to achieve the research objective, namely proving the hypothesis based on previous research.

The type of data for this research is secondary data. Researchers collected and processed data from the idx.co.id website, company websites, and several other sources. The data collection technique used is in the form of documentation or in other words financial reports and annual reports which contain records of the past, whether in the form of writing or images.

Sampling based on criteria (*purposive sampling*):

No	Information	Amount
1	Property & *Real Estate sector companies* listed on the IDX in the 2017-2022 period	49
2	Companies that do not publish financial and annual reports for the 2017-2022 period	(14)
2	Companies that experienced losses in the 2017-2022 period	(23)
	Total Sample	12
	Year of Observation	6
	Total Data for the Period 2017 – 2022	72

Table 2. Research Data Criteria

The information in the table above provides information that the samples studied were 12 companies in the Property and Real Estate sector, so that during 6 years of observation (2017-2022) the 12 companies in the Property and Real Estate sector produced 72 data.

RESULT AND DISCUSSION

This research uses SPSS software version 29 2023 to carry out statistical analysis methods. Hypothesis testing uses multiple linear regression analysis and moderation.

$$Y = \alpha + \beta 1X1 + \beta 2X2 + \beta 3X3 + \beta 4X4 + e$$

This research description contains information on the factors studied with the hope of providing appropriate information on the statistical data in the following table:

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
CR	72	.94	12.77	2.7573	1.76473
DER	72	.04	3.79	,7515	,75088
NPM	72	.01	.67	,3133	,16999
PER	72	.08	165.71	22.7661	30.22926
Stock returns	72	-.44	.86	-,0423	,25328
Valid N (listwise)	72				

Table 3. Descriptive Statistics

JURNAL IPTEKS TERAPAN
Research of Applied Science and Education V17.i4 (1116-1122)

ISSN : 1979-9292

E-ISSN : 2460-5611

One-Sample Kolmogorov-Smirnov Test			
			Unstandardized Residuals
N			72
Normal Parameters [a, b]	Mean		,0000000
	Std. Deviation		,23562719
Most Extreme Differences	Absolute		,103
	Positive		,103
	Negative		-,079
Statistical Tests			,103
Asymp. Sig. (2-tailed) [c]			,055
Monte Carlo Sig. (2-tailed) [d]	Sig.		,053
	99% Confidence Interval	Lower Bound	,048
		Upper Bound	,059

Table 4. One-Sample Kolmogorov-Smirnov Test

As can be seen, the SPSS output shows that the residual data is normally distributed due to Asymp. Sig. (2-tailed) 0.055 > 5%. To prove these statistics, graphic analysis can be done.

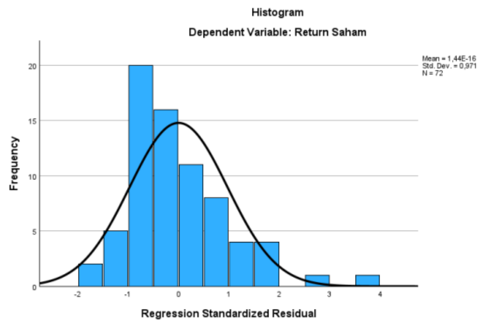

Figure 1. Histogram Graph

As the picture above shows that the formation of the data almost makes a bell, this information is said to be normally distributed.

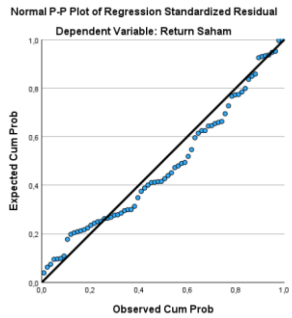

Figure 2. Normal Probability Plot Graph

The results of data processing show CR with a calculated t value < t table or 1.534 < 1.99601 with a significant value of 0.130 or 0.130 > 0.05 and has a negative direction, so it is concluded that CR has no effect and is not significant on stock returns . DER with a calculated t value > t table or 2.450 > 1.99601 with a significant value of 0.017 or 0.017 < 0.05 and has a negative direction, it is concluded that DER has a negative and significant effect on stock returns . NPM with a calculated t value < t table or 0.194 < 1.99601 with a significant value of 0.847 or 0.847 > 0.05 and has a positive direction, it is concluded that NPM has no effect and is not significant on stock returns . PER with a calculated t value > t table or 2.302 > 1.99601 with a significant value of 0.024 or 0.024 < 0.05 and has a positive direction, it is concluded that PER has a positive and significant effect on stock returns. The first assumption explains that the Current Ratio variable has no effect and is not significant on Stock Returns . This finding arises because the higher the level of liquidity the company can pay its short-term debt, this does not necessarily affect the high level of stock returns to

ISSN : 1979-9292
E-ISSN : 2460-5611

investors, because the company focuses its current assets on its short-term debt.

The results of this research are in line with previous research by Lestari and Nursiam (2022) which stated that the Current Ratio had no effect and was not significant on Stock Returns , but was not consistent with research by Hasanudin et al (2020) and Wijaya (2022) which stated that the Current Ratio had an effect and was significant on Stock Returns. The second assumption explains that the Debt to Equity Ratio variable has a negative and significant effect on Stock Returns . This finding arises because a high debt ratio will pose a risk of default on the company, causing a decrease in stock returns or the company being unable to distribute dividends to investors, with a low DER ratio providing an attraction for investors to invest. The third assumption explains that the Net Profit Margin variable has no effect and is not significant on Stock Returns . This finding arises because the level of net profit does not necessarily have an influence on the level of stock returns because the company withholds dividends in the form of retained earnings to finance various company interests, but a high NPM ratio indicates the company is able to generate profits from its sales level.

CONCLUSION

The first hypothesis, partially the Current Ratio has no effect and is not significant on Stock Returns , the hypothesis is rejected. The second hypothesis, partially the Debt to Equity Ratio has a negative and significant effect on Stock Returns , the hypothesis is accepted. The third hypothesis, partially Net Profit Margin has no effect and is not significant on Stock Returns , the hypothesis is rejected. The fourth hypothesis, partially the Price Earning Ratio has a positive and significant effect on Stock Returns , the hypothesis is accepted. The fifth hypothesis, simultaneously the Current Ratio , Debt to Equity Ratio , Net Profit Margin and Price Earning Ratio have a significant and significant effect on Stock Returns , the hypothesis is accepted.

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