



Vol. 18 No.1 2024

The Influence of Return on Equity, Return on Assets and Current Ratio on Share Prices in Manufacturing Companies in the Consumer Goods Industry Sector

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Abstract

Submit :
10/08/2023

Accept :
23/03/2024

Publish :
02/04/2024

This research aims to determine the effect of Return On Equity on stock prices, the effect of Return On Assets on stock prices, the effect of Current Ratio on Stock Prices, and the effect of Return On Equity, Return On Assets, and Current Ratio simultaneously on stock prices in period 4 year, namely 2018-2021. This research uses a quantitative approach with descriptive statistical analysis research type. The population in this study was 51 companies. This research uses financial report data with time series for the last 4 years published from www.idx.co.id. In this study, sample selection used the Purposive Sampling technique. The sample for this research was 33 companies in the last 4 year period with a total sample quantity of 132 Manufacturing Companies in the Consumer Goods Industry Sector. The results of this study indicate that partially Return On Assets and Current Ratio have no influence and are not significant on the share prices of manufacturing companies in the consumer goods industry sector. Partially, Return On Equity has a positive and significant influence on the share prices of manufacturing companies in the consumer goods industry sector. Meanwhile, the independent variables Return On Equity, Return On Assets and Current Ratio simultaneously have a significant effect on the dependent variable Share Prices of manufacturing companies in the consumer goods industry sector.

Keywords: Return On Equity, Return On Assets and Current Ratio, Share Prices.

INTRODUCTION

In the current era of globalization, competition in the industrial sector is increasingly rapid. There are many competing industrial companies in a country competing to get raw materials or natural resources into finished materials. Manufacturing companies for consumption are one of them. Investors when investing their capital hope to obtain large profits or profits. Therefore, investors need to consider the company's performance when making investment decisions in the company. Information relating to the condition of the company is generally shown in financial reports. To find out whether the company is good, it needs to be measured using financial ratios, namely Return on equity (ROE), Return on assets (ROA), and Current Ratio (CR).

According to Jumingan (2014:141) ROE is used to measure the amount of return on shareholder investments. The reason return on equity is important to research is because return on equity is an indication of how well a company performs in returning investments from its investors.

According to Ryan (2016:112), Return on Assets (ROA) is a measure of income when compared to total assets. An increase in assets in the company without looking at anything else. The reason return on assets is important to research is because the higher the return on assets (ROA), the higher the net profit generated from each rupiah of funds embedded in total assets.

According to Kasmir (2018), the Current Ratio is a ratio to measure a company's ability to pay short-term obligations or debts that are immediately

due when they are collected in full. The reason the current ratio is important to examine is because if the short-term debt is small, the company's chances of making a profit at the end of the year are greater.what factors can influence share prices.

Code Company	Year	Return on Equity(ROE)	Return on assets(ROA)	Current Ratio(CR)	Price Share
INDF	2018	0.099402426	0.051398014	1.066289874	7,47,700
	2019	0.10890144	0.061359848	1.272071153	7,925
	2020	0.110592397	0.053648724	1.373263142	26,850
	2021	0.129323687	0.062465554	1.438465725	6,325
	CLEO	2018	0.099549797	0.075859436	1.640033264
CLEO	2019	0.170633639	0.105013099	1.174686562	505
	2020	0.14839096	0.101280167	1.722780454	500
	2021	0.180426612	0.134041045	1.529963992	470

Table 1. List of Consumer Goods Manufacturing Companies That Publish Interim Reports for 2018-2021

Judging from the table above, there are problems that occurred in the company with the code INDF (PT Indofood Sukses Makmur Tbk), where ROA in the 2020 - 2021 period increased by 0.00881683, but the share price decreased by 525. CLEO code (PT Sariguna Primatirta Tbk) where the ROE continues to increase from 2020-2021 to 0.032035652, but the share price in 2018-2019 decreased by 30. Code ICBP (PT Indofood CBP Sukses Makmur



Tbk) where ROA in the 2018-2019 period decreased by 0.002974608, but share prices for the 2018-2019 period increased by 700. MLBI code (PT. Multi Bintang Indonesia Tbk) where ROE in the 2018- 2019 period increased by 0.003348199, and share prices in the 2018-2019 period increased by 700. GOOD code (PT. Garudafood Putra Putri Jaya Tbk) where the CR for the 2018-2019 period experienced an increase of 0.352361763, and the share price for the 2018-2019 period experienced a decrease of 305.

RESEARCH METHODS

This research uses a quantitative approach where research data is collected first and then analyzed and researched further in accordance with the research hypothesis. This type of research is descriptive with the nature of explanatory level research. This research was conducted in November 2022 and the research location was carried out on the official website of the Indonesian Stock Exchange for manufacturing companies and the website address was www.idx.co.id.

The population of this research is manufacturing companies in the consumer goods industry sector Which registered in Exchange Effect Indonesia with amount population 10 company Which registered on 2018-2021 period . The sample used is financial reports for the 2018 period until 2021. The data used are published financial reports from the Stock Exchange author need to use in research. Characteristics used as following :

- a. Companies in the consumer goods manufacturing sector on the Indonesian Stock Exchange.
- b. Manufacturing companies that publish their complete financial reports

for the 2018-2021 period.

- c. Consumer goods industry manufacturing companies that made a profit in the 2018-2021 period.

RESULTS AND DISCUSSION

Descriptive statistical analysis describes the results of a data collection by showing the average value (mean), maximum value, minimum value and standard deviation of data. This research uses SPSS 20 and Microsoft Office Excel 2019 in processing the data. The results of descriptive statistical data processing in this research are as follows.

	N	Minimum	Maximum	Mean	Std. Deviation
ROE	132	,001	2,245	.20754	.307396
ROA	132	,001	,921	.11156	.113950
CR	132	,491	8,050	2.47264	1.461860
PRICE SHARE	132	92	420000	7332.91	37486.029
Valid N (listwise)	132				

Table 2. Statistics Descriptive

1. Return on Equity (ROE)

In the table above, it can be concluded that the number of samples (N) in manufacturing companies is 132, the average ROE value is 0.20754, the maximum ROE value is 2.245, and the minimum ROE value is 0.001 and the standard deviation for ROE is 0.307396.

2. Return on Assets (ROA)

In the table above, it can be concluded that the number of samples (N) in manufacturing companies is 132, the average ROA value is 0.11156, the maximum ROA value is 0.921, and the minimum ROA value is 0.001 and the standard deviation for ROA is 0.113950.

3. Current Ratio (CR)



In the table above, it can be concluded that the number of samples (N) in manufacturing companies is 132, the average CR value is 2.47264, the maximum CR value is 8.050, and the minimum CR value is 491 and the CR standard deviation is 1.461860.

4. Share Price

In the table above it can be concluded that the number of samples (N) in Manufacturing companies is 132, the average value of share prices is IDR 7332.91, the maximum value of share prices is IDR 420,000, and the minimum value of share prices is IDR 92 and for standard deviation of share prices is IDR 37486.029.

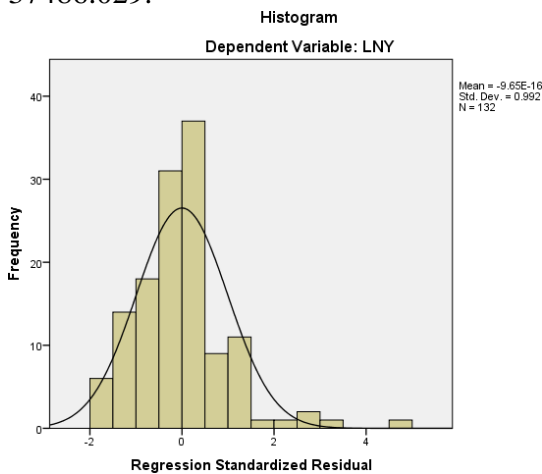


Figure 1. Histogram Normality Test

Based on Figure 3.1, the histogram graph above shows a symmetrical (U) curve line, therefore it can be interpreted that the data in this study is normally distributed because the distribution pattern of the histogram graph does not slope to the left or right.

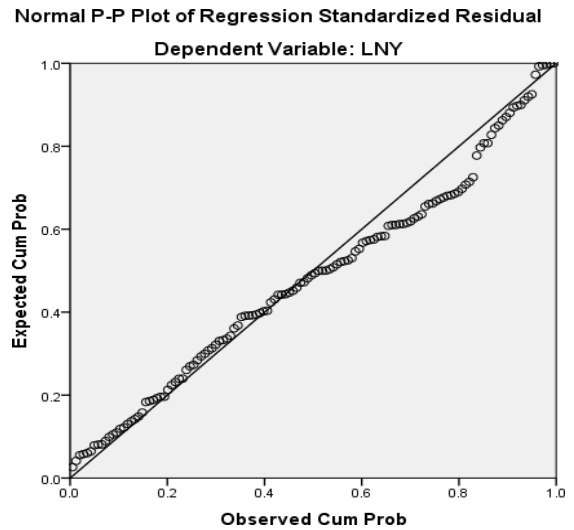


Figure 2. Scatter plot

In the picture above, the PP Plot normality graph shows the points spread close to the diagonal line, this shows that the research data is normally distributed. Apart from that, to determine whether the data is normally distributed in this study, the Kolmogorov Smirnov non-parametric statistical test was used.

		Unstandardized Residual
N		132
Normal Parameters ^{a, b}	Mean	0E-7
	Std. Deviation	1.14497363
	Absolute	.105
Most Extreme Differences	Positive	.105
	Negative	-.046
Kolmogorov-Smirnov Z		1,202
Asymp. Sig. (2-tailed)		.111

Table 1. One-Sample Kolmogorov-Smirnov Test

The table above shows the results of the Kolmogorov Smirnov non-parametric statistical test which can be explained that the variables ROA, ROE, CR, and stock price have met the requirements with



normally distributed data because the significant value of 0.111 is greater than 0.05 (0.111>0.05).

The multicollinearity test is used to show whether there is a linear relationship or high correlation between each independent variable in the regression model of this research. To determine if multicollinearity is occurring or not, the criteria are: VIF is smaller than 10 and tolerance is greater than 0.10 (multicollinearity does not occur) VIF is greater than 10 and tolerance is smaller than 0.10 (multicollinearity occurs).

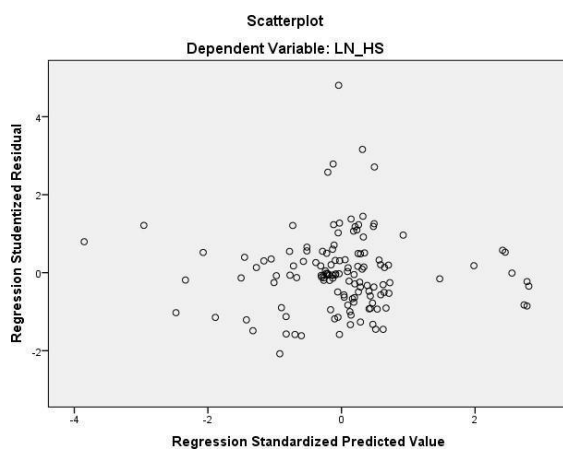


Figure 3. Heteroscedasticity Test

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + e$$

$$Y = 8.889 + 0.574 X_1 + (-0.032) X_2 + (-0.362) X_3 + e$$

The above equation is stated as follows:

1. The constant value is 8.889, which means that if ROE (X1), ROA (X2), CR (X3) have a value of 0, it means that the Share Price (Y) is IDR 8,889 .
2. The regression coefficient on the ROE variable (X1) has a regression coefficient of 0.574, which means that

the other independent variables have a fixed value and adding 1 value to the CR will make the share price (Y) decrease by IDR 0.574 as an assumption that the other independent variables are constant.

3. The regression coefficient on the ROA variable (X2) has a regression coefficient of -0.032, meaning that the other independent variables have a fixed value

and adding 1 value to ROA will make the share price (Y) increase by -Rp.0.032 as an assumption that the other independent variables are constant .

4. The regression coefficient on the CR variable (X3) has a regression coefficient of -0.362 which means that the other independent variables have a fixed value and adding 1 value or CR will make the share price (Y) decrease by -Rp.0.362 as an assumption that the other independent variables are constant .

In partial testing, the statistical test results show $0.019 < 0.05$, apart from That Also seen from t_{count} as big as 2,368 more big from t_{table} that is 1,978. So that can concluded H1 variable independent in a way Partial own influence to variable dependent. The results of this research show that every increase in ROE has an effect on the increase stock price.

Study This consistent with study previously Which done W Sujatmiko (2019) that is Variable ROE has influence positive And significant to Price Share. However results This research is inconsistent with E Purwaningsih (2022) who proves that variables ROE No own influence to stock price.

In partial testing, the statistical test results show $0.888 > 0.05$, apart from That Also seen from t_{count} as big as -0.141 over smaller than t_{table} that is 1,978. So that can



concluded H2 variable independent in a way Partial No influence variable dependent. Results This research shows that every increase in ROA has no effect on price increases share.

This research is not consistent with previous research conducted by NS Dewi (2022), namely the ROA variable has a positive and significant influence on share prices. However, the results of this research are consistent with DR Sari (2020) who proves that variables ROA No own influence to stock price. In partial testing, the statistical test results show $0.089 > 0.05$, apart from That also visible from t_{count} as big as -1,714 more smaller than t_{table} namely 1.978. So that it can concluded H3 variable independent in a way Partial No influence variable dependent. Results study This showing every increase CR No influential to increase price share. This research is inconsistent with previous research conducted by Dwi Fitrianiingsih & Yogi B. (2018), namely that the CR variable has a positive and significant influence on stock prices. However, the results of this research are consistent with DR Sari (2020) who proves that the CR variable has no influence on stock prices.

CONCLUSION

From the results of simultaneous testing, the calculated F is 2.234 with F_{table} 12.61 and with on mark significant $0.083 > 0.05$ It means variable independent ROE (X_1), ROA (X_2), CR (X_3), simultaneously influential significant to Share Prices (Y) then H4 is accepted.

The Return On Equity variable partially and significantly influences share prices in the manufacturing sector on the IDX in 2018-2021. The variable Return on Assets partially has no effect and is not

significant on share prices in the manufacturing sector on the IDX in 2018- 2021.

The Current Ratio variable partially has no effect and is not significant on share prices in the manufacturing sector on the IDX in 2018-2021. The variables Return On Equity, Return On Assets and Current Ratio simultaneously and significantly influence share prices in the manufacturing sector on the IDX in 2018-2021.

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