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THE EFFECT OF CURRENT RATIO, DEBT TO EQUITY RATIO AND TOTAL ASSET TURNOVER ON STOCK PRICES IN THE SECTOR INDUSTRIES REGISTERED ON BEI 2020-2021 PERIOD

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Abstract

This study aims to determine the effect of the Current Ratio, Debt to Equity Ratio, and Total Assets Turn Over on stock prices in the industrial sector listed on the Indonesia Stock Exchange (IDX) during the 2020-2021 period, either partially or simultaneously. The population in this study is 56 industrial sector companies listed on the Indonesia Stock Exchange (IDX) in 2020-2021. The research sample is 10 companies obtained by purposive sampling technique. The method used in this research is a quantitative method. The data collection technique used is documentation. The analytical method used is multiple linear regression test. The results showed that partially the CR and DER variables had a positive and significant effect on stock prices, while TATO had a negative and insignificant effect. Simultaneously the variables CR, DER, and TATO have no significant effect on stock prices. The CR, DER, and TATO variables can explain the share price of the agricultural sector industry listed on the Indonesia Stock Exchange (IDX) in 2020-2021 of 5.1%.

Keywords: Current Ratio, Debt to Equity Ratio, Total Assets Turn Over

JEL Classification: M41, M42

1. INTRODUCTION

Public companies usually take advantage of the availability of capital markets as a source of financing or alternative financing. The existence of the capital market can be used as a tool to describe the performance and financial condition of a company. If a company is financially healthy or successful, the market will respond positively by increasing the company's share price. Investors and creditors always check a company's financial condition before investing money in it. Therefore, it is very important to analyze and forecast the company's financial situation (Nasution, 2022).

The company's short-term goal is generally to use company resources to generate maximum profits, and the company's long-term goal is to optimize share prices to maximize shareholder value. A high share price reflects the company's value. The higher the company value, the greater the shareholder wealth (Jufrizen & Sari, 2019).

The industrial sector is one of the sector categories listed on the Indonesia Stock Exchange (BEI) and has the opportunity to grow and develop. This condition increases competition because company leaders compete to find investors to invest money in their companies. Industry is the sector responsible for regional development. Almost all countries believe that industrialization is necessary. Industrialization ensures the continuity of the long-term economic development process with a high and sustainable level of economic growth, which leads to an increase in per capita income every year. In the long term, a country's economic development causes fundamental changes in its economic structure. In other words, there has been a change from a traditional agricultural-oriented economy to a modern industrial-oriented economy (Tambunan, 2001).

Financial ratios are very important for analyzing the financial condition of a company. Short-term investors are generally attracted to a company's short-term financial health and ability to pay reasonable dividends. This information can be obtained in a simple way, namely by calculating financial ratios that are in accordance with what is desired (Fahmi, 2011).

According to Fahmi (2017), the liquidity ratio is the ability of a company to fulfill its short-term obligations in a timely manner. This ratio is very important. If a company fails to deliver on its short-term promises, the company's value and investor interest may decline. The current ratio is a measure of a company's ability to pay short-term debt or which will soon be paid off. In other words, how many assets you currently have that can be used to meet short-term obligations that will soon come due.

According to Kamaludin (2011) The solvency ratio is a measure of the funds provided by the owner compared to the funds provided by creditors. Debt financing affects companies because debt is a fixed expense. Debt to Equity Ratio is a ratio used to assess debt to equity by comparing all debt, including current debt, with total equity. The higher the ratio, the more unprofitable it is because the greater the risk (Kasmir, 2016).

According to Hery (2018) the activity ratio is a ratio that measures the efficiency of using company resources or evaluates the company's ability to carry out daily operations. This ratio is also called the asset utilization ratio, which measures the efficiency and intensity of company assets in generating sales.

According to Syamsuddin (2007) "Total Assets Turnover is a ratio that describes the degree of efficiency in using the total assets of a company to generate a certain number of sales". According to the research results of Firliani (2021), the variables current ratio, debt to equity ratio, total asset turnover and return on assets have a simultaneous influence on share prices in the pulp & paper sub-sector listed on the Indonesia Stock Exchange.

Meanwhile, the variables current ratio and debt to equity ratio partially do not have a significant influence on share prices in the pulp & paper sub-sector listed on the Indonesia Stock Exchange, while total asset turnover and return on assets have a significant influence on share prices. in the pulp & paper sub-sector listed on the Indonesia Stock Exchange.

Meanwhile, Rifaldi's (2022) research results show that (CR, DER, TATO, EPS and ROA) simultaneously have a positive and significant influence on the independent variable (Share Price). The results of the partial T test show that CR, DER, TATO, EPS have no effect on stock prices, and ROA has a positive effect on stock prices.

The conclusions obtained from several studies show that there are differences in research results (research gaps), so this research aims to test whether the Current Ratio, Debt to Equity Ratio and Total Assets Turnover have a partial or simultaneous effect on stock prices, which differentiates this research compared to research The previous one lies in the dependent variable used. This research uses a different object from previous studies, where this research focuses on industrial sector companies.

2. LITERATURE REVIEW AND HYPOTHESES

2.1. Signaling Theory

According to Brigham and Houston (2016) signaling theory is the attitude of company management in providing guidance to investors regarding management's views on the company's future prospects. This theory explains that an investor can compare which companies have high company value and low company value. So investors can easily invest their funds in companies that can provide profits for investors.

2.2. Financial Statements

Financial statements are a very important accounting product and can be used in making economic decisions that are beneficial for internal and external parties. According to Kasmir, (2012) "Financial reports are reports that show the company's financial condition at this time or in a certain period".

2.3. Financial Ratio

According to Kasmir (2014) financial ratios are the activity of comparing numbers in financial reports. Comparisons can be made between components and components of financial reporting. Then, the numbers being compared can be numbers in one period or several periods.

2.4. Liquidity Ratio

According to Kasmir (2012) the liquidity ratio is a ratio that shows the company's ability to meet its short-term obligations. In other words, the liquidity ratio is used to explain or estimate the company's ability to meet its obligations in the future. There are several types of liquidity indicators that can be used to calculate a company's ability to meet its short-term obligations.

2.5. Current Ratio

Kasmir (2017) stated "The current ratio is a ratio to measure a company's ability to pay short-term obligations or debts that are due when they are collected in full. In other words, how much current assets are available to cover short-term liabilities that are due soon (Albertus & Syaiful, 2022).

2.6. Solvency Ratio

The solvency ratio is a ratio that determines a company's capacity to meet its short-term and long-term obligations more completely. According to Kasmir (2012: 150) "the solvency ratio or leverage ratio is a ratio used to measure the extent to which a company's assets are financed by debt. This means how much debt the company bears compared to its assets."

2.7. Debt to Equity Ratio

According to Sujarweni (2017) "Debt to Equity Ratio (DER) is a comparison between debt and equity in company funding and shows the ability of the company's own capital to fulfill all its obligations."

2.8. Activity Ratio

The activity ratios is a ratio that calculates how effectively a company uses all available resources. All of these activity ratios include a comparison of sales & investment levels in various types of assets. According to Kasmir (2012) "the activity ratio is a ratio used to measure a company's effectiveness in using its assets".

2.9. Total Assets Turnover

Kasmir (2016) "Total Asset Turnover is a ratio used to measure the turnover of all assets owned by a company and measure how many sales are obtained from each rupiah of assets."

2.10. Stock Price

According to Rusdin (2008) shares are proof of company ownership which gives shareholders the right to receive company income and assets. Umam and Susanto (2017) explain that the share prices that appear on the capital market are prices created from the supply and demand capacity on the stock exchange. Therefore, it is in an investor's best interest to evaluate stock prices before setting a desired level of return.

2.11. Hypotheses

Based on the previous description, it is suspected that there are various factors influencing on purchasing decision of real estate products:

H1: It is suspected that the Current Ratio (CR) has a positive significant effect on stock prices.

H2: It is suspected that Debt to Equity Ratio (DER) has a significant negative effect on stock prices.

H3: It is suspected that Total Asset Turnover (TATO) has a positive significant effect on stock prices.

H4: It is suspected that Current Ratio, Debt to Equity Ratio and Total Asset Turnover have a significant effect on stock prices.

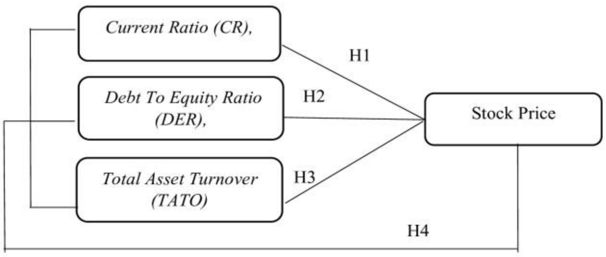

Figure 1. Research Framework

3. RESEARCH METHODS

The type of research used in this research is an associative approach. The associative approach is a research problem formulation that asks about the relationship between two or more variables. This research uses secondary and empirical data, where the data is obtained through the official website of the Indonesia Stock Exchange (BEI), while the research approach used is a quantitative approach, where this approach is data analysis of data that contains certain numerical figures (Sugiyono, 2019).

According to Sugiyono (2019) Population is a generalization area consisting of objects/subjects that have certain quantities and characteristics determined by researchers to be studied and then conclusions drawn. The population of this research is all Industrial Sector companies listed on the Indonesia Stock Exchange (BEI), namely 56 companies.

The sample is part of the number and characteristics of the population (Sugiyono, 2019). The sample used in this research was Purposive Sampling. Purposive sampling is a technique for determining samples with certain considerations (Sugiyono, 2019). The criteria for determining the sample in this research are as follows:

1) Companies listed at Bursa BEI.
2) Have completed financial statements 2020-2021.
3) Companies with highest market capitalization during 2020-2021.

Table 1. List of samples companies

No	Company	Code
1.	MNC Asia Holding Tbk.	BHIT
2.	Astra International Tbk.	ASII
3.	Global Mediacom Tbk.	BMTR
4.	Multipolar Tbk.	MLPL
5.	Keramika Indonesia Assosisasi Tbk.	KIAS
6.	Surya Toto Indonesia Tbk.	TOTO
7.	Modern Internasional Tbk.	MDRN
8.	Superkrane Mitra Utama Tbk.	SKRN
9.	Jasuindo Tiga Perkasa Tbk.	JTPE
10.	Mulia Industrindo Tbk.	MLIA

The technique used in this research to collect data is the documentation study technique, using secondary data in the form of financial report data. This data was obtained from internet media by downloading via the official website of the Indonesian Stock Exchange.

3.1. Independent Variables

Independent variables are variables that influence or cause changes or emergence of the dependent variable. An independent variable is a type of variable that is seen as the cause of the emergence of a dependent variable which is thought to be a consequence (Sugiyono, 2019). The independent variable (X1) used in this research is the Current Ratio which is a ratio to measure the company's ability to pay short-term obligations or debts that are due immediately when they are collected in full (Kasmir, 2018).

$$Current\ Ratio = \frac{Current\ Asset}{Current\ Debt}$$

The independent variable (X2) used in this research is the Debt to Equity Ratio, which is a ratio to compare all debt, including current debt and equity. Debt to Equity Ratio is a ratio used to evaluate debt to equity. This ratio is determined by comparing all liabilities to total equity (Kasmir, 2018).

$$Debt\ To\ Equity\ Ratio = \frac{Debt}{Equity}$$

The independent variable (X3) used in this research is Total Asset Turnover. Total Asset Turnover is a comparison between sales and total assets (fixed assets plus current assets). What is included in fixed assets is land, buildings, machines and others. Meanwhile, current assets include: cash, receivables and others that have an economic life of more than one year (Murhadi, 2013).

$$Total\ Asset\ Turnover = \frac{Sales}{Total\ Asset}$$

3.2. Dependent Variable

Stock prices are prices that are formed in response to supply and demand in the stock market, and are formed by the interaction of sellers and buyers of shares based on their expectations of profits from the company. In this case, the investor is the company.

$$Price\ to\ Book\ Value = \frac{Stock\ Price}{Book\ Value\ per\ Share}$$

3.3. Descriptive Statistics

Descriptive statistics provide a view or description of data seen from the average value, standard deviation, variance, maximum, minimum, sum, range, kurtosis, and skewness (distribution differences) (Ghozali, 2011).

3.4. Hypothesis Testing

The t test, or partial regression coefficient test, aims to find out whether the independent variables (current ratio, debt to equity ratio, total asset turnover ratio) have a big influence on stock prices. The test sets a significance level of 0.05. A significance level of 0.05, or 5%, means that the decision to reject a correct hypothesis has a risk of being wrong of 5. This means that if you make a decision that is at least 95% correct (confidence level).

The F-test is used to see the overall influence of the independent variable on the dependent variable. In this case, the F-test is used to prove whether the independent variables (Current Ratio, Debt to Equity Ratio and Total Assets Turn Over) have a big impact on stock prices (all or a combination). Multiple linear regression analysis is used to determine the effect of the independent variable on the dependent variable. The regression equation in this research is as follows:

$$Y = a + b1X1 + b2X2 + b3X3$$

According to Ghozali (2011:98), the coefficient of determination (Goodness of Fit) symbolized by R^2 is an important regression measure because it allows us to determine whether the regression model estimates are adequate. Thus, this number is able to calculate how strong the estimated regression line is to the actual regression line. data. The coefficient of determination value describes how well the dependent variable Y is explained by the independent variable X.

4. RESULTS AND DISCUSSION

4.1. Descriptive Statistics

Table 2. Descriptive statistics

	N	Min	Max	Mean	Std. Deviation
CR (X1)	80	.16	4.04	1.6193	.94956
DER (X2)	80	.17	3.91	1.1383	.81116
TATO (X3)	80	-.04	.62	.1977	.13566
PBV (Y)	80	0	3	.94	.801
Valid N (listwise)	80				

Based on the SPSS output results above, it can be seen that the Current Ratio (CR) variable produces a Minimum number of 0.16 and a Maximum number of 4.04 with a Mean of 1.6193 and a Standard Deviation level of 0.94956. The Debt to Equity Ratio (DER) variable produces a Minimum figure of 0.17 and a Maximum figure of 3.91 with a Mean of 1.1383 and a Standard Deviation level of

0.81116. The Total Assets Turnover (TATO) variable produces a Minimum figure of -0.04 and a Maximum figure of 0.62 with a Mean of 0.1977 and a Standard Deviation level of 0.13566. Share Price (PBV) produces a Minimum number of 0 and a Maximum number of 3 with a Mean of 0.94 and a Standard Deviation level of 0.801.

Table 3. Partial Testing

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	.227	.318		.714	.477
CR (X1)	.270	.107	.320	2.517	.014
DER (X2)	.261	.126	.264	2.071	.042
TATO (X3)	-.116	.652	-.020	-.178	.859

Curret ratio has a t value of 2.517 with a significance probability of 0.014. The significance of t is smaller than α (0.05), then the hypothesis is accepted. This means that there is a significant positive influence between the current ratio and share prices.

Debt to Equity Ratio has a t value of 2.071 with a significance probability of 0.042. The significance of t is smaller than α (0.05), then the hypothesis is rejected. This means that there is a significant positive influence between the debt to equity ratio on share prices.

Total Assets Turnover has a t value of -0.178 with a significance probability of 0.859. The significance of t is greater than α (0.05), then the hypothesis is rejected. This means that there is a negative and insignificant influence between debt to total assets turnover on share prices.

Table 4. Simultant Testing

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	4.412	3	1.471	2.416	.073[a]
Residual	46.275	76	.609		
Total	50.688	79			

From the table above, it can be seen that the significance value is F = 0.073 (greater than α= 0.05). This means that the hypothesis is rejected. In other words, the Current ratio, Debt to Equity Ratio, and Total Assets Turnover simultaneously do not have a significant effect on stock prices.

Table 5. Multiple Linear Analysis Test

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	.227	.318		.714	.477
CR (X1)	.270	.107	.320	2.517	.014
DER (X2)	.261	.126	.264	2.071	.042
TATO (X3)	-.116	.652	-.020	-.178	.859

Based on the table above, the multiple linear regression equation in this study is as follows:

$$Y = 0{,}227 + 0{,}270\ X1 + 0{,}261\ X2 + -0{,}116\ X3$$

The regression equation above can be explained as follows the constant value is 0.227, meaning that if the independent variables, namely Current Ratio (X1), Debt to Equity Ratio (X2), and Total Asset Turn Over (X3) have a value of zero (0), then the dependent variable (Y), namely Share Price, will have a value remains at 0.227.

The regression coefficient for the variable Current Ratio (X1) has a positive value of 0.270, meaning that if the variable. The regression coefficient for the debt to equity ratio (X2) variable has a positive value of 0.261. This means that if the debt to equity ratio of variable X2 increases by 1 unit and the other variables are considered constant, then variable Y. Share prices decrease by 0.261.

The regression coefficient for the Total Asset Turnover variable (X3) has a negative value of -0.116. This means that if variable X3 total asset turnover increases by 1 (one) unit, then the other variables are considered constant. Variable Y or share prices experienced a decrease of -0.116.

Table 6. The Adjusted R2

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.295[a]	.087	.051	.780

Based on the table above, the Adjusted R Square value obtained is 0.051, this means that 5.1% of the dependent variable, namely Stock Price, can be explained by three independent variables, namely Current Ratio, Debt to Equity Ratio, and Total Assets Turn Over. Meanwhile, the remainder (100% - 5.1% = 94.0%) is explained by other variables outside the research.The result value of influence between latent variables revealed at the coefficient path achieved (Figure 1).

4.2. Discussion

Current ratio is the result of dividing current assets by current liabilities. The higher the current ratio, the greater the company's desire to meet its ongoing obligations through the assets it owns. This gives investors a positive signal. This means that investors are interested in buying shares because the current ratio is high as a result of which share prices also increase and have a positive impact (Paanggaran, 2021).

The results of previous research conducted by Paanggaran (2021) and Oktianto (2019) show that the Current Ratio (CR) has a positive and significant influence on stock prices. Meanwhile, research results from Amrah & Elwisam (2019) show that the Current Ratio (CR) has a negative and significant influence on stock prices.

From these descriptions, researchers assume that a high Current Ratio will reduce the company's failure to fulfill short-term financial obligations to creditors and vice versa. The greater this ratio, the more efficient the company is in utilizing company assets.

The test results show that the Current Ratio has a t value of 2.517 with a significance probability value of 0.014 (0.014 < 0.05). From the results of the probability values, it can be concluded that the Current Ratio (CR) has a partially significant positive effect on share prices. This is in accordance with the hypothesis which states that the Current Ratio (CR) has a positive and significant influence on share prices.

So it can be concluded that hypothesis 1 is accepted. If a company has a high current ratio (CR), it can attract investors to the company because the higher the current ratio (CR), the more profitable the company. Therefore, it is important for investors to observe the current ratio (CR) level before investing. This is because it makes it possible to calculate how much risk is taken from the potential bankruptcy of a company.

The results of this research are in line with research conducted by Paanggaran (2021) and Lambey (2015) which states that the Current Ratio (CR) has a positive influence on stock prices.

A high debt to equity ratio indicates that the amount of debt is used to finance business operations compared to managing one's own equity. A high DER indicates that the company is exposed to high risk, which reduces demand for shares and causes share prices to fall. On the other hand, if the company's DER is low, demand for shares will increase and share prices will rise.

Second, the debt to equity ratio has a negative impact on share prices (Rifaldi, 2022) The results of previous research carried out by Amrah & Elwisam (2019) show that the Debt to Equity Ratio (DER) has a negative and significant effect on stock prices. This is similar to research conducted by Firlian (2021) that DER has a significant negative effect. Meanwhile, research results from Hutapea, et al., (2017) show that the Debt to Equity Ratio (DER) has a significant positive influence on stock prices.

From several studies above, the author assumes that a high Debt to Equity Ratio (DER) will result in the company being exposed to high risk, which reduces demand for shares and causes share prices to fall.

The test results show that the Debt to Equity Ratio (DER) has a t value of 2.071 with a significance probability value of 0.042. (0.042 < 0.05). From the results of the probability values, it can be concluded that the Debt to Equity Ratio (DER) partially has a significant positive effect on share prices.

This is not in accordance with the hypothesis which states that the Debt to Equity Ratio (DER) has a negative and significant influence on share prices. So it can be concluded that hypothesis 2 is rejected. A high debt to equity ratio (DER) indicates that the company is exposed to high risk, which reduces demand for shares and causes share prices to fall. Conversely, if the company's Debt to equity ratio (DER) is low, demand for shares increases and share prices rise. This research shows that the debt to equity ratio (DER) has an effect on stock prices, and by paying attention to the Debt to equity ratio (DER) from an investor's perspective, the stock price formed is an index.

The results of this research are in line with research conducted by Amrah & Elwisam (2019) and Hutapea, et al (2017) stating that the Debt to Equity Ratio (DER) has an influence on stock prices. This is different from research conducted by Junaeni (2017) which states that the Debt to Equity Ratio (DER) has no influence on share prices.

A high Total Asset Turnover indicates that the company's resources are being managed well and the company is able to achieve a high level of sales of its fixed assets, thereby arousing investor confidence to buy shares in the company which influences the soaring share price, so that total asset turnover has a positive impact on share prices (Rifaldi, 2022).

The results of previous research conducted by Pabatas (2021) and Lambey (2015) show that Total Asset Turnover (TATO) has a positive and significant influence on stock prices. Meanwhile, research conducted by Rifaldi (2022) shows that Total Asset Turnover (TATO) does not have a significant effect on stock prices.

From the research above, the author assumes that a high Total Assets Turnover (TATO) will indicate that a company's effectiveness is getting better, this is taken as a good signal so that it can attract investors to invest in the company which will ultimately increase share prices.

The test results show that Total Asset Turnover (TATO) has a t value of -0.178 with a significance probability of 0.859 (0.859 > 0.05). From the results of the probability values, it can be concluded that Total Asset Turnover (TATO) partially has a negative and insignificant influence on share prices. This is not in accordance with the hypothesis which states that Total Asset Turnover (TATO) has a significant positive influence on share prices. So it can be concluded that hypothesis 3 is rejected.

A high Total Asset Turnover (TATO) indicates that the company's resources are being managed well and the company is able to achieve a high level of sales from the assets it invests in, thereby attracting investors to buy shares in the company. impact on rising share prices. Thus, Total Asset Turnover (TATO) influences share prices.

This research shows that Total Asset Turnover (TATO) has no influence on stock prices. In purchasing shares, investors do not view the company as skilled in managing company resources, the signals given by the company to give confidence to investors, are not welcomed directly when investors buy shares in the company.

The results of this research are in line with research conducted by Rifaldi (2022) and Tumandung, et al., (2017) stating that Total Asset Turnover (TATO) has no influence on stock prices. However, this is different from research conducted by Firlian (2021) which states that Total Asset Turnover (TATO) has an influence on stock prices.

Based on the results of the F test, showing a probability value above 0.05, namely 0.073 (0.073 > 0.05), it can be concluded that simultaneously the Current Ratio (CR), Debt to Equity Ratio (DER) and Total Asset Turnover (TATO) do not have significant influence on share prices. This is not in line with the hypothesis which states that the Current Ratio (CR), Debt to Equity Ratio (DER) and Total Asset Turnover (TATO) have a significant influence on share prices. Thus it can be concluded that hypothesis 4 is rejected.

The industrial sector is one of the sector categories listed on the Indonesia Stock Exchange (BEI) and has the opportunity to grow and develop. This condition increases competition because company leaders compete to find investors to invest money in their companies. Industry is the sector responsible for regional development. Knowing how to analyze stocks is important for market players. If investors know how to analyze stocks, they can find out which factors influence stock prices and what prices are fair for shares. Many factors influence stock prices, all of which are market-related and can influence prices.

The better the company performs, the higher the share price, ensuring shareholder prosperity. The results of this research are in line with research conducted by Dini & Pasaribu (2021) which states that simultaneously Return On Equity, Current Ratio, Total Asset Turnover, and Debt to Equity Ratio do not have a positive and significant effect on stock prices.

5. CONCLUSION

Current Ratio (CR) partially has a significant positive effect on stock prices. Debt to Equity Ratio (DER) partially has a significant positive effect on share prices. Total Assets Turn Over (TATO) partially has a negative and insignificant effect on stock prices. Current Ratio (CR), Debt to Equity Ratio (DER) and Total Assets Turn Over (TATO) do not have a significant effect simultaneously on share prices. Based on the coefficient of determination test (R^2), it shows that the Current Ratio (CR), Debt to Equity Ratio (DER) and Total Assets Turn Over (TATO) on Share Prices obtained a value of 5.1%.

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