

The Influence of Current Ratio (CR), Debt to Equity Ratio (DER), and Return on Assets (ROA) on Share Prices at PT Indofarma Tbk for the 2012-2022 Period

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Abstract:

This research aims to analyze the influence of the Current Ratio (CR), debt-to-equity ratio (DER), and Return on Assets (ROA) on the Share Prices of PT Indofarma Tbk for the 2012-2022 period. The independent variables used are Current Ratio (CR), Debt to Equity Ratio (DER), and Return on Assets (ROA), while the dependent variable is Share Prices. These data were then analyzed using the multiple linear regression method involving the t statistical test (partial), the f statistical test (simultaneous), and the coefficient of determination test. The research results show that the Current Ratio (CR) and Return on Assets (ROA) partially have a positive and significant effect on Share Prices. Debt to Equity Ratio (DER) partially has a negative and significant impact on Share Prices. Current Ratio (CR), Debt to Equity Ratio (DER), and Return on Assets (ROA) simultaneously have a positive and significant effect on Share Prices. The contribution of the independent variables (Current Ratio (CR), Debt to Equity Ratio (DER), and Return on Assets (ROA) to Share Prices reached 68.6%.

Keywords: Current Ratio (CR), Debt to Equity Ratio (DER), Return on Assets (ROA), Share Prices

JEL Codes: M00, M1, M5

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1. Introduction

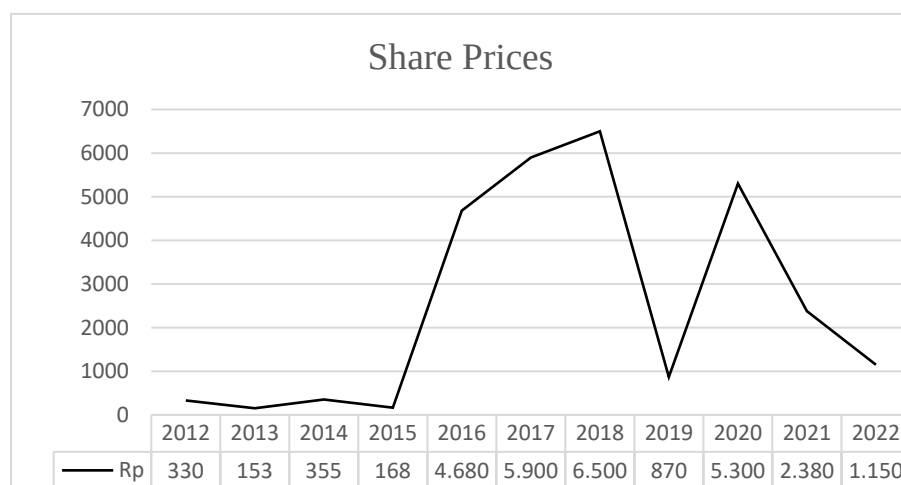
Trade and industry developed to meet the needs of society in the current era of globalization have a significant impact on the economic development of a country, especially in Indonesia. Due to intense competition, every business must always be able to compete with other

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businesses to offer the best products and services in order to increase market share, keep the business afloat, and continue to be the customer's first choice. Work assessment tools and systems that can encourage the business world to become more efficient and competitive are very important for the growth of the business sector in an increasingly open economic environment.

Monitoring the condition of business financial reports to achieve maximum profits so that the business can continue to grow is one way to maintain and improve a company's ability to remain competitive. According to the Statement of Financial Accounting Standards (PSAK) of the Indonesian Accounting Association (2017:13): "Financial reports are a structured presentation of the financial position and financial performance of an entity." Financial reports explain financial ratios to highlight a company's health condition and predict future time periods.

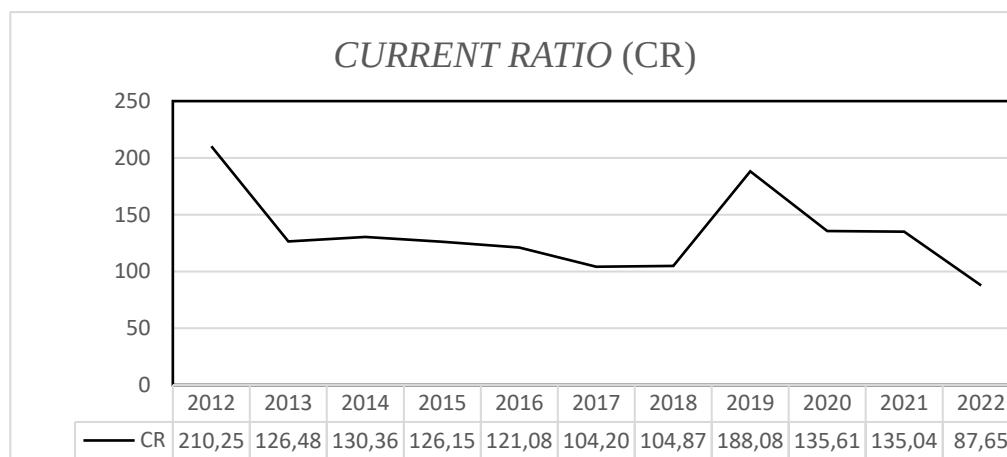
The capital market drives and functions as an indication of a country's economic development. It can be said that investment in the Indonesian capital market is growing very rapidly, in line with the rapid development of corporations and the country's economy. The development of capital market events, especially in the Indonesian Stock Exchange capital market, directly reflects the growth of this portfolio investment. Hartono (2017:143) states that market players set share prices, namely the prices that are present on the stock market at a certain time. The supply and demand for these shares in the capital market determine the high and low share prices.



Source: Annual Report PT Indofarma Tbk

Figure 1 PT Indofarma Tbk Share Price Data for the 2012-2022 Period

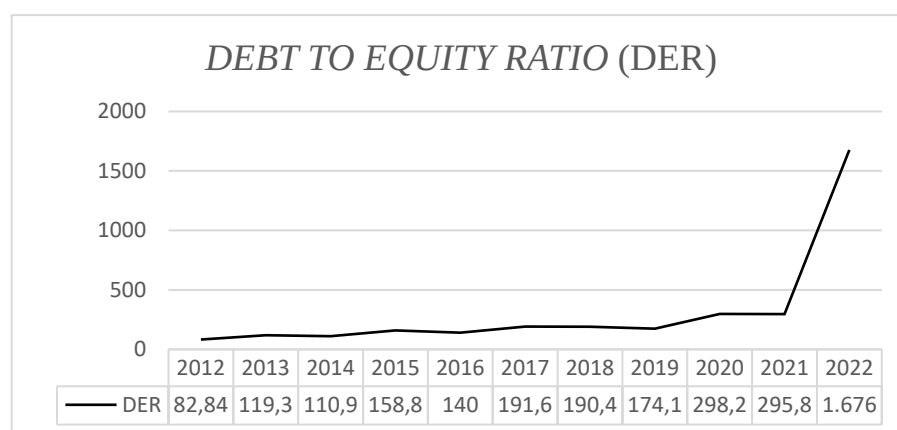
PT Indofarma Tbk's share price fluctuations from 2012 to 2022 are depicted in the graph above, with a downward trend towards the end of the period. This shows how bad the company's performance is. The company's profits or losses will decrease if share price conditions worsen. The forces of supply and demand produce share price fluctuations, which are considered typical in economic theory. Prices will rise when demand is strong and fall when supply is strong. In general, several variables can cause a company's share price to rise or fall. These elements fall into two categories: internal and external. Internal factors are factors that arise within the company. Meanwhile, external factors are factors that originate from outside the company.



Source: Annual Report PT Indofarma Tbk

Figure 2 PT Indofarma Tbk Current Ratio (CR) data for the 2012-2022 Period

The current ratio (CR) at PT Indofarma Tbk varies and tends to decrease, as seen in Figure 2 above. This can be seen from 2012 to 2018, which experienced annual ups and downs in 2019. One of the ratios used to measure a company's liquidity is the current ratio. The greater the company's ability to pay short-term debt, the more solid the business and the greater the possibility of attracting capital, which will increase share prices. This is in line with a study by Bangun and Januardin (2022), which states that the current ratio positively and significantly affects share prices. In contrast to the research results of Mario et al. (2020), which show that the current ratio has a negative and insignificant effect on share prices, According to Hery (2017:142), the current ratio is a ratio used to assess a company's ability to use its current assets to pay short-term debts that are due.

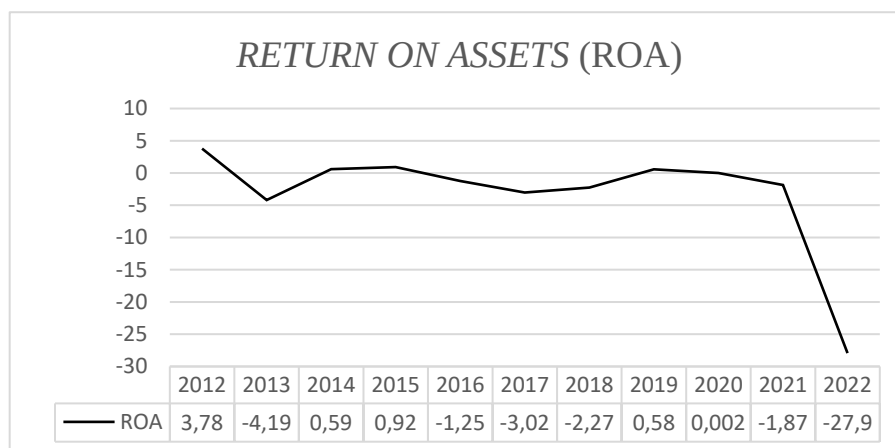


Source: Annual Report PT Indofarma Tbk

Figure 3 PT Indofarma Tbk Debt to Equity Ratio (DER) data for the 2012-2022 Period

As seen in Figure 3 above, there is a change in the debt-to-equity ratio (DER), which tends to increase. As a result, there is a possibility of volatility in the share price of PT Indofarma Tbk. Share prices decrease as the DER value increases. In line with research by Ramadhani & Pustikaningsih (2017), which states that the debt-to-equity ratio has a significant negative effect on share prices, Similar to the research results of Isnansyah & Yuniati (2021), the debt-to-equity

ratio has a significant negative effect on share prices. The leverage ratio, or DER, is a metric that shows how much of a company's spending comes from debt. The lower the DER in terms of the company's ability to pay off non-current loans, the better it will be for share prices and the company's ability to meet its debt obligations. An increase in DER can be interpreted by the market as a negative indicator that can influence investors' decisions to buy shares. Sukamulja (2017:50) states that the debt-to-equity ratio (DER) measures the proportion of liabilities in a business's capital structure. This ratio is critical for assessing an organization's business risk, which increases as liabilities increase.



Source: Annual Report PT Indofarma Tbk

Figure 4 PT Indofarma Tbk Return on Assets (ROA) data for the 2012-2022 Period

As shown in Figure 4 above, PT Indofarma Tbk's return on assets (ROA) during the 2012–2022 period fluctuated but tended to decrease. Meanwhile, in 2013, 2016, 2017, 2018, and 2022, the return on assets (ROA) criterion was negative. Shifts may influence Indofarma company share prices in the company's return on assets (ROA), which tends to decline between 2012 and 2022. Investors will be more interested in share prices if the company generates greater profits, as higher return on assets figures indicate. On the other hand, a lower return on assets figure suggests a lower profit level for the business, so it will deter investors from investing in shares. In line with the study by Manoppo et al. (2017), which brought the same results, return on assets had a significant positive effect on share prices. Similar to the results of research Isnansyah & Yuniati (2021), which states that return on assets has a significant positive effect on share prices, return on assets (ROA), according to Kasmir (2018:201), is a measure of a company's ability to generate profits with all the assets it owns.

2. Literature Review

2.1. Share Prices

Hartono (2017:143) states that market players set share prices, namely the prices that are present on the stock market at a certain time. The supply and demand for these shares in the capital market determine the high and low share prices.

Share prices are determined by the dynamics of supply and demand in the capital market, according to Sartono (2015:192). The price of a stock usually rises when there is excess demand for it. On the other hand, share prices often fall when there is excess supply.

2.2. Current Ratio

The current ratio, which is often called the current ratio (CR), is a ratio used to assess a company's ability to pay off short-term debt that is due when it is fully collected. In other words, the amount of existing assets that can be used to pay future short-term liabilities. The current ratio can also be considered a way to measure a company's security or safety margin (Kasmir, 2019:134).

Harahap (2017:301) states that the company's ability to pay short-term liabilities weakens positively with the ratio of current assets to current liabilities. All current liabilities can be paid with current assets if the current ratio is 100% or 1:1. Therefore, if the ratio is greater than 100% or above 1, it is considered healthy. Therefore, current assets must be much greater than current liabilities." According to Hery (2017:142), the current ratio is a ratio used to assess a company's ability to utilize its current assets to pay short-term debts that are due.

2.3. Debt to Equity Ratio

Sukamulja (2017:50) states that the debt-to-equity ratio (DER) measures the proportion of liabilities in a business's capital structure. This ratio is critical for assessing an organization's business risk, which increases as liabilities increase. Kasmir (2019:157) states that the debt-to-equity ratio (DER) is used to assess debt versus equity. This ratio is obtained by comparing all debt, including current debt, with all equity. This ratio determines the amount of funds provided by borrowers (creditors) and company owners.

2.4. Return on Assets

A financial ratio called return on assets (ROA) compares a company's net profit to the total assets it owns to determine how profitable it is. This term emphasizes how a business can maximize its resources to generate profits.

According to Fahmi (2018:135), the profitability ratio, or return on assets (ROA), is a measure of total effectiveness based on the amount of profit realized relative to investment and sales. Return on assets (ROA), according to Kasmir (2018:201), return on assets (ROA) is a measure of a company's ability to generate profits with all its assets.

2.5. Research Model

The research model that shows how the independent variable affects the dependent variable is as follows:

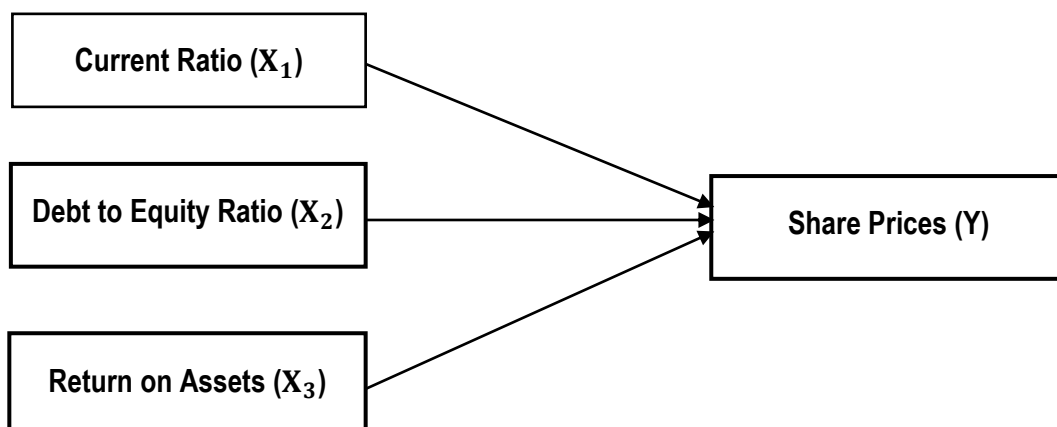


Figure 5 Research Model

2.6. Hypothesis

The following hypothesis aims to provide temporary answers to this research:

1. Current ratio (CR) influences share prices;
2. Debt to equity ratio (DER) influences share prices;
3. Return on Assets (ROA) influences share prices;
4. Current ratio (CR), debt-to-equity ratio (DER), and return on assets (ROA) influence share prices.

2.7. Previous Research

Previous research offers a comparative framework that helps authors understand and explain subjects related to how the current ratio (CR), debt-to-equity ratio (DER), and return on assets (ROA) influence share prices. The literature has been enhanced, and this research is supported by using several articles as reference sources.

Table 1 Previous Research

No	Title	Researcher	Research Result
1	The Effect of Current Ratio (CR), Return on Assets (ROA), and Debt to Equity Ratio (DER) on Share prices (Study of Cigarette Companies Listed on the Indonesian Stock Exchange)	Isnansyah & Yuniati (2021)	The current ratio has a significant negative effect on share prices. Return on assets has a significant positive effect on share prices. The debt-to ratio has a significant negative effect on share prices.
2	The Influence of CR, DER, ROA, and NPM on Share Prices in Food and Beverage Companies Registered on BEI (Period 2013-2015)	Manoppo, Tewal, and Jan (2017)	Current ratio (CR), debt-to-equity ratio (DER), return on assets (ROA), and net profit margin (NPM) simultaneously have a significant effect on share prices. The current ratio (CR) has a negative and insignificant effect on share prices. The debt-to ratio (DER) has a negative and insignificant effect on share prices. Return on assets (ROA) has a positive and significant effect on share prices.

No	Title	Researcher	Research Result
			Net profit margin (NPM) has a negative and significant effect on share prices.
3	The Influence of ROA, DER, and CR on Share Prices in Food and Beverage Companies Listed on the Indonesian Stock Exchange for the 2014-2018 Period	Mario, Murni, and Rogi (2020)	ROA partially has a positive and significant effect on share prices. DER partially has a negative and insignificant effect on share prices. CR partially has a negative and insignificant effect on share prices. ROA, DER, and CR simultaneously have a positive and significant effect on share prices.
4	The Influence of Debt to Equity Ratio (DER), Return on Equity (ROE), and Net Profit Margin (NPM) on Share Prices of Mining Sector Companies Listed on the Indonesian Stock Exchange for the 2011-2015 Period	Ramadhani & Pustikaningsih (2017)	DER has a negative and significant effect on share prices. ROE has a positive and significant effect on share prices. NPM has a positive and significant effect on share prices. Simultaneously, DER, ROE, and NPM have a significant effect on share prices.
5	The Influence of Current Ratio, Debt to Equity Ratio, and Return on Assets on Share prices in the Chemical Sector Listed on the IDX	Bangun & Januardin (2022)	The current ratio has a significant and positive effect on share prices variable. The debt-to ratio has no effect on share prices. Return on assets has no effect on share prices. CR, DER, and ROA simultaneously influence share prices.

Source: Google Scholar

3. Research Methods

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3.1. Data Types and Sources

Secondary data is the type of data used in this research. Secondary data is defined as a source that does not provide data directly to researchers (Sugiyono, 2019:219). PT Indofarma Tbk's annual report for 2012–2022 is the secondary data in question. Taken from the company's official website, www.idx.co.id. Financial statistics such as current ratio (CR), debt-to-equity ratio (DER), return on assets (ROA), and PT Indofarma Tbk share price from 2012 to 2022 are included in this data.

3.2. Data Collection Technique

The documentation approach is the data collection methodology used in this research. Records of past events are what is meant by documentation (Sugiyono, 2019:476). To collect data, the required time series data was examined, and the annual report of PT Indofarma Tbk for 2012–2022 was recorded and checked.

3.3. Population and Sample

According to Sugiyono (2019:126), population is a generalization category that includes things or people with specific attributes and characteristics that researchers use to investigate and then draw conclusions. The annual financial report (annual report) of PT Indofarma Tbk for 2012–2022 was used as the research population. Purposive sampling was used in the sample selection process. This technique involves taking samples based on certain considerations according to the desired criteria, to determine the number of samples to be investigated (Sugiyono, 2019:133).

1. Complete financial reports from 2012–2022.
2. Financial reports containing complete research variables, including share price, current ratio (CR), debt-to-equity ratio (DER), and return on assets (ROA).
3. Financial reports show share prices tending to decline.

3.4. Variable Operationalization

The operationalization of the factors studied regarding current ratio (CR), debt-to-equity ratio (DER), return on assets (ROA), and share prices is as follows:

Table 2 Variable Operationalization

Variables	Variable Concepts	Indicators	Measure	Scales
Share Prices (Y)	Hartono (2017:143) states that market players set share prices, namely the prices that are present on the stock market at a certain time. The supply and demand for these shares in the capital market determine the high and low share prices.	Share Prices	IDR	Ratio

Variables	Variable Concepts	Indicators	Measure	Scales
Current Ratio (CR) (X1)	According to Hery (2017:142), the current ratio is a ratio used to assess a company's ability to use its current assets to pay short-term debts that are due.	$CR = \frac{\text{Current Asset}}{\text{Current Debt}} \times 100\%$	Percent	Ratio
Debt to Equity Ratio (DER) (X2)	Sukamulja (2017:50) states that the debt-to-equity ratio (DER) measures the proportion of liabilities in a business's capital structure. This ratio is critical for assessing an organization's business risk, which increases as liabilities increase.	$DER = \frac{\text{Total Debt}}{\text{Equity}} \times 100\%$	Times	Ratio
Return On Asset (ROA) (X3)	According to Fahmi (2018:135), the profitability ratio, or return on assets (ROA), is a measure of total effectiveness based on the amount of profit realized relative to investment and sales.	$ROA = \frac{\text{Net Profit}}{\text{Total Asset}} \times 100\%$	Times	Ratio

3.5. Analysis Techniques

3.5.1. Multiple Linear Regression Analysis

This analysis aims to estimate the contribution of each independent variable to the dependent variable, determine whether there is a positive or negative relationship between each independent variable and the dependent variable, and understand the direction of the relationship between variables. The multiple regression equation is formulated as follows in the context of this research:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$$

Where:

Y = Share Prices

α = Constant

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$\beta_1, \beta_2, \beta_3$ = Regression coefficient

X_1 = Current Ratio

X_2 = Debt to Equity Ratio

X_3 = Return on Assets

3.5.2. Hypothesis Test

t Test (Partial)

According to Ghozali (2018:88), the t-test is used in research to test the influence of each independent variable on the dependent variable, either in whole or in part. This test can be done by looking at the significance value (Sig). The magnitude of the influence of the independent variable on the dependent variable is shown if the significance value (Sig) is less than 0.05.

F Test (Simultaneous)

According to Ghozali (2018:98), an F test is carried out to evaluate how much influence each independent variable has on the dependent variable as a whole. The significance value (Sig) can be used for this test. If the significance value (Sig) is less than 0.05, then it can be said that the independent variable influences the dependent variable.

4. Research Results

4.1. Multiple Linear Regression Analysis

The results of multiple regression analysis to assess the influence of the current ratio (X_1), debt-to-equity ratio (X_2), and return on assets (X_3) on the share prices (Y) at PT Indofarma Tbk are as follows:

Table 3 Results of Multiple Regression Analysis

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	198.534	286.434		.823	.000
CR (X_1)	56.763	29.645	.599	1.164	.004
DER (X_2)	-3215.088	2123.564	-1.264	-1.332	.015
ROA (X_3)	35.962	25.065	.689	8.323	.000

a. Dependent Variable: Share Prices (Y)

Source: Data processed 2024

Based on the multiple regression coefficient table above, the following equation model is obtained:

$$Y = 198,534 + 56,763 X_1 - 3215,088 X_2 + 35,962 X_3 + \varepsilon$$

Based on the multiple regression equation above, it can be interpreted as follows:

1. The share price value is 198.534 if the variables Current Ratio (CR), Debt to Equity Ratio (DER), and Return on Assets (ROA) all have a value of 0. This is because the constant (α) is 198.534.

2. The current ratio variable (β_1) has a regression coefficient of 56.763, which means that assuming the other variables are constant, there will be a change of 56.763 for every one percent addition.
3. With all variables fixed, the debt-to-equity ratio (β_2) variable has a regression coefficient of -3215.088, which shows that for every one percent increase, there will be a decrease of 3215.088.
4. The regression coefficient for the return on asset variable (β_3) is 35.962, which means that if all other variables are considered constant, there will be a change of 35.962 for every one percent increase.

4.2. *t* Test (Partial)

To determine the effect of the independent variable on the dependent variable, the *t* test is used as follows:

Table 4 *t*-test Results

		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
Model		B	Std. Error	Beta		
1	(Constant)	198.534	286.434		.823	.000
	CR (X_1)	56.763	29.645	.599	1.164	.004
	DER (X_2)	-3215.088	2123.564	-1.264	-1.332	.015
	ROA (X_3)	35.962	25.065	.689	8.323	.000

a. Dependent Variable: Share Prices (Y)

Source: Data processed 2024

Formulation of the *t*-test hypothesis (partial):

$H_0: \beta_1 = 0$, The independent variable partially has no significant effect on the dependent variable.

$H_1: \beta_1 \neq 0$, The independent variable partially has a significant effect on the dependent variable.

Decision-making:

- a. If the significance value is < 0.05 then H_0 is rejected; and
- b. If the significance value is $> \text{ or } = 0.05$ then H_0 is accepted.

The results of the partial *t*-analysis of the influence of each independent variable on the dependent variable are as follows:

1. Current Ratio (CR) (X_1) to Share Price (Y)

The significance of a current ratio of less than 0.05 is set at 0.004 based on the data in Table 4 above. Therefore, H_0 can be ignored while H_1 can be accepted. Based on these findings, share prices are significantly influenced by the current ratio.

2. Debt-to-Equity Ratio (DER) (X_2) to Share Price (Y)

The debt-to-equity ratio apparently has a significance value of 0.015, which is smaller than 0.05 based on the data in Table 4 above. As a result, H_0 can be rejected while H_1 can be

accepted. These findings indicate that share prices are significantly influenced by the debt-to-equity ratio.

3. Return on Assets (X_3) to Share Price (Y)

The significance of return on assets is determined at 0.000, which is less than 0.05, based on the data in Table 4 above. As a result, H_0 can be ignored and H_1 is accepted. These findings indicate that share prices are significantly influenced by the return on assets.

4.3. F Test (Simultaneous)

The F test is used as follows to test the simultaneous influence of independent variables on the dependent variable:

Table 5 F-Test Results

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	2011344.533	3	453166.232	4.751	.003 ^b
Residual	2215675.766	7	321465.102		
Total	4227020.299	10			

a. Dependent Variable: Share Prices (Y)

b. Predictors: (Constant), X_3 , X_2 , X_1

Source: Data processed 2024

Formulation of the f-test hypothesis (simultaneous):

$H_0: \beta_1, \beta_2, \beta_3 = 0$, The independent variable simultaneously has no significant effect on the dependent variable.

$H_1: \beta_1, \beta_2, \beta_3 \neq 0$, The independent variable simultaneously has a significant effect on the dependent variable.

Decision-making:

a. If the significance value is < 0.05 then H_0 is rejected; and

b. If the significance value is $> \text{or} = 0.05$ then H_0 is accepted.

Based on the information presented in Table 5 above, a significance value of 0.003 was determined; this value is below 0.05. Therefore, H_0 can be ignored and H_1 is accepted. This shows that return on assets, debt-to-equity ratio, and current ratio together significantly influence share prices.

4.4. Coefficient of Determination Test

To find out how well the independent variable is able to describe the dependent variable simultaneously, the coefficient of determination test is used. The results are as follows:

Table 6 Determination Coefficient Test Results

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.796 ^a	.686	.603	1.56260

a. Predictors: (Constant), ROA (X_3), DER (X_2), CR (X_1), Dependent Var: Share Price (Y)

Source: Data processed 2024

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The R square value is 0.686 based on Table 6 above. These findings show that 68.6% of share prices are directly influenced by the current ratio, debt-to-equity ratio, and return on assets. There are other factors, 31.4% of which were not included in this research.

4.5. Discussion

The following discussion aims to expand the research conclusions based on the analysis results:

1. Current Ratio (CR) to Share Prices

Research shows that the current ratio significantly and positively affects share prices. Investors often consider a high current ratio as a signal of company security and stability. So a high current ratio has implications for increasing share prices. This finding is in line with a study by Bangun and Januardin (2022), which states that the current ratio has a positive and significant effect on share prices. In contrast to the research results of Mario et al. (2020), which show that the current ratio has a negative and insignificant effect on share prices.

2. The Effect of the Debt-to-Equity Ratio (DER) on Share Prices

The findings of this research show a significant influence of the debt-to-equity ratio on share prices. The debt-to-equity ratio provides an overview of how much a company finances its assets with debt compared to its own capital. Because the research results show that share prices are negatively and significantly influenced by the debt-to-equity ratio, this means that the level of a company's debt to finance its assets greatly determines the decision to purchase shares. This finding is in line with a study by Ramadhani & Pustikaningsih (2017), which states that the debt-to-equity ratio has a significant negative effect on share prices. Similar to the research results of Isnansyah & Yuniati (2021), the debt-to-equity ratio has a significant negative effect on share prices.

3. The Effect of Return on Assets (ROA) on Share Prices

From the research results, it can be concluded that return on assets has a positive and significant influence on share prices. A high return on assets shows that the company is efficient in generating more profits relative to the number of assets owned. So if return on assets has a significant influence on share prices, this indicates that investors consider ROA to be an important indicator in assessing company performance and future growth potential. Thus, the higher the ROA, the higher the share price. The study by Manoppo et al. (2017) brought the same results: return on assets had a significant positive effect on share prices. Similar to the results of research by Isnansyah & Yuniati (2021), which states that return on assets has a significant positive effect on share prices.

4. Current Ratio (CR), Debt to Equity Ratio (DER), and Return on Assets (ROA) on Share Prices

The research results show that simultaneously, the current ratio, debt-to-equity ratio, and return on assets have a significant influence on share prices. The current ratio measures the company's ability to meet short-term obligations; the debt-to-equity ratio measures the company's debt level compared to its equity; and the return on assets measures the efficiency of using assets to generate profits. If these three variables have a significant influence on share price, this shows that investors pay attention to liquidity, capital structure, and the company's operational performance in determining the value of their investment.

Conclusion

Based on the results of previous research and analysis, the following conclusions were obtained:

1. Research shows that the current ratio (CR) has a significant and positive effect on the share price of PT Indofarma Tbk for the 2012–2022 period. This can be seen in the significance value of the current ratio of $0.004 < 0.05$. Because a high current ratio has implications for increasing share prices, the share price of PT Indofarma Tbk for the 2012–2022 period can be boosted by increasing the current ratio.
2. The findings of this research show that there is a significant influence of the debt-to-equity ratio (DER) on the share price of PT Indofarma Tbk for the 2012–2022 period. This can be seen in the significance value of the debt-to-equity ratio of $0.015 < 0.05$. This means that the level of a company's debt to finance its assets greatly determines the decision to purchase shares.
3. From the research results, it can be concluded that return on assets (ROA) has a positive and significant influence on the share price of PT Indofarma Tbk for the 2012–2022 period. This can be seen in the significance value of the return on assets of $0.000 < 0.05$. Thus, the higher the ROA, the higher the share price.
4. The research results show that simultaneously, the current ratio (CR), debt-to-equity ratio (DER), and return on assets (ROA) have a significant influence on share prices. This result can be seen in the significance value of $0.003 < 0.05$. By increasing the current ratio, reducing the debt-to-equity ratio, and encouraging return on assets simultaneously, it can increase the share price of PT Indofarma Tbk for the 2012–2022 period.

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