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ANALYSIS OF THE EFFECT OF FINANCIAL PERFORMANCE AND MACRO ECONOMIC FACTORS ON THE RETURN OF FOOD & BEVERAGE STOCK COMPANIES IN INDONESIA STOCK EXCHANGE FOR THE PERIOD 2015-2019

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Abstract: The purpose of this study is to analyze financial performance through Current Ratio (CR), Total Asset Turn Over (TATO), Debt to Equity Ratio (DER), Return on Equity (ROE) and macroeconomic factors through Gross Domestic Product (GDP) to stock returns. The object of research is a food and beverage company on the Indonesia Stock Exchange for the period 2015-2019. The analysis data used are financial reports, stock returns and GDP growth. The research sample of 15 companies obtained by purposive sampling technique. The data analysis technique used is Panel Data Regression Analysis with eviews version 9. The results show that Current Ratio (CR) and Debt to Equity Ratio (DER) have a significant positive effect on stock returns, while Total Asset Turn Over (TATO), Return on Equity (ROE) and Gross Domestic Product (GDP) have no significant effect on stock returns.

Keyword: Current Ratio (CR), Total Asset Turn Over (TATO), Debt to Equity Ratio (DER), Return on Equity (ROE), Produk Domestik Bruto (PDB) and stock return

INTRODUCTION

The capital market provides a place for investors to invest their funds in go public companies with the aim of getting returns in the form of stock returns. There are nine company sectors listed on the stock exchange, one of which is the consumer goods sector.

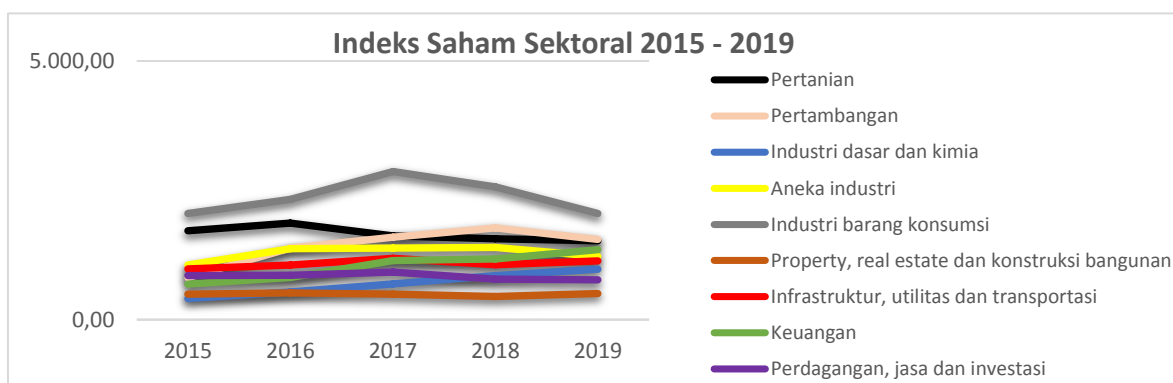


Figure-1. Sectoral Index Movement during 2015 – 2019

Source: Indonesia Stock Exchange (2020)

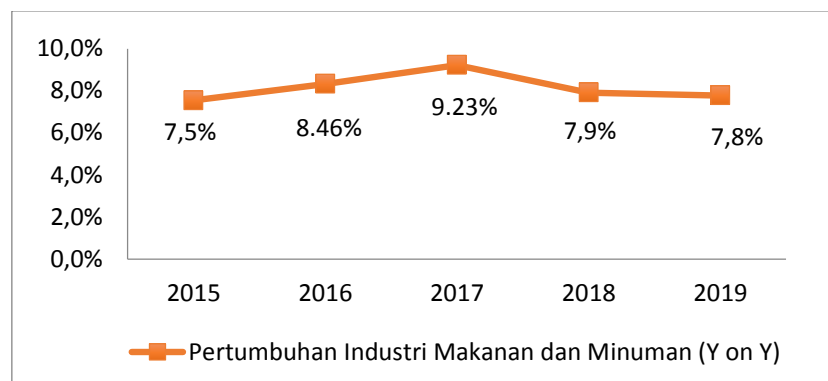
The consumer goods sector produces the highest value compared to other industrial sectors. One of the consumer goods sub-sectors traded on the Indonesia Stock Exchange is the food & beverage sub-sector. Food & beverage companies continue to be in demand because they have the potential to continue to grow, as evidenced by the increasing number of registered companies from 2014-2020.

Table-1. Number of Issuers for food & beverage companies on the IDX

Years	Amount
2014	17
2015	17
2016	17
2017	21
2018	23
2019	27
2020	31

Source: Indonesia Stock Exchange, data processed (2020)

Food & beverage companies were selected as samples because the industry is considered to have significant growth potential supported by natural resources in Indonesia. Based on data from the Central Bureau of Statistics, the growth of the food and beverage industry for the 2015-2019 period has fluctuated.

**Figure-2. Food and Beverage Industry Growth Average**

Source: Indonesia Stock Exchange (2020)

In 2017, the growth of the food & beverage industry had the highest value which was above the national growth of 5.07%. However, in 2019 the growth of this industry was only 7.8%. The decline in the performance of the industrial sector was one of the factors that caused Indonesia's economic growth to grow by only 5.02%.

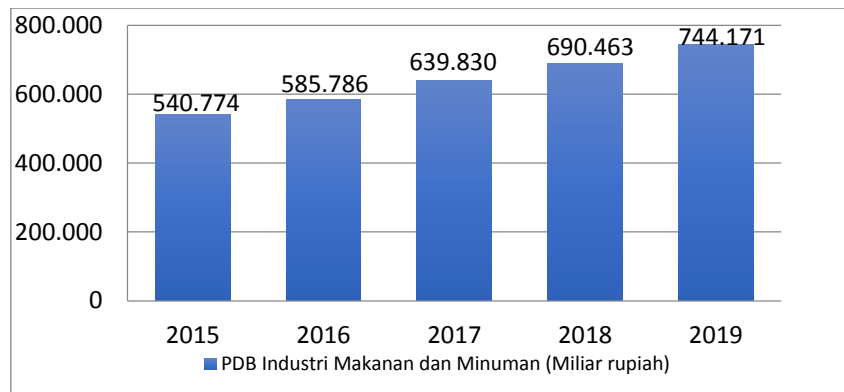


Figure-3. Contribution of the Food and Beverage Industry to GDP

Source: Indonesia Stock Exchange (2020)

A large contribution to national income (GDP) makes food & beverage companies continue to be in demand by investors so that the stock prices of companies in this sector have the potential to continue to increase and have an impact on increasing stock returns. Before investors make their investment decisions, a fundamental analysis of a company's performance is needed. This is related to the company's financial ratio analysis. Furthermore, to determine the macroeconomic effect, the researchers added another variable, namely the Gross Domestic Product (GDP).

Several previous studies have been conducted in looking for factors that affect stock returns. The research results of Wijaya and Nursanti (2014) state that CR has a positive effect on stock returns. However, it is inversely proportional to Supriantikasari and Utami (2019) that CR has no effect on stock returns. Research conducted by Tarau, Rasjid and Dunga (2020) states that TATO has a positive and significant effect on stock returns. However, it is inversely proportional to Asmi (2014) which states that TATO has no effect on stock returns. The results of research conducted by Retno, Hartoyo, Nur (2015) stated that DER has a significant effect on stock returns. However, it is inversely proportional to Obala and Olweny (2018), which states that DER has no effect on stock returns. According to Sharif (2019), ROE has a significant effect on stock returns. However, it is inversely proportional to Johnson, Idowu, Olokoyo, Akinrin and Osifo (2018), which states that ROE has no effect on changes in stock returns. According to Wiradharma and Sudjarni (2016) GDP has a negative effect on stock returns. However, according to Yuliaratih and Artini (2018) GDP has a positive effect on stock returns.

LITERATURE REVIEW

Signal Theory was introduced by Spence (1973) in his research entitled Job Market Signaling. Signal Theory deals with information asymmetry in which investors do not have the same information as a country or company regarding the prospects or risks of a country or company. According to Hanafi (2004) companies can increase firm value by reducing information asymmetry, which is to provide signals to outsiders, including investors. Investors need complete, accurate, and relevant information as a basis for making decisions to invest.

According to Tandelilin (2010) investment is a commitment to a number of funds or other resources that are carried out at this time with the aim of obtaining a number of benefits in the future. According to Bodie, Kane and Marcus (2014) there are two forms of investment, namely financial assets and real assets. Financial assets are assets that are invisible but have a high value. This investment is in banking and in the capital market. For

example deposits, Bank Indonesia Certificates (SBI), stocks, bonds and others. Meanwhile, real assets are assets that have forms such as gold, silver, diamonds, paintings and immovable property. Real assets such as land, buildings, machinery and knowledge can be used as tools for obtaining goods and services.

Arbitrage Pricing Theory was developed by Ross (1976). This theory is based on the fact that stock prices are adjusted because investors form portfolios seeking arbitrage profits. When the opportunity to obtain arbitrage has been obtained, the share price is said to be in equilibrium. This encourages efficient capital market conditions, free from arbitrage opportunities. In other words, arbitrage will ensure that stocks with a moderate level of risk provide the same expected return in a competitive financial center.

The capital structure model in Balancing theory (Myers 1984) is to balance the composition of debt and equity. This theory explains the benefits and sacrifices that arise as a result of using debt. As long as the benefits are still large, the debt will be increased. But if the sacrifice due to using debt is greater then the debt is no longer added. The tradeoffs for using this debt can be in the form of bankruptcy fees and agency fees.

According to Jogiyanto (2003), stock returns can be divided into two, namely realized returns and expected returns. Realized return is a return that is calculated based on historical data and has occurred. This return realization aims to measure the company's performance and as a basis for determining future returns and risks. Expected return is the expected return in the future so that it is uncertain, so this return is used for making investment decisions.

According to Sihombing (2018) Current Ratio describes a company's ability to meet its short-term capabilities and finance operational activities. Companies must maintain their liquidity performance so that their operational activities can continue so that they have an impact on stock returns.

Sihombing (2018) states that company turnover shows the efficiency of the assets managed by the company. The company's turnover rate is measured by the ratio of Total Asset Turn Over. The increase in the TATO ratio has an impact on the high activity of the company so that it has an impact on stock returns.

Harahap (2015) explains the company's ability to pay off long-term debt with the capital it has is one indicator of the company's good performance. The company's leverage measurement is done by analyzing the Debt to Equity Ratio. The high DER of the company indicates that the company is at risk due to the portion of debt that exceeds the company's capital so that it has an impact on stock returns.

Profitability is an important factor for investors to measure company performance. The measurement of company profit is done by analyzing the Return on Equity ratio. Information about ROE is very important for investors because high ROE indicates good company performance (Harahap, 2015). So that ROE becomes the cause of a company's stock return movement.

Macroeconomic factors in this study use the Gross Domestic Product. GDP has an impact on increasing stock returns, because an increase in GDP will revive the economic capacity of the community and companies so that stock prices are also affected in a positive direction.

Based on the literature above, a research framework is prepared that shows the relationship between variables.

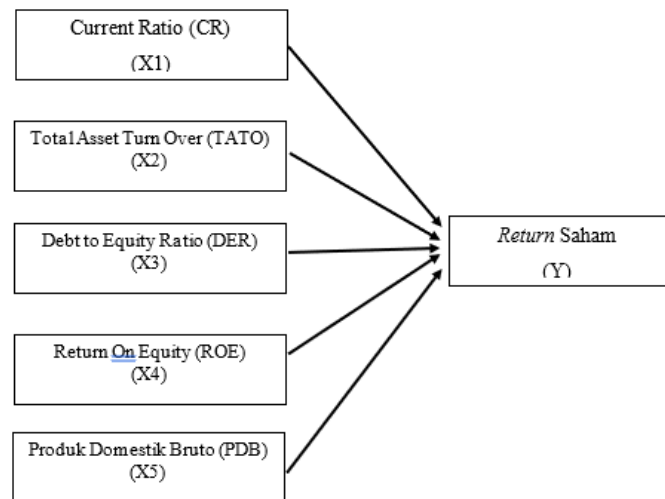


Figure-4. Framework

RESEARCH METHODOLOGY

This research is a causality research that is testing the causal relationship between one variable and another through hypothesis testing. The population of this research is food & beverage companies listed on the Indonesia Stock Exchange, amounting to 31 companies. Determination of the sample based on the purposive sampling method totaling 75 observation data. The data analysis technique used panel data regression.

Table-3. Operational Variable

Variable	Dimention	Indicator	Scale
Current Ratio (X1)	CR	$CR = \frac{\text{Current assets}}{\text{Current Liabilities}}$	Ratio
Total Asset Turn Over (X2)	TATO	$TATO = \frac{\text{Sales}}{\text{Total Assets}}$	Ratio
Debt to Equity Ratio (X3)	DER	$DER = \frac{\text{Liabilities}}{\text{Total Equity}}$	Ratio
Return on Equity (X4)	ROE	$ROE = \frac{\text{Net profit}}{\text{Total Equity}}$	Ratio
Gross domestic product (X5)	PDB	$PDB = C + G + I + (X-M)$	Ratio
Stock returns (Y)	Rt	$Rt = \frac{Pt - (Pt-1)}{Pt-1}$	Ratio

RESULT AND DISCUSSION

Table-4. Descriptive Statistics

	CR	TATO	DER	ROE	GDP	Return
Minimum	0.152	0.06	-2.13	-0.684	4.939	-0.792
Maximum	8.638	2.025	5.2	1.563	5.19	2.571
Mean	1.995	0.898	0.943	0.155	5.085	0.053
Std. Dev.	1.817	0.484	0.958	0.332	0.110	0.417

Observations	75	75	75	75	75	75
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Table-4 presents descriptive statistics on research variables. The lowest Current Ratio value occurred in the company PT Tiga Pilar Sejahtera Food Tbk (AISA) in 2018. Pefindo lowered its AISA rating to idCCC with negative implications. This rating is given due to AISA's lack of liquidity to pay its short-term debt. In July 2018, AISA stated that it was unable to pay short-term bank debt worth IDR 2.19 trillion (Big Alpha). The highest CR was achieved by PT. Delta Djakarta Tbk (DLTA) in 2017.

The lowest Total Asset Turn Over (TATO) value occurred in the company PT Inti Agri Resources (IIKP) in 2018-2019. In the financial statements for the first semester of 2019, IIKP experienced a net loss of Rp. 6.78 billion. The company obtained net sales of Rp 7.4 billion. However, the cost of goods sold amounted to Rp 12.35 billion, resulting in a gross loss of Rp 4.9 trillion. The company only had total assets of Rp. 292.3 billion as of June 30, 2019. Assets decreased from the position of December 31, 2018 of Rp. 298.3 billion. The highest TATO was achieved by PT Prasadha Aneka Niaga Tbk (PSDN) in 2017.

The lowest Debt to Equity Ratio (DER) value occurred in the company PT Tiga Pilar Sejahtera Food Tbk (AISA) in 2019. In the 2017 financial statements, the amount of debt that had to be repaid by PT Tiga Pilar Sejahtera Food Tbk (AISA) in 2018 was 3, 9 trillion, consisting of: short-term bank loans of 2.191 billion, long-term bank loans with maturities of 250 billion, bonds of 598 billion and sukuk Ijarah of 300 billion. The highest DER occurred at PT. Bumi Teknokultura Unggul Tbk (BTEK) in 2015.

The lowest and highest Return on Equity (ROE) values occurred in the company PT Tiga Pilar Sejahtera Food Tbk (AISA). Two subsidiaries of PT Tiga Pilar Sejahtera Food Tbk (AISA), namely PT Indo Beras Unggul and PT Jatisari Sri Rejeki are suspected of producing premium rice that does not comply with label information. As a result of the incident from the market side, AISA's share price continued to decline and from the business side, TPS Food's rice business operations almost stopped completely.

The lowest Gross Domestic Product value occurred in 2016. This is inseparable from global factors which are mainly related to the improvement in commodity prices as well as domestic factors driven by changes in government structural policies.

Panel Data Regression Model Testing Results

Table-5 presents the results of testing the panel data regression model used to determine the effect between variables

Table-5. Panel Data Regression Model

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.863474	1.411404	1.320298	0.1913
CR	0.036593	0.017072	2.143415	0.0358
TATO	0.087602	0.068170	1.285059	0.2033
DER	0.089852	0.032434	2.770292	0.0073
ROE	-0.029472	0.093294	-0.315906	0.7531
PDB	-0.408641	0.276291	-1.479022	0.1439
R-squared	0.178454	Mean dependent var		0.016361
Adjusted R-squared	0.116215	S.D. dependent var		0.271553

S.E. of regression	0.255286	Akaike info criterion	0.186794
Sum squared resid	4.301296	Schwarz criterion	0.376516
Log likelihood	-0.724585	Hannan-Quinn criter.	0.262323
F-statistic	2.867264	Durbin-Watson stat	1.892748
Prob(F-statistic)	0.021053		

$$Y = 1.863474 + 0.036593X_1 + 0.087602X_2 + 0.089852X_3 - 0.029472X_4 - 0.408641X_5$$

From the results of the Panel Data Regression equation above, it can be concluded that the constants of the independent variables, namely Current Ratio (CR), Total Asset Turn Over (TATO) and Debt to Equity Ratio (DER) have positive and interrelated values, so if CR, TATO and DER increase, it will make the Stock Return increase automatically.

The results showed that the CR partially has a significant positive effect on stock returns. The results of this study are supported by research conducted by Obala (2018) which states that CR has a significant positive effect on stock returns. However, this study is not in accordance with the research of Supriantikasari and Utami (2019) which states that CR has no effect on stock returns. Optimal CR gives a signal for investors to invest their funds in the company because liquidity is well maintained. CR guarantees that the company can continue to maintain its operational activities because it is able to pay off all short-term obligations so that it has an impact on moving stock returns in a more positive direction.

Partially TATO has no significant effect on increasing stock returns. The results of this study are in line with Tarau, Rasjid and Dungga (2020) which state that TATO has a positive effect on stock returns. However, it is not in accordance with the results of research by Asmi (2014) which states that TATO has no effect on stock returns. Companies that are able to manage assets effectively have no effect on investors' actions to buy company shares. This phenomenon can occur because an increase in TATOs is not necessarily followed by an increase in net profit so that investors fail to buy company shares.

DER partially has a significant positive effect on stock returns. The results of the study are in line with research by Wijaya and Nursanti (2014) which states that DER has a positive and significant effect on stock returns. However, the results of the study are not in line with Samalam, Mangantar and Saerang (2015) who state that DER has no significant effect on stock returns. DER can be seen as a surplus fund that can be managed by a company even though on the one hand it shows the risk borne by the company. However, investors see that a large DER if managed properly will have an impact on company profitability, thereby increasing stock returns.

ROE partially does not have a significant effect on increasing stock returns. The results of this study are in line with Surachman and Aisjah (2015) who state that ROE has a negative and insignificant effect on Stock Returns. However, this study is not in line with the research of Aqil and Faturohman (2015) which states that ROE has a positive effect on stock retraction. Each increase in ROE will be followed by an increase in stock returns because the higher the profit the company gets, the higher the returns that the shareholders receive.

Partially GDP does not have a significant effect on increasing stock returns. The results of this study are in line with Wiradharma and Sudjarni (2016) which stated that GDP has a negative and insignificant effect on company stock returns. However, the results of this study are not in line with the research of Yuliaratih and Artini (2018) which states that GDP

has a positive and significant effect on stock returns. A large GDP indicates the good performance of a country's economy and the ability of the people to consume, but does not affect stock price movements simultaneously.

CONCLUSION

The results showed that CR and DER had a positive and significant effect on stock returns. Meanwhile, TATO, ROE, and PDB do not have a significant effect on stock returns.

It is recommended that investors can analyze investment products through fundamental analysis and choose companies with rates of return that have an upward trend, so as to reduce risk in investing. For companies, you should be able to manage assets and capital so that stock returns will increase by increasing existing sales. Furthermore, for further research, it can be developed by examining other sectors and using other variables such as inflation, exchange rates, or other macroeconomic sectors as independent variables.

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