

## **The Effect Of Total Asset Turnover (Tato), Net Profit Margin (Npm), Current Ratio (Cr), Return On Equity (Roe) On Stock Price of Manufacturing Companies in the Food and Beverage Sector**

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**Abstract:** This study aims to see the effect of total asset turnover, net profit margin, current ratio, return on equity on stock price. There were 71 food and beverage companies listed on the Indonesia Stock Exchange for 2018-2021, 32 research samples were selected consisting of 32 food and beverage companies listed on the Indonesia Stock Exchange (2018-2021). The sampling technique used in this study was purposive sampling. The dependent variable in this study is stock price, while the independent variables in this study total asset turnover, net profit margin, current ratio, return on equity. The data analysis technique uses multiple linear regression analysis. The test results show that total asset turnover has no a significant effect on stock price, while net profit margin, current ratio, and return on equity have significant effect on stock price.

**Keywords:** total asset turnover, net profit margin, current ratio, return on equity, stock price

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### **1. Introduction**

Financial reports are part of business analysis. Business analysis is an evaluation of the company's prospects and risks for making business decisions. A financial report is a report (financial statement) that will be more useful for decision making, if with the information in the financial statements it can be predicted what will happen in the future (Rumengan et al., 2018) Financial ratio analysis is used to assess a business performance based on financial report items in a certain period. Serves as a benchmark in taking the company's strategic steps in the next period and evaluates the company's resources.

In the capital market, financial reports can be said to be an interpretation of the company's financial condition which can result in competition between companies to make good financial reports so that investors are interested in investing. Good conditions reflect sound disclosure of values, profits & other financial ratios which are a measure of stakeholder prosperity.

The economy of a country cannot be separated from the capital market which plays a major role in the economy. Every industry is always trying to improve the Indonesian economy. The improvement of the economy in the State of Indonesia at this time can be said to be sufficient, this can be seen from the many industries that are growing and developing rapidly. This development will motivate the company to continue to grow in carrying out the business of the company, one of which is in a manufacturing company

Manufacturing companies are one of the industries that manage raw materials into goods ready for sale. Manufacturing companies have a large influence on income and economic development in Indonesia. Manufacturing companies are grouped into 3 main sectors, namely the Basic Industry and Chemical Sector, the Miscellaneous Industry Sector and the Consumer Goods Industry Sector. This economic improvement triggers the industry to get the highest profit possible.

Stock price is an important measure for an investor in making investment decisions. An investor who is going to buy and sell shares needs to know the basic reasons for choosing the company. According to Lestari & Susetyo (2020)) the more demand for shares of an issuer, the higher the price of these shares. If a high stock price can be maintained, the trust of investors or potential investors in the issuer will also be higher and this can increase the value of the issuer. Conversely, if stock prices experience a continuous decline, it means that the issuer's value can be reduced in the eyes of investors or potential investors.

There are several factors that affect stock prices, including total asset turnover, net profit margin, current ratio, and return on equity. According to Wulandari (2020) total asset turnover (TATO) is the ability to retain income in all rotating assets for a certain period or the ability of invested capital to generate income. NPM is a measure of the percentage of any remaining sales results after deducting all costs and expenses, including interest and taxes. NPM shows how much percentage of net profit is obtained from each sale (Rahmani, 2020). According to Pratiwi et al. (2020) the current ratio is a ratio that shows the relationship between company

cash and current assets and current liabilities. Return on Equity is a ratio used to measure the ability of own capital to produce both ordinary shares and preferred shares Muslih & Bachri (2020).

## **2. Literature Review and Hypothesis**

### **2.1 Agency Theory**

Agency theory explains that there is an agency relationship between the principal and the agent. Agency theory was first put forward by Jassim et al. (1988) which explained that the agency relationship is a contract between the principal and the agent. Agents who have individual interests tend to report profits opportunistically to fulfill their personal interests.

Agency theory assumes that all individuals act in their own interests and agents (company managers) are assumed to receive satisfaction not only from financial compensation but also from the conditions involved in agency relationships, such as the amount of free time, attractive working conditions, club membership and flexible working hours.

### **2.2 Stock Price**

Stock price is one indicator of a company's success. If the stock price goes hand in hand with the company's growth, investor confidence in the company will improve and investor confidence in the company's management will be higher. If a high stock price can be maintained, the trust of investors or potential investors in the issuer will also be higher and this can increase the value of the issuer (Lestari & Susetyo, 2020).

Stock prices in the capital market are a reflection of all available information. Various events that occur in the capital market environment, have information content that is used as a basis for decision making for investors so that it becomes one of the factors that determines the rise and fall of stock prices. Stock price fluctuations are an important concern for investors because stock prices reflect the company's performance.

### **2.3 Total Asset Turnover**

According to Dini et al., (2021) Total Asset Turnover (TATO) is one of the activity ratios used to show the relationship between net sales and fixed assets. This ratio shows how many times the funds invested in fixed assets rotate in one period. TATO is a ratio used to measure the efficiency of a company and manage fixed assets and support sales activities in a company

The results of research conducted by Prima & Ismawati (2019) shows that total asset turnover partially affects stock prices. Meanwhile, research conducted by Nurjehan et al., (2022) shows that total asset turnover have no effect on stock prices. Based on the findings of previous research, the hypothesis is formulated as follows:

**H<sub>1</sub>:** Total asset turnover has an effect on stock prices

### **2.4 Net Profit Margin**

NPM is a measure of the percentage of any remaining sales results after deducting all costs and expenses, including interest and taxes. NPM shows how much percentage of net profit is obtained from each sale. The greater the NPM value, indicates an increasingly productive company performance so that it will increase investor confidence to invest their capital and will increase the company's stock price (Rahmani, 2020).

The results of research conducted by Lestari & Susetyo (2020) and Kartiko (2021) show that NPM has a positive effect on stock prices. Based on the findings of previous research, the hypothesis is formulated as follows:

**H<sub>2</sub>:** Net profit margin has an effect on stock prices

### **2.5 Current Ratio**

Current ratio is the ratio used to measure a company's ability to pay short-term obligations or debts that will mature when billed as a whole. In other words, how much current assets are available to cover short-term liabilities that are due soon. If current assets exceed current liabilities, then it can be estimated that at one point when liquidity is carried out, current assets have enough cash or can be converted into cash in a short time, so that they can fulfill their obligations (Fitrianingsih & Budiansyah, 2019).

The result of research conducted by Gunawan (2020) shows that the current ratio has an effect on stock prices. While the research conducted by Nurlia & Juwari, (2020) the current ratio has no effect on stock prices. Based on the findings of previous research, the hypothesis is formulated as follows :

**H<sub>3</sub>:** Current ratio has an effect on stock prices

### **2.6 Return On Equity**

Return on Equity is a ratio used to measure the ability of own capital to produce both ordinary shares and

preferred shares Muslih & Bachri (2020). This ratio measures the rate of return from a business on all existing capital. This ratio shows the ability of equity, generally ordinary shares owned by the company, to generate profits.

The result of research conducted by Rahmani (2020) and Muslih & Bachri (2020) shows that return on equity has a positive effect on stock prices. Based on the findings of previous research, the hypothesis is formulated as follows:

**H<sub>4</sub>:** Return on equity has an effect on stock prices

### 3. Methodology and Procedures

#### 3.1 Population and Sample

Table 1: Research Sample Selection Process

No	Criteria	Amount
1	Manufacturing companies engaged in the food and beverages sector during the 2018-2021 period	71
2	Manufacturing companies in the Goods and Consumer Sector that are listed on the Indonesia Stock Exchange (IDX) for the 2018-2021 period and earn positive profits in a row	-39
3	Companies that publish financial reports on the Indonesia Stock Exchange (IDX) in full according to the data needed for the 2018-2021 period.	0
Total of research samples = 32x4		128
Outlier data during processing time		-19
<b>Total research samples</b>		<b>109</b>

Source: Data Process 2023

Based on the research sample selection process in Table 1, the population used is the financial statements of food and beverage companies that are still active in the period from 2018 to 2021. The data collection method used to obtain company data and information is the documentation method, namely collecting and studying electronic and written documents related to company financial reports that have been issued by the Indonesia Stock Exchange (IDX) and the official website of the food and beverage company. In this study, the sample is taken using purposive sampling, namely research using samples with certain criteria. Measurement of Operational Variable

This study use the following for each variables measurements:

Table 2: Measurement of Variable

Variable	Indicators	Source
<b>Stock Price</b>	Closing Price	(Arifiani, 2019)
<b>Total Asset Turnover</b>	$\frac{\text{Net Sales}}{\text{Total Assets}}$	(Winata, 2020)
<b>Net Profit Margin</b>	$\frac{\text{Net Profit}}{\text{Total Sales}}$	(Wulandari 2020)
<b>Current Ratio</b>	$\frac{\text{Total Current Asset}}{\text{Current Liabilities}}$	(Fitrianingsih 2019)
<b>Return On Equity</b>	$\frac{\text{Net Profit}}{\text{Equity}}$	(Wulandari 2020)

#### 3.2 Data Analysis Technique

In this study hypothesis testing use multiple regression analysis. The multiple linear regression method is uses to determine the correlation of each independent variable to the dependent variable.

$$Y = b_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

Y : Closing Price  
 X<sub>1</sub> : Total Asset Turnover (TATO)  
 X<sub>2</sub> : Net Profit Margin (NPM)  
 X<sub>3</sub> : Current Ratio (CR)

$X_4$  : Return On Equity (ROE)  
 $b_0$  : Constants or intercepts of estimation (sample) regression equations  
 $b_{1-4}$  : Regression Coefficient on each variable  
 $\varepsilon$  : Random Error

## 4. Result and Discussion

### 4.1 Descriptive Statistical Analysis

Based on the descriptive statistical test results in Table 3, there is information about the minimum, maximum, average, and standard deviation values of each variable studied. TATO has a minimum value of 0.8414 and a maximum value of 3.15746. The average value of earnings quality from 2018 to 2021 is 1.1917299 and the standard deviation value is 0.56718619. Variable NPM has a minimum value of -0.00536 and a maximum value of 1.70717. Meanwhile, the mean value is 0.1126251 and the standard deviation value is 0.19000280. CR has a minimum value of -1.53379 and a maximum value of 13.30906. Meanwhile, the average value of CR from 2018–2021 is 3.0792334 and the standard deviation value is 2.66231894. Variable Capital ROE has a minimum value of -0.03094 and a maximum value variable ROE of 1.45088. The mean value of variable ROE from 2018–2021 is 0.1675674 with a standard deviation of 0.22087274. Stock Price has a minimum value of 113.00000 and a maximum value of Stock Price is 9080.00000. While the mean value of Stock Price from 2018 to 2021 is 1714.0183486 with a standard deviation of 1732.02833343

Table 3: Descriptive Statistical Analysis Test Results

	N	Minimum	Maximum	Mean	Std. Deviation
TATO	109	.08414	3.15746	1.1917299	.56718619
NPM	109	-.00536	1.70717	.1126251	.19000280
CR	109	-1.53379	13.30906	3.0792334	2.66231894
ROE	109	-.03094	1.45088	.1675674	.22087274
Stock Price	109	113.00000	9080.00000	1714.0183486	1732.02833343

Source: Data Process 2023

### 4.2 Discussion

Statistical testing with multiple linear regression requires a classic assumption test before the regression test is performed. Normality test results show that the data are normally distributed. Multicollinearity test results for the regression equation model show a value inflation factor (VIF) between 1.049-1.320 and a tolerance value between 0.757-0.953, it is described that there is no multicollinearity problem in the regression equation. The autocorrelation test results show a Durbin-Watson (DW) value of 1.805 and indicate that there is no autocorrelation problem at the regression equation. The results of the heteroscedasticity test with the Spearman's rho test show that the significance value of each research variable is above 0.05 and there is no heteroscedasticity problem in the regression equation of this study. The results of the heteroscedasticity test can be seen in Table 4:

Table 4: Heteroscedasticity Test Results

Variable	Significance	Description
TATO	0.696	No heteroscedasticity
NPM	0.239	No heteroscedasticity
CR	0.935	No heteroscedasticity
ROE	0.352	No heteroscedasticity

Source: Data process, 2023

In this research, hypothesis testing is carried out using a multiple linear regression analysis model. The following is a multiple linear regression analysis table:

Table 5: Multiple Linear Regression Analysis Test Results

Variable	B	T	Significance	Description
TATO	-304.837	-1.368	0.174	H <sub>1</sub> Rejected
NPM	1367.783	2.066	0.041	H <sub>2</sub> Accepted

CR	-84.966	-2.008	0.047	H <sub>3</sub> Accepted
ROE	5541.822	10.039	0.000	H <sub>4</sub> Accepted

Source: Data process, 2023

Based on the results in table 5, the results for each variable's calculation can be described as the impact of each independent variable on the dependent variable, namely that the total asset turnover has a significance value (sig t) of 0.174, which is greater than the significance level of 0.05 ( $0.174 > 0.05$ ) and **H1 is rejected**. Therefore, it can be concluded that total asset turnover has no impact on stock price. The results of this study differ from the results of research by Prima & Ismawati (2019) which explains that total asset turnover affects on stock price, but are supported by Nurjehan et al., (2022) which explains total asset turnover has no effect on stock price.

The test results state that net profit margin has a significance value of 0.041, where the value is smaller than 0.05 ( $0.041 < 0.05$ ), and **H2 is accepted**. Therefore, it can be concluded that net profit margin has an impact on stock price. The results of this study are supported by Lestari & Susetyo (2020) and Kartiko (2021) which explains that net profit margin affect on stock price. Based on the results of the tests that have been carried out, it can be interpreted that the greater the Net Profit Margin, the more productive the company's performance will be, thereby increasing investor confidence to invest in the company.

The test results state that current ratio has a significance value of 0.047, where the value is smaller than 0.05 ( $0.047 < 0.05$ ), then **H3 is accepted**. Therefore, it can be concluded that current ratio has an impact on stock price. The results of this study differ from the results of research by Nurlia & Juwari, (2020) which explains that current ratio has no effects on stock price, but are supported by Gunawan (2020) which explains current ratio has an effect on stock price

The test results show that return on equity has a significance value of 0.000, where the value is smaller than 0.05 ( $0.000 < 0.05$ ), and **H4 is accepted**. Therefore, it can be concluded that return on equity has an impact on stock price. The results of this study are supported by Rahmani (2020) and Muslih & Bachri (2020) which explain return on equity has an effect on stock price. The test results show that the higher the Return on Equity, the greater the interest of investors to invest in the company which will have an impact on increasing the value of the company's shares and the higher the stock returns that investors will get

## 5. Conclusion

Based on the results of data analysis and discussion of The Effect Of Total Asset Turnover (Tato), Net Profit Margin (Npm), Current Ratio (Cr), Return On Equity (Roe) On Stock Price of Manufacturing Companies in the Food and Beverage Sector, it can be concluded that Net Profit Margin, Current ratio, Return On Equity impact to Stock Price, meanwhile Total Asset Turnover has no impact on Stock Price.

Further research is recommended to obtain even better results. First, do research with different objects, second, add independent variables that have more influence on stock price than the variables used in this study, third, add a longer research time because this study only uses periods from 2018-2021

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