

# THE EFFECT OF RETURN ON EQUITY (ROE), DEBT TO EQUITY RATIO (DER), AND CURRENT RATIO (CR) ON STOCK PRICE (A CASE STUDY AT PT. SIDO MUNCUL TBK IN 2016-2020)

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## ABSTRACT

*This study was conducted based on the fluctuations in the stock price of PT. Sido Muncul Tbk. due to the corona pandemic, resulting in a decrease in sales that affect stock prices. This study aimed to investigate the effect of Return on Equity (ROE), Debt to Equity Ratio (DER), and Current Ratio (CR) on stock price at PT. Sido Muncul Tbk in 2016-2020. This study was conducted because there were still differences in research results between one study and another. Besides, it can be used to predict stock price fluctuations. The method used in this study was explanatory. The variables used in this study were Return on Equity (ROE), Debt to Equity Ratio (DER), Current Ratio (CR), and stock price. The type of data used in this study was secondary data in the form of reports taken from the Annual report of PT. Sido Muncul Tbk in 2016-2020. The results showed that Return on Equity (ROE) and Debt to Equity Ratio (DER) had an effect on stock price, while Current Ratio (CR) had no effect on stock price.*

**Keywords:** Stock Price, Return on Equity, Debt to Equity Ratio, Current Ratio

## Introduction

Indonesia's economic growth in the first quarter of 2020 was 2.97 percent. Over the last ten years, this economic growth has tended to decline. In this era of the Covid-19 pandemic, the pharmaceutical industry is also experiencing its effects. Most of the national pharmaceutical raw materials are imported from both China and India. As a result, when the pandemic hit the world, the two raw material supply countries

had to close their access (lockdown), and the supply of national pharmaceutical raw materials was hampered. This condition certainly disrupts the business processes of pharmaceutical companies. Given these obstacles, the national pharmaceutical industries have begun to consider diversifying the supply chain of raw materials. This means that they depend on not only China and India but also other countries. In addition, not all national pharmaceutical industries have a diverse product portfolio. Some of them specialize in producing medicines for chronic diseases. Consequently, when this epidemic hit across the country, the ones that are able to survive the market disruption due to the Covid-19 outbreak are pharmaceutical companies that have a diversified portfolio[1]

Large-scale social restrictions (*PSBB*) due to the corona pandemic have also reduced sales of PT Industri Jamu and Pharmacy Sido Muncul Tbk (henceforth is *SIDO*) in the traditional market along with weakening purchasing power and closing of store operations. In addition, *SIDO*'s export performance has also slowed due to the lockdowns in export destination countries. Therefore, as an effort to maintain performance due to the pandemic, *SIDO* has carried out a number of efficiencies ranging from production to operational costs. [2, 3]. *SIDO* managed to achieve a positive financial performance in the first quarter of 2020. Unfortunately, the stock price of the issuer coded *SIDO* has continued to decline since the beginning of the year until today. *SIDO*'s Finance Director, Leonard, said that the downward trend in *SIDO*'s stock price was due to the decline in global conditions. "All stocks in Indonesia experienced a decline on average. Cited from Ipotnews on Tuesday (21/4) at 10.50 WIB, *SIDO*'s stock price was at the level of 1,210. This position was down 5 points or 0.4% compared to the last trading closing position on Monday afternoon (20/4) which was at level 1,215 [4]

In order to be a growing company, companies need capital for financing. Capital is one of the important aspects in company development process. Sources of capital can be obtained from within or outside the company. One alternative that companies can use to increase capital is through the capital market, where stocks are often traded. The stock price is a very important factor and must be considered by investors in investing because the stock price shows values of a company. If an investor does not pay attention to the development of stock prices in a company before investing their funds, there can be losses that will be obtained by investors because fluctuations in stock prices will affect investor profits and company image. The development of Return on Equity (ROE), Debt To Equity Ratio (DER), Current Ratio (CR) and stock prices at PT. Sido Muncul Tbk in 2016-2020 can be seen in Table 1

Table 1

**The development of Return on Equity (ROE), Debt to Equity Ratio (DER), Current Ratio (CR) and Stock Price at PT. Sido Muncul Tbk in 2016-2020**

Year	ROE (%)	DER (%)	CR (%)	Stock Price (Rp)
2016	0,17	0,08	8,32	520
2017	0,18	0,09	7,81	545
2018	0,22	0,14	4,19	840
2019	0,26	0,15	4,19	638
2020	0,29	0,19	3,66	805

Source : PT. Sido Muncul Tbk (Data were edited by authors, 2021)

Based on Table 1, the development of Return on Equity (ROE), Debt to Equity Ratio (DER), Current Ratio (CR) and overall stock prices fluctuated. In investing their funds, investors can use analytical data, namely technical analysis and fundamental analysis. Financial ratios usually used are profitability ratios, solvency ratios, liquidity ratios and activity ratios.

Investors can determine the ability of the company to generate net profit after tax from its own capital by using Return on Equity (ROE) analysis. Investors can also find out the company's financial health to meet obligations with their own capital using Debt to Equity Ratio (DER) analysis. Investors can also find out the ability of the company to fulfill its short-term obligations with current assets using Current Ratio (CR) analysis.

Research conducted by Cahyani and Winarto (2017) showed that Return on Equity (ROE), Earning Per Share (EPS), and Debt to Equity Ratio (DER) partially had a significant positive effect on stock prices. Simultaneously, Return on Equity (ROE), Earning Per Share (EPS), and Debt to Equity Ratio (DER) had a significant positive effect on stock prices. Research conducted by Wardi (2015) obtained results that partially Current Ratio (CR), Debt to Equity Ratio (DER) and Return on Equity (ROE) had no effect on stock prices. While the Earning Per Share (EPS) variable had a significant effect on stock prices.

Based on the background of the research above, the authors conducted a study entitled "The Effect of Return on Equity (ROE), Debt to Equity Ratio (DER), and Current Ratio (CR) on Stock Prices at PT. Sido Muncul Tbk in 2016-2020."

## Literature Review

### Stock

According to [5-7] stock is a proof of owning a company where the owner is also called a stockholder. Meanwhile, according to [8, 9] stocks are:

1. Inventory ready for sale.
2. Certificate with nominal value, company name, dissertation with rights and obligations which are clearly stated and explained to the holder.
3. Evidence of equity/fund ownership in a company.

In addition, according to [10, 11] "Stock is a sign of ownership of a person or entity in a company or limited liability company. Stock is in the form of a piece of certificate explaining that the owner of the certificate is the owner of the company that issues the securities." Based on the definitions of the experts above, it can be concluded that stock is a proof of a company ownership in which the nominal value, company name, rights and obligations are explained to each holder.

### Types of Stock

According to [12, 13] there are two types of stock that are most commonly known by the public in the capital market, namely common stock and preferred stock.

#### 1. Common stock

Common stock is a security sold by a company that explains the nominal value (Rupiah, Dollar, Yen, and so on). Common shareholders are given the right to attend the General Meeting of Shareholders (GMS) and Extraordinary General Meeting of Shareholders (EGMS) and have the right to decide whether to buy or not sell limited stock (right issue). At the end of the year, common stockholders will receive profits in the form of dividends.

#### 2. Preferred stock

Preferred stock is a security sold by a company that explains the nominal value (Rupiah, Dollar, Yen, etc.) which gives the holder a fixed income in the form of dividends to be received every three months (quarters).

Meanwhile, according to [14-16]), there are several types of stock, namely:

1. In terms of ability to collect or claim rights, stocks are divided into:

a. Common stock is a stock that places the most junior owner in the distribution of dividends, and rights to the company's assets if the company is liquidated.

b. Preferred stock is a stock that has the characteristics of a combination of bonds and common stock because it can generate fixed dividends (such as bond interest).

2. In terms of the way of maintenance, stocks are divided into:

a. Bearer stock means that the owner's name is not written on the stock, so that it can be easily transferred from one investor to another.

b. Registered stock is a stock which the holder and the transfer method are clearly written

3. In terms of trading performance, stocks can be categorized into:

a. Blue-chip stock is the common stock of a company which is highly reputed, leading in a similar industry, stable in income and consistent in paying dividends.

b. Income stock is common stock of an issuer that has the ability to pay dividends higher than the average dividend paid in the previous year.

c. Growth stock is a stock from issuers that have high income growth, and are leaders in 13 similar industries that have high reputations. In addition, there are also lesser known growth stocks, namely stocks from issuers that are not leaders in the industry, but they have growth stock characteristics.

d. Speculative stock is a stock of a company that cannot consistently earn high income in the future, although it is not certain.

e. Counter cyclical stock is a stock that is not affected by macroeconomic conditions and the general business situation

### **Stock Price**

According to [5, 6, 16] stock price is the price of a share in the ongoing market on the stock exchange. Shareholders will receive a return on their capital in the form of dividends and capital gains. Meanwhile, according to [17-19] stock price is the price that occurs on the stock exchange at a certain time. Stock price can change up or down in a matter of time so quickly. Every day the stock price of the capital market has a different value. There are several factors that cause the value of stock prices to vary. According to [15, 20] there are several conditions in a situation that determine a stock business will fluctuate, namely:

1. Micro and macroeconomic conditions.
2. Company policy in business expansion, both domestically and abroad.
3. Sudden change of directors
4. There is an indication of a criminal act done by the board of directors or board of commissioners, and the case has been in court.
5. The performance of the company continues to decline over time
6. The effect of market psychology which turned out to be able to suppress technical conditions in buying and selling stock.
7. Market risk that always exists and occurs globally which affects the company

### **Types of Stock Prices**

According to [12] there are three types of stock prices, namely as follows:

#### **1. Nominal Price**

It is the price written on the stock certificate, the amount of which is determined by the issuer. Nominal prices are mostly low presumed prices, which are arbitrarily

charged to company stock. This price is useful for determining the price of "issued common stock". The amount of the nominal price gives importance to the stock because the minimum dividend is usually set based on the nominal value.

### 2. Initial Price

It is the price at the time the stock is listed on the stock exchange. The stock price in the primary market is usually determined by the underwriter and the issuer. Thus it will be known at what price the issuer's stock will be sold to the general public to determine the initial price.

### 3. Market Price

The market price is the price set on the stock exchange for stock of public companies or the estimated price for companies that do not own stock. In the stock market, this price changes daily in response to actual or anticipated results and overall or sectoral market sentiment as reflected in the stock market index. In this case the main goal of management is to guarantee the best possible price under any conditions.

## Financial Ratio

### Return On Equity (ROE)

It is a ratio to measure net profit after tax with own capital. The following formula is used to find ROE.

$$\text{Return On Equity} = \frac{\text{Earning After Interest and Tax}}{\text{Equity}} \times 100\%$$

Return on Equity (ROE) is one of the profitability ratios. According to [6] the profitability ratio is a ratio that describes the ability of the company to earn profits through all existing capabilities and sources such as sales, cash, capital, number of employees, number of branches, and so on.

### Debt to Equity Ratio

Debt to Equity Ratio (DER) is one of the solvency ratios. According to [6] solvency ratio is the ratio used to measure the ability of the company to meet its obligations in both short and long term. This ratio is used to assess debt to equity. This ratio is useful for knowing the amount of funds provided by the creditor to the owner of the company. This ratio serves to find out each Rupiah of own capital used for debt guarantees. The formula for finding the debt to equity ratio is as follows:

$$\text{Debt to Equity Ratio} = \frac{\text{Debt}}{\text{Equity}} \times 100\%$$

### Current Ratio

Current Ratio (CR) is one of the liquidity ratios. According to [6] liquidity ratio is a problem related to the ability of a company to meet its financial obligations immediately. This ratio is used to measure the ability of the company to pay short-term obligations or debts that are due immediately when billed in their entirety. The current ratio can also be said as a form to measure margin of safety of a company. The formula to find Current Ratio can be used as follows.

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}} \times 100\%$$

## Research Framework

### The Effect of Return on Equity (ROE) on Stock Prices

Based on the results of [13] Return on Equity had a positive and significant effect on the Stock Price of Manufacturing Industry Companies listed on the Indonesia Stock Exchange in 2006-2010. According to [4] Return on Equity (ROE) has a significant effect on stock prices, which means an increase in Return on Equity (ROE) will be followed by an increase in stock prices.

Furthermore, Return on Equity (ROE) is a ratio used to measure the ability of own capital to generate profits for all shareholders. Return on Equity (ROE) has a positive relationship with stock prices. Thus, the greater the Return on Equity (ROE) is, the greater the stock price is. It means the higher the stock price a company has, the more the returns investors will receive. This will make investors interested in investing and buying the stock, and it causes the stock price rises. In the research c, Return on Equity (ROE) had a positive and significant effect on stock prices. According to [20] Return on Equity (ROE) is a ratio used to measure the success of the company in generating profits for shareholders. Return on Equity (ROE) is considered a representation of shareholder wealth or company value. Return on Equity (ROE) is one of the profitability ratios used to measure the company's rate of return and is also a measurement of the income available to company owners on the capital that has been invested in the company. According to Rahmadewi and [8] if the Return on Equity (ROE) is higher, the company can generate profits with its own capital which can benefit shareholders. The size of the Return on Equity (ROE) value will also affect the company's stock price

### Effect of Debt to Equity Ratio (DER) on Stock Prices

It is identified that if the Debt to Equity Ratio increases, stock prices will increase, too. Theoretically, according to [14] a lower Debt to Equity Ratio indicates that foreign capital used in the company's operations is getting fewer, so the risk borne by investors will also be smaller, and this will be able to increase stock prices. a low Debt to Equity Ratio will increase the positive response from the market, and the ability of the company to pay long-term obligations will be better because the risk posed by the use of funding sourced from debt will decrease. As a result, the stock will increase.

### Effect of Current Ratio (CR) on Stock Prices

The results of [2, 5] showed that the Current Ratio (CR) partially had a positive and significant effect on stock prices in the pharmaceutical industry listed on the Indonesia Stock Exchange (IDX) in 2011-2015. Based on the results of research conducted by [2] the Current Ratio (CR) had a significant influence on stock prices. The first hypothesis which stated that the Current Ratio (CR) had a significant effect on stock prices in pharmaceutical companies was accepted.

Supported by the theory according to [17, 20] a low Current Ratio (CR) causes a decrease in the market price of the stock price in question. On the other hand, a Current Ratio (CR) which is too high is also not necessarily good, because under certain conditions it shows a lot of idle company funds which can ultimately reduce company profits. According to Kundiman and Hakim (2016), the Current Ratio (CR) is one of the liquidity ratios. This ratio shows the ability of the company to meet its short-term obligations. The low Current Ratio (CR) causes a decrease in the market price of the stock price in question. Current Ratio (CR) is a ratio that assesses the



company's liquidity level. The liquidity ratio is one of the factors that can encourage changes in stock prices.

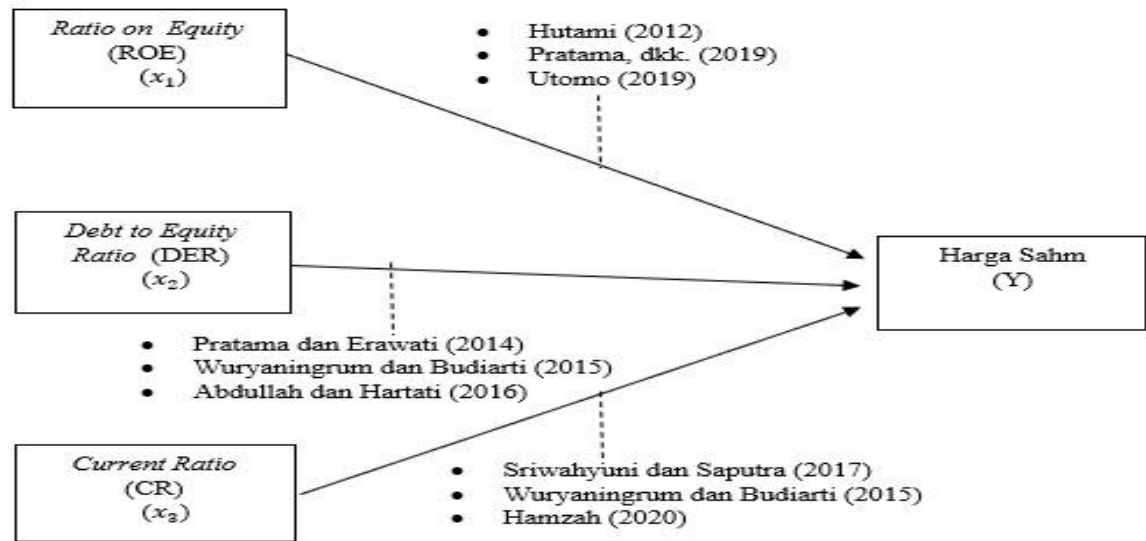


Fig. 1. Research Framework  
Source: Edited by the authors, 2021

### Research Hypotheses

A hypothesis is a temporary answer to the research problem. The formulation of the problem is usually in the form of a question because the answers are only based on relevant theories and not based on empirical facts [6]

Based on the background of the problem and theoretical framework, the authors proposed hypotheses to be tested empirically in this study:

- H1: Return on Equity has an effect on stock prices.
- H2: Debt to Equity Ratio has an effect on Stock Price
- H3: Current Ratio has an effect on Stock Price.

### Research Method Research Design

The object of this research consisted of Return on Equity (ROE), Debt to Equity Ratio (DER), Current Ratio (CR), and Stock Prices of PT. Sido Muncul Tbk which were listed on the IDX in 2016-2020. A research method was used to obtain data to achieve certain goals. According to [4] Bougie business research is a systematic and organized effort to investigate specific problems encountered in the world of work that require solutions.

### Types and Sources of Data

This research was descriptive and explanatory. According to [4] it depends on the stage at which knowledge development about the topic under study. Through this type of descriptive research, the data of Return on Equity (ROE) Debt to Equity Ratio (DER), Current Ratio (CR), and Stock Prices of PT. Sido Muncul Tbk in 2016-2020 were obtained.

## Population and Sample

Population, according to [6] is a generalization of objects or subjects that have certain qualities and characteristics determined by researchers. They are studied, and the researcher draws conclusions. From this definition, it can be concluded that the population is not just the number of objects or subjects studied, but it includes all the characteristics or properties of the subject or object. The population in this study was the financial statements of PT Sido Muncul Tbk. The sample was the quarterly financial statements of PT Sido Muncul Tbk in 2016-2020.

Table 2

Operationalization of Variables

Variables	Concepts of Variables	Indicators	Scale
Return on Equity (ROE) (X1)	Return on Equity (ROE) is a ratio to measure net profit after tax with own capital. (Kasmir,2015:110)	ROE: $\frac{\text{Earning After Interest and Tax}}{\text{Equity}} \times 100\%$ (Kasmir,2015:110)	Ratio
Debt to Equity Ratio (DER) (X2)	Debt to Equity Ratio (DER) is the ratio used to value debt to equity. (Kasmir,2015:110)	DER: $\frac{\text{Debt}}{\text{Equity}} \times 100\%$ (Kasmir,2015:110)	Ratio
Current Ratio (CR) (X3)	Current Ratio (CR) is a ratio to measure the ability of the company to pay short-term obligations. (Kasmir,2015:110)	CR: $\frac{\text{Current Assets}}{\text{Current Liabilities}} \times 100\%$ (Kasmir,2015:110)	Ratio
Stock price (Y)	Stock price is the price of a share on the ongoing market on the stock exchange. (Darmadji and Fakhrudin, 2012:102)	- closing price	Ratio

## Data Analysis Technique

### Descriptive Statistical Analysis

According to [6, 19] descriptive statistical analysis is a statistic used to analyze data by describing the data that have been collected as they are without intending to make conclusions that apply to the public or generalizations. In this study, the indicators of data analysis were Return on Equity (ROE), Debt to Equity Ratio (DER), Current Ratio (CR), and stock prices. Through this analysis, researchers analyzed the development and influence of these variables on PT. Sido Muncul Tbk in 2016-2020.

### Normality Test

According to [12]), the normality test aims to determine whether in the regression model the dependent variable and the independent variable have a contribution or not. A good regression model is data with normal distribution or close to normal.



### **Multicollinearity Test**

According to [11] test aims to test whether a regression model has a correlation between independent variables. A good regression model should not have a correlation between independent variables. Multicollinearity testing is seen from the amount of VIF (Variance Inflation Factor) and tolerance. Tolerance measures the selected independent variable that is not explained by other independent variables

### **Heteroscedasticity Test**

According to [12] the heteroscedasticity test aims to test whether in the regression model there is an inequality of variance from one observation residual to another observation. If the residual from one observation to another observation remains, it is called homoscedasticity, and if the residual from one observation to another observation is different, it is called heteroscedasticity. Heteroscedasticity test can be done using a scatterplot graph between the value of the dependent variable (ZSPRED) and the residual (SRESID), where the X axis is the predicted and the Y axis is the residual.

### **Autocorrelation Test**

According to [12]), autocorrelation test aims to test whether or not in the linear regression model there is a correlation between the confounding error in period t and the confounding error in period t-1 (previous one). If there is a correlation, it is called an autocorrelation. Autocorrelation occurs because consecutive observational data over time are related to each other. A good regression model is one that is free from autocorrelation.

## **Statistical Data Analysis**

### **F-test**

According to [11] F-test aims to determine whether the model meets the criteria of fit and/or not fit, goodness of fit (GOF). The procedures are as follows:

- a. In this study, a significance level of 0.05 was used with degrees of freedom (n - k), which n: the number of observations and k: the number of variables.
- b. Decision criteria: The model is rejected if  $\alpha$  is greater than 0,05, and the model is accepted if  $\alpha$  is lower than 0.05

### **Multiple Linear Regression Test**

According to [6] multiple linear regression is used by researchers if the research intends to predict how the condition (increase and decrease) of the dependent variable will be, if two independent variables as predictor factors are manipulated (increases in value). Therefore, multiple linear regression analysis will be carried out if there are two or more independent variables. In this study there were three independent variables and one dependent variable. The multiple linear regression equation in this study is as follows:

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

Information :

Y = Stock Price

X<sub>1</sub> = Return on Equity (ROE)

X<sub>2</sub> : Debt to Equity Ratio (DER)

X<sub>3</sub> : Current Ratio (CR)

- a : Y value if  $X = 0$  (Constant value)  
 b : Number of direction or regression coefficient

### Hypothesis testing (t-test)

According to [5] partial testing was carried out to determine the significance of the influence of the independent variable on the dependent variable. Meanwhile, according to [17] t-test basically shows how much the influence of one explanatory variable individually in explaining the variation of the dependent variable.

The test is carried out with the t-test with the following steps:

- a. Formulate the null hypothesis ( $H_0$ ) and the alternative hypothesis ( $H_a$ )
  - ( $H_{01}$ ) : Return on Equity (ROE) has no effect on Stock Price.
  - ( $H_{a1}$ ) : Return on Equity (ROE) has an effect on stock prices.
  - ( $H_{02}$ ) : Debt to Equity Ratio (DER) has no effect on stock prices.
  - ( $H_{a2}$ ) : Debt to Equity Ratio (DER) has an effect on stock prices.
  - ( $H_{03}$ ) : Current Ratio (CR) has no effect on stock prices.
  - ( $H_{a3}$ ) : Current Ratio (CR) has an effect on stock prices.
- b. Determine the value of t-table as the boundary of the area of acceptance or rejection of the hypothesis. The value of t-table is at 0.05 based on two-tailed and degrees of freedom ( $dk = n - k - 1$ )
- c. The t-count results are compared with the table, with the following criteria:
  - If  $(t\text{-count}) > (t\text{-table})$  :  $H_0$  is accepted or  $H_a$  is rejected
  - If  $(t\text{-count}) < (t\text{-table})$  :  $H_a$  is accepted or  $H_0$  is rejected

### Coefficient of Determination

The magnitude of the influence of variable X to the variable Y is sought by using the coefficient of determination. In correlation analysis, coefficient of determination is the square of the correlation coefficient ( $r^2$ ). This coefficient is called the determining coefficient, because the correlation analysis can be continued by calculating the coefficient of determination by squaring the coefficients found [6, 18]. The formula used is:

$$Kd + (r^2) \times 100\%$$

Information :

Kd : How much is Y variable influenced by X variable

$r^2$ : Multiple Coefficient among  $X_1$   $X_2$  and  $X_3$  on Y

## Results and Discussions

### Descriptive Analysis

This research was conducted at PT. Sido Muncul Tbk. in 2016-2020, so that quarterly financial reports for 5 years were obtained. The independent variables in this study were three financial ratios consisting of Return on Equity (ROE), Debt to Equity Ratio (DER) and Current Ratio (CR), while the dependent ratio used in this study was the closing stock price in 2016-2020. The data used in this study were 20 quarterly financial reports for 4 quarters of 5 years with their descriptive statistical results depicted through N (number of data samples), mean data (average), and standard deviation.

Table 3

## Descriptive Statistics

	Mean	Std. Deviation	N
Harga Saham (Y)	614.20	124.414	20
ROE (X1)	.1395	0.6939	20
DER (X2)	.1155	0.04763	20
CR (X3)	6.3600	1.92889	20

Based on the results of data analysis, it can be concluded that the Return on Equity (ROE) of PT. Sido Muncul Tbk. tended to increase from year to year. This shows the profit of PT. Sido Muncul Tbk. increased. The Debt to Equity Ratio (DER) tended to increase from quarter 1 to quarter 4 which was more prominent in quarter 2 in 2018 due to asset purchases. Current Ratio (CR) PT. Sido Muncul Tbk. tended to decline in quarters 1 to 4 from year to year, with the lowest price in quarter 4 of 2020 which was caused by a decline in sales during the pandemic.

## Classical Assumption Test

## Normality Test

The normality test aims to test whether the residual data in regression model has a normal distribution or not. A good regression model is to have a normal or close to normal data distribution. This test is done by looking at the spread of data (points) on the diagonal axis or graph. If the line spreads around the diagonal line and follows the line, then the regression model meets the assumption of normality. If the data spreads away from the diagonal line and or does not follow the direction of the diagonal line, then the regression model does not meet the assumption of normality.

Table 4

## Normality Test

		Unstandardized Residual
N		20
Normal parameter, a, b	Mean	.00000000
	Std. Deviation	62.04064871
Most Extreme Difference	Absolute	.123
	Positive	.123
	Negative	-.108
Test Statistics		.123
Asymp. Sig. ( 2-tailed)		.200

Based on the table above, the results of the residual normality test showed that the data were normally distributed, indicated by the significance value of the Kolmogorovskmirnov test which was greater than 0.05. This means that the residual data were normally distributed.

Table 5

**Multicollinearity Test**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
constant	1397.583	355.595		3.930	.001		
ROE (X1)	-62.715	13.657	-2.312	-4.592	.000	0.061	16.312
DER(X2)	6590.716	2036.882	2.238	3.236	.005	0.032	30.789
CR(X3)	-39.396	28.590	-.644	-.1.378	.187	0.032	14.057

Based on the results in the table above, it can be explained that the tolerance value of current ratio (CR) was 0.071, Debt to Equity Ratio (DER) was 0.032, and Return on Equity was 0.061. These tolerance values were above 0.10. This means that there was no correlation among the independent variables. The results of variance inflation factor (VIF) showed that current ratio was 14.05, debt to equity ratio was 30.78, return on equity was 16.31. As the independent variables had VIF below 0.10, it can be concluded that according to the first test, there was no multicollinearity among variables.

**Heteroscedasticity Test**

Heteroscedasticity test in this study was done by looking at the graph plot between the predictive value of the dependent variable, namely ZPRED with residual SRESID. One way to detect the presence or absence of heteroscedasticity is done by looking at the presence or absence of a certain pattern on the scatterplot graph between SRESID and ZPRED where the Y axis is the Y that has been predicted, and the X axis is the residual (predicted Y- actual Y), and they have been studentized.

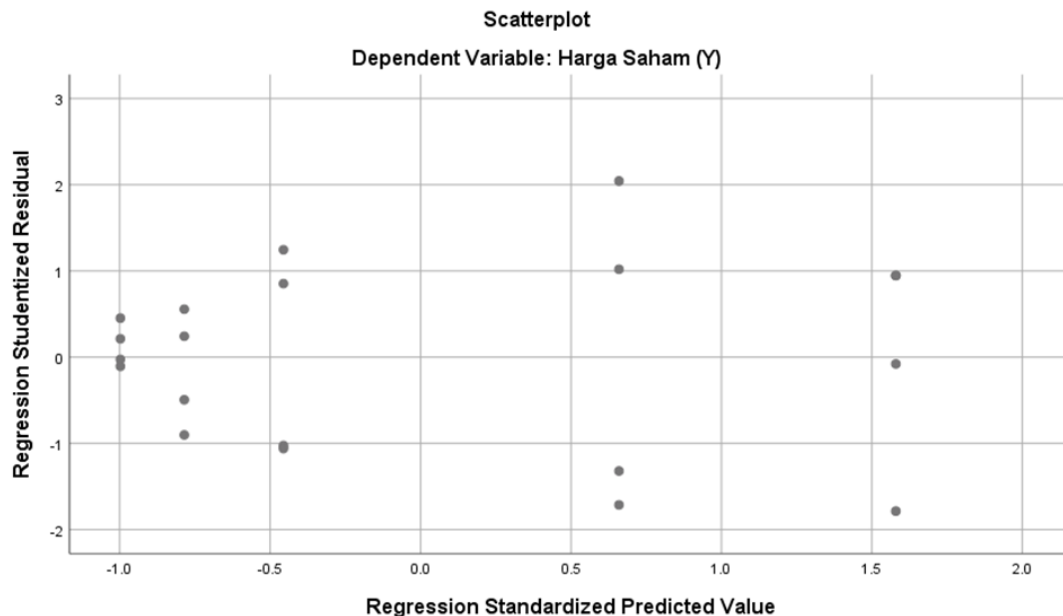


Fig.2 Scatterplot of Heteroscedasticity Test

From the figure above, it can be seen that the scatterplot forms points that are randomly distributed both above and below the number 0 on the Y axis. It can be concluded that there was no heteroscedasticity in the regression model, so the regression model was feasible to use to predict stock prices based on variable of independent current ratio, debt to equity ratio, return on assets, and return on equity.

**Autocorrelation Test**

The autocorrelation test aims to determine whether there is a correlation between members of a series of research data ordered by time (time series). To detect autocorrelation in this study, the Durbin-Watson test was used by looking at the correlation. The Durbin-Watson test is calculated based on the sum of the differences in the squares of the estimated values of the successive disturbance factors. The results of SPSS autocorrelation test can be seen in the following table:

*Table 6*

**Autocorrelation Test**

Model	R	R Square	Adjusted R Square	Std. Error of the estimate	Durbin Watson
1	.867	.751	.705	67.607	1.634
a. Predictors: (C)onstant, CR(X3), ROE(X1), DER(X2)					
b. Dependent variable: Harga Saham (y)					

Based on the results of the autocorrelation test above, the Durbin-Watson value was 1.634 which was from 1.08 to 1.66. Thus, it can be said there was no autocorrelation problem.

*Table 7*

**F-test**

**F-Test**

Model 1	Sum of Square	df	Mean Square	F	Sig.
Regression	220965	3	73655.133	16.114	0.000
Residual	73131.800	16	4570.737		
Total	294097.200	19			

In this test, it can be seen that the F value was 16,114 and was significant at 0.000, which means that the model built met the fit criteria.

**Multiple Linear Regression**

Regression analysis was conducted to find out how the dependent variable could be predicted by the independent variables. Regression analysis used in this study was multiple linear regression analysis to predict the condition (increased or decreased) of the dependent variable. The results of multiple linear regression analysis can be seen in Table 8.

*Table 8*

**Multiple Linear Regression**

Model	Unstandardized Coefficient	
	B	Std. Error
Constant	1.397,583	355.595
ROE(X1)	-62.715	13.657
DER(X2)	6.590,716	2036.882
CR(X3)	-39.396	28.590

The above equation can be interpreted as follows:

a = 1397.583 means that if ROE (X1) , DER (X2) and CR (X3) are zero (0), the stock price (Y) will be worth 1397.583

b = -62.715 means that if ROE (X1) decreases by one variable unit and DER (X2) and CR (X3) are constant, the stock price (Y) will decrease by -62.715 units.

c = 6590.716 means that if DER (X2) increases by one variable unit and ROE (X1) and CR (X3) are constant, the stock price (Y) will decrease by 6590.716 units.

d = -39,396 means that if CR(X3) decreases by one variable unit and ROE (X1) and DER (X2) are constant, the stock price (Y) will decrease by -39,396 units.

Table 9

**Testing Individual Significance (t-test)**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
constant	1397.583	355.595		3.930	.001		
ROE (X1)	-62.715	13.657	-2.312	-4.592	.000	0.061	16.312
DER(X2)	6590.716	2036.882	2.238	3.236	.005	0.032	30.789
CR(X3)	-39.396	28.590	-.644	-.1.378	.187	0.032	14.057

**The Result of Hypothesis Testing 1**

This hypothesis aimed to test the effect of ROE on stock price. The test results showed that t-count was -4.592 and sig value was 0.000. By taking into account the conditions that t-count (-4.592) was lower than t-table (1.740), and sig value 0.000 was lower than 0.05, for the first hypothesis,  $H_{a1}$  was accepted and  $H_{01}$  was rejected. Thus, ROE had an effect on stock price.

**The Result of Hypothesis Testing 2**

This hypothesis aimed to test the effect of DER on stock price. The test results showed that t-count was 3.236 and sig value was 0.005. By taking into account the conditions that t-count (3.236) was greater than t-table (1.740), and sig value 0.005 was lower than 0.05, for the second hypothesis,  $H_{a2}$  was accepted and  $H_{02}$  was rejected. Thus, DER had an effect on stock price.

**The Result of Hypothesis Testing 3**

This hypothesis aimed to test the effect of CR on stock price. The test results showed that t-count was -1.378 and sig value was 0.187. By taking into account the conditions that t-count (-1.378) was lower than t-table (1.740), and sig value 0.187 was greater than 0.05, for the third hypothesis,  $H_{a3}$  was rejected and  $H_{03}$  was accepted. Thus, CR had no effect on stock price.

Table 10

**Coefficient of Determination**

Model	R	R Square	Adjusted R Square	Std. Error of the estimate	Durbin Watson
1	.867	.751	.705	67.607	1.634
a. Predictors: (Constant), CR(X3), ROE(X1), DER(X2)					
b. Dependent variable: Harga Saham (y)					



The table above shows the Adjusted R-Square is 0.751 indicating that the proportion of the influence of the ROE, DER, and CR variables on stock prices was 75.1% while the remaining 24.9% (100% - 75.1%) was influenced by other variables outside of the model not studied.

### **Discussions**

Based on the results of the research along with the data from the financial statements of PT. Sido Muncul in 2016 – 2020, the results of the research are described in accordance with the problems posed. The discussion of each is as follows:

#### **The Effect of Return On Equity on Stock Prices**

Based on the results of hypothesis testing, it showed that the ROE had an effect on stock price. Return on equity (ROE) is a financial ratio that is widely used to measure company performance, especially regarding company profitability. Return on equity (ROE) is to measure the ability of the company to generate a return on its own capital. The level of ROE had a negative relationship with stock prices. Thus, the greater the Return on Equity (ROE) is, the greater the stock price is. It means the higher the stock price a company has, the more the returns investors will receive. This will make investors interested in investing and buying the stock, and it causes the stock price rises.

#### **The Effect of Debt to Equity Ratio on Stock Prices**

Based on the results of statistical analysis, the DER had an effect on stock prices in Sido Muncul Companies in 2016-2020. DER is considered by investors. Each increase or decrease in this ratio affects stock prices. This is in accordance with [1] who states that "the greater the debt, the greater the risk borne by the company. The company's debt is smaller than equity. Adding debt to the "balance sheet" of the company in general can increase its profitability. It eventually raises stock prices, and the stock is in demand by investors.

#### **Effect of Current Ratio on Stock Prices**

The results showed that the current ratio had no effect on stock prices. A high CR value is not necessarily good in terms of profitability. [5] states that a low CR will result in a decrease in the stock market price of the company concerned, but a too high CR is not necessarily good because under certain conditions it shows a lot of idle company funds (little activity) which in the end can reduce profitability.

### **Conclusion**

Return on Equity (ROE) and Debt to Equity Ratio (DER) had an effect on stock prices at PT. Sido Muncul Tbk. in 2016-2020, while the Current Ratio (CR) had no effect on stock prices at PT. Sido Muncul Tbk. in 2016-2020. Investors tend to respond to changes in ROE and DER because ROE shows the company's performance from a profit point of view, and DER explains the company's ability to fulfill its obligations, while CR had no effect because the sales obtained had not fully demonstrated the ability to earn profits.

Companies should improve the company's performance by developing better marketing strategies to be trusted by investors so that the share price increases, especially during the pandemic. This strategy focuses on consumer awareness to

maintain their health during the pandemic and the ease of obtaining products at the nearest stores.

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