

Analysis of Company Internal and External Factors VS Share Prices of Food and Beverage Sub-Sector Companies on the Indonesian Stock Exchange

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ABSTRACT

This study aims to determine the influence of internal factors and external factors of the company on stock prices in food and beverage sub-sector companies listed on the IDX. The population is 88 food and beverage sub-sector companies listed on the IDX in 2018 – 2022. Sampling used purposive sampling with a sample of 27 companies. The analysis tool uses panel data regression with the best random effect model and analysis using eviews 12 software.

Based on the results of the t-test analysis, the current ratio variable has no effect on stock prices. Meanwhile, the variable debt to total assets has a significant negative effect. For the return on equity variable, firm size and interest rates have a significant positive effect on stock prices. Furthermore, the exchange rate variable has no effect on stock prices.

It is expected that investors pay attention to the factors that can affect stock prices, especially the current ratio, debt to total assets, return on equity, company size, interest rates and exchange rates in determining investment in company shares. The limitation of this study is that it cannot prove the effect of the current ratio and exchange rate on stock prices due to the limited observation period of the analytical tools used. Further research is expected to add other variables such as dividend payout ratio, inflation, economic growth, financial distress, net profit margin, earnings per share, dividend policy, capital structure, debt to equity ratio, return on assets.

Keywords: stock price, company's internal factors, company's external factors

1. Introduction

The aim of a company is to make the company owner prosperous by generating profits (Sutrisno, 2013). Companies need large capital to develop their business in order to make a profit. One place for companies to obtain capital is in the capital market. The capital market is a place for investors to sell and buy financial assets owned by issuers (Tandelilin, 2017). The Indonesian

Stock Exchange is a capital market in Indonesia. Shares are one of the securities that can be traded on the IDX. Shares are investments in the form of company ownership (Sutrisno, 2013). The stock index is a measure that shows stock price movements over several periods (idx.co.id). IHSG experienced an increase in 2021. However, the noncyclical consumer index actually experienced a decline. The decline in the noncyclical consumer index was due to the decline in share prices of food and beverage companies. Based on BEI statistical data, in 2021 the JCI will increase by 10.08%. Meanwhile, the noncyclical consumer sector index actually experienced a significant decline of 16.04% (cbncindonesia.com). The decline in the noncyclical consumer index was due to the significant decline in stock prices of food and beverage companies. In 2021, the share price of PT FKS Food Sejahtera Tbk fell by 50.77%. In the same year, PT Garudafood Putra Putri Jaya Tbk experienced a 58.66% decline in its share price. PT Jaya Swarasa Agung Tbk also faces a similar problem. In 2021, PT Jaya Swarasa Agung Tbk experienced a 50.55% decline in its share price. Then, the share price of PT Estika Tata Tiara Tbk in 2021 fell by 50.77%. The share price of PT Astra Agro Lestari Tbk experienced a decline in share price of 22.92% (cbncindonesia.com).

Share price movements can be influenced by the company's internal and external factors (Sutrisno, 2013). Internal factors are factors that come from within the company that can influence the company's share price. Meanwhile, external factors are factors that come from outside the company but can influence the rise and fall of the company's share price (Sutrisno, 2013). Micro factors that influence stock prices are return on equity, debt to equity ratio, current ratio, earnings per share, price earnings ratio, and debt to total asset ratio, company size (Harianti and Sardiana, 2022; Prihatini et al., 2023; Celia et al., 2023). Meanwhile, macro factors that influence stock prices are inflation, exchange rates and interest rates (Prihatini et al., 2023). Factors that influence share prices in this research are current ratio, debt to total asset ratio, return on equity, company size, interest rates and exchange rates.

2. Literature Review

2.1 Arbitrage pricing theory

Arbitrage pricing theory is a balance model that uses several risk measuring variables to see the relationship between risk and return (Tandelilin, 2017). The expected return from a security is not only influenced by the market portfolio but can be influenced by several other sources of risk. Risk is defined as the stock's sensitivity to macroeconomic factors and the expected return will be influenced by this sensitivity (Tandelilin, 2017). Stocks have a high level of risk but can produce high returns (Tandelilin, 2017). Because the greater the risk of an asset, the greater the expected return on that asset. It can be interpreted that the relationship between the level of risk and return is theoretically a positive and linear relationship (Tandelilin, 2017). So stock risks and returns can affect stock prices, influenced by economic condition factors.

2.2 Signaling theory

Signaling theory is a theory that explains the relationship between the information received and the decisions taken by the recipient of the information (Nainggolan, 2019). The information submitted is in the form of financial reports to external parties of the company. These financial reports describe the company's performance position which will influence investment decision

making. Financial reports are used to provide positive or negative signals to users so that they can be used to predict future bankruptcy (Rokhayati et al., 2021).

2.3 Trade off theory

Trade off theory is an evaluation of Franco Modigliani and Merton Miller's theory which states that companies prefer external funding. The use of debt to fund the company will indeed increase the value of the company, but at a certain point in the optimal capital structure the value of the company will decrease, reflected in share prices which fall with the increasing proportion of debt in the capital structure. This is because the benefits obtained from using debt are smaller than the costs incurred from using debt (Sartono, 2016).

2.4 Share price

Share price is an important factor for investors to pay attention to when making investment decisions because share prices can reflect company performance. A high share price will also provide high profits in the form of dividends or capital gains and investors assess the company's good image, making it easier for management to obtain capital from parties outside the company (Eviani et al, 2019). According to Hariani and Sardiana (2022) share prices are prices that are formed due to supply and demand between sellers and buyers of shares. When many investors buy shares but few sell them, the share price will increase. Conversely, when many investors sell shares and few buy shares, the share price will decline (Koesoemasari et al., 2022).

2.5 Current ratio

Current ratio is a ratio that compares the company's current assets with short-term debt (Sutrisno, 2013). The current ratio is a ratio used to measure a company's ability to pay short-term obligations that are immediately due when they are billed in their entirety (Kasmir, 2019). Debt to total asset ratio is a ratio that compares a company's total debt with its total assets (Sutrisno, 2013). Return on equity is the company's ability to generate profits with its own capital (Sutrisno, 2013).

2.6 Company size

Company size shows the size of the company which is reflected in its size capital used, total assets owned or total sales received and reflected in the market value of the company's shares (Simanjuntak, 2021). According to Angelina and Salim (2021) company size can be measured using the natural logarithm of the company's total assets.

2.7 Interest rate

Interest rate is the implied rate of return on investment assets (Kurniawan and Yuniati, 2019). According to Wulandari and Shitohang (2017) interest rates are a measure of investment profits that investors can obtain from an asset. Interest rates are a policy that reflects the attitude or monetary policy set by Bank Indonesia which is an instrument signal from BI and announced to

the public (Wulandari and Shitohang 2017). BI 7day reverse repo rate interest rate that reflects the monetary policy set by Bank Indonesia.

2.8 Exchange rate

Exchange rate is the price of a currency relative to the currency of another country (Aulia and Tahmat, 2019). According to Sa'aadah and Khuzaini (2019) the exchange rate is a comparison of the value of one country's currency against another country.

3. Research Methodology

This type of research is quantitative research. Using panel data regression analysis tools. Data collection techniques were carried out using documentation studies. The population of this study was 88 food and beverage companies. The sampling technique used in this research was purposive sampling, obtaining a research sample of 27 food and beverage companies. The following is table 1 which shows the research variables, formulas and units. Data analysis in this research uses panel data regression. The following is the formula for the panel data regression equation. Panel data regression analysis is multiple regression analysis by combining cross section and times series data. The following is the panel data regression equation:

$$Y = \alpha + b_1X_{1it} + b_2X_{2it} + b_3X_{3it} + b_4X_{4it} + b_5X_{5it} + b_6X_{6it} + e$$

Where Y is the share price; α is a constant; b_1 , b_2 , b_3 , b_4 , b_5 and b_6 are regression coefficients; X_1 is the current ratio; X_2 is the debt to total asset ratio; X_3 is the return on equity, X_4 is the company size, X_5 is the interest rate and X_6 is the exchange rate.

Panel data regression analysis techniques in this research can use the common effect model, fixed effect model and random effect model (Basuki and Prawoto,2017) approaches, while determining the appropriate model is done using the Chow test, Hausman test and Lagrange multiplier test. Next, classical assumptions were tested on the model used in the research so that the resulting regression was the best result. The tests used in the research include the multicollinearity test, heteroscedasticity test and autocorrelation test. The coefficient of determination is to see the magnitude of the contribution of the independent variable to the dependent variable by looking at the R square value. Test the feasibility of the model using the F test and hypothesis testing to determine the direct influence of the independent variable on the dependent variable using the t test.

4. Results

Based on the results of the analysis, it can be seen that the multicollinearity test obtained a matrix coefficient of all independent variables < 0.85 , meaning that there was no multicollinearity in this study. The results of the heteroscedasticity test with the Park test obtained a significance value for all independent variables > 0.05 so that there was no heteroscedasticity problem. Autocorrelation test with Durbin Watson shows that there is no autocorrelation. The test coefficient of determination shows that the R^2 value is 35.99%, meaning that share prices can be influenced by the current ratio, debt to total asset ratio, return on equity, company size, interest rates and exchange rates by 35.99% while the remaining 64.01% is influenced by other variables not examined in the research. The f test in this study obtained a value of 11.995, meaning that the regression model is suitable for use. Based on data analysis with multiple linear regression on

panel data, test analysis results can be obtained in the table below which shows the results of panel regression analysis with the random effect model as the best model in this research.

Table 1. Random effect model t test results.

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-36609,43	10223,78	-3,580811	0,0005
X1	-0,273908	1,079319	-0,253779	0,8001
X2	-70,19723	16,73996	-4,193394	0,0001
X3	69,65461	10,92224	6,377317	0,0000
X4	1430,402	305,6261	4,680236	0,0000
X5	343,7942	144,2975	2,382538	0,0187
X6	-0,142406	0,420577	-0,338595	0,7355

5. Discussion

5.1 Effect of current ratio on share prices

The current ratio is a ratio used to measure a company's ability to pay short-term obligations that are immediately due when they are billed in full. The results of this research obtained a current ratio value of 0.8001, more than 0.05. These results indicate that the current ratio variable has no effect on share prices. This means that investors are not influenced by the rise and fall of the current ratio value when determining investment decisions. So, the high or low value of the current ratio has no effect on the rise and fall of share prices. This happens because investors consider that a high current ratio value does not guarantee providing good information to investors. A high current ratio can indicate high levels of current assets that are not managed effectively. A lot of company cash is unproductive, not used for operational activities that can increase the company's income.

The results of the current ratio variable are contrary to signaling theory. However, the results of this research are in line with research (Nursiam and Rahayu, 2019; Anisya and Hidayat., 2021; Wibowo and Hutapea, 2021).

5.2 Effect of debt to total asset ratio on share prices

Debt to total asset ratio is a ratio that compares a company's total debt with its total assets. The results of this research obtained a debt to total assets ratio value of 0.0001, less than 0.05. These results indicate that the debt to total assets ratio variable has a significant negative effect on share prices. This means that a high debt to total asset ratio will reduce share prices or vice versa. This is because the debt to total asset ratio is high, meaning the company has a lot of debt which is used to finance the company's assets. The company uses its profits to pay off debt and interest. This causes the company's profits to decrease. With reduced profits because they are used to pay debts, profits for shareholder returns will also decrease. Low returns due to a high debt to total asset ratio cause investors to be uninterested in investing their capital in company shares and cause demand for these shares to decline. A decrease in demand for shares will cause the company's share price to fall. The results of this research are in line with signaling theory and trade off theory.

The results of this research are also in line with research (Hertina, 2019; Permatasari and Fitria, 2020; Napitupulu, 2021).

5.3 Effect of return on equity on share prices

Return on equity is the company's ability to generate profits with its own capital. The results of this research obtained a return on equity value of 0.0000, less than 0.05. These results indicate that the return on equity variable has a significant positive effect on share prices. This means that a high return on equity will increase share prices or vice versa. This is because a high return on equity shows that the company has a great ability to generate profits from the capital it has so that it can generate large profits to be distributed to investors. With the large profits obtained, investors will get high dividends. This makes investors interested in buying shares so that demand for company shares increases. The company's share price will also increase as a result of increasing demand for shares.

The results of this research are in line with signaling theory and in line with research (Eviani et al., 2018; Levina and Dermawan, 2019; Nursiam and Rahayu, 2019).

5.4 Effect of company size on share prices

Company size is a measure that shows the size of the company. The results of this research obtained a company size value of 0.0000, less than 0.05. These results indicate that the company size variable has a significant positive effect on share prices. This means that high company size will increase share prices or vice versa. This is because high company size indicates that the company has large assets. With these assets, the company can carry out large production and operational activities so that it can earn a lot of profit to be distributed to share investors. Company assets can also be used to cover the risks faced by the company so that investors feel safe investing their capital in the company. This makes investors interested in investing their capital in companies that have a high company size, causing an increase in demand for shares. As demand for shares increases, share prices will also increase.

The results of this research are in line with signaling theory and research results (Octaviany et al., 2021; Nursiam and Rahayu, 2019; Alamsyah, 2019).

5.5 Effect of interest rate on share prices

The interest rate is the implied rate of return on investment assets. The results of this research obtained a of interest rate 0.0187, less than 0.05. These results indicate that the interest rate variable has a significant positive effect on share prices. This means that an increase in interest rates can increase share prices or vice versa. This is because interest rates are a measure of investment profits that investors can obtain from an asset, one of which is company shares. Stocks have high risk, high return investment characteristics. This means that shares are securities that provide high profits, but also have high risks for investors. Interest rates are included in stock risks which can affect stock prices. So when interest rates are high, the returns given by shares will also be high. High returns will attract investors to invest in shares. The large number of investors who are interested in high stock returns causes an increase in demand for shares. The company's share price also increased due to increased demand for shares.

The results of this research are in line with arbitrage pricing theory and research results (Nurasila et al., 2019; Ratnasari et al., 2019; Moorcy, 2021).

5.6 Effect of exchange rate on share prices

The exchange rate is a comparison of the value of one country's currency to another country. The results of this research obtained a exchange rate value of 0.7355, more than 0.05. These results indicate that the exchange rate variable has no effect on share prices. This means that investors are not influenced by the rise and fall of exchange rates to determine investment decisions. So the high and low exchange rates have no effect on the rise and fall of share prices. This is because changes in the exchange rate are influenced by the government through monetary policy to maintain the stability of the rupiah exchange rate. Therefore, investors in determining investment decisions in shares do not really look at exchange rate fluctuations because the government guarantees stable changes in exchange rates.

The results of this research contradict the arbitrage pricing theory and research results (Sa'aadah and Khuzaini, 2019; Prihatini et al., 2023; Aminuddin and Retnani, 2020).

6. Conclusion

This research has proven that share prices are significantly influenced by debt to total assets ratio, return on equity, company size and interest rates. It is hoped that investors will pay attention to factors that can influence share prices, especially the current ratio, debt to total assets, return on equity, company size, interest rates and exchange rates in determining investment in company shares. The R2 of this research is 35.99%, meaning that share prices can be explained by the current ratio, debt to total assets ratio, return on equity, company size, interest rates and exchange rates at 35.99% while the remaining 64.01% is influenced by other variables. And this research rejects the current ratio and exchange rate hypothesis.

The limitation of this research is that it cannot prove the influence between the current ratio and the exchange rate on stock prices due to the limited observation period of the analytical tools used. For further research, it is recommended to add data from the research year and add independent variables such as dividend payout ratio, inflation, economic growth, financial distress, net profit margin, earnings per share, dividend policy, capital structure, debt to equity ratio, return on assets.

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