

Analysis of the Effect of Financial Performance on Stock Prices in Consumer Sector Manufacturing Companies Listed on The Indonesia Stock Exchange for the Period 2017 - 2022

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ABSTRACT

This study aims to analyze the effect of financial performance on stock prices in consumer sector manufacturing companies listed on the Indonesia Stock Exchange for the period 2017 - 2022. The method used by the author in this study uses descriptive quantitative research methods. This descriptive qualitative research is to determine the effect of financial performance on stock prices in consumption sector manufacturing companies listed on the Indonesia Stock Exchange for the period 2017 - 2022. Population identification in this study is the consumer goods industry sector of the food and beverage industry subsector totaling 26 companies. The sample in this study amounted to 7 food and beverage industry sector companies listed on the IDX 2024. Data analysis in this study used the Structural Equation Model Partial Least Square (SEM-PLS). The results of this study are partially ROE has no positive and insignificant effect on stock prices in Consumer Sector Manufacturing Companies Listed on the Indonesia Stock Exchange for the period 2017 - 2022, 2) partially ROA has a positive and insignificant effect on stock prices in Consumer Sector Manufacturing Companies Listed on the Indonesia Stock Exchange for the period 2017 - 2022, 3) partially DER has a positive and insignificant effect on stock prices in Consumer Sector Manufacturing Companies Listed on the Indonesia Stock Exchange for the period 2017 - 2022. 4) simultaneously ROE, ROA and DER have a positive and insignificant effect on stock prices in Consumer Sector Manufacturing Companies Listed on the Indonesia Stock Exchange for the period 2017 - 2022



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1. INTRODUCTION

Companies must be able to assess financial performance in order to evaluate existing deficiencies and take corrective action so that the company's health level can be maintained (A. S. A. D. Nasib, 2019). One way to assess the company's financial performance is through financial statements, namely by analyzing the company's financial statements in the past and future. Interpretation of these financial statements can be done by calculating financial ratios (Rinanda, 2021).

The financial analysis is also carried out by parties outside the company to determine the potential for investment and assessment of the possibility of granting credit (A. N. R. B. E. F. R. Nasib, 2023). In general, the company's goal is to maximize profits, but over time the goal of a company is not only to maximize profits but also to improve the welfare of shareholders (N. Li. N. N. A. S. A. D. M. R.

Nasib, 2023). In a company, the level of shareholder welfare is reflected in the company's share price (Levianti, 2023). So for shareholders, by increasing the stock market price, it also increases the value of the company. Basically, operational activities must be carried out effectively and efficiently in order to optimize returns for the company (A. Hou, 2023). The good and bad performance of the company in generating returns can be seen from the company's financial statements (W. H. H. A. Hou, 2023). In assessing financial performance, measuring instruments or indicators are needed to determine the condition of a company. And in this study the authors used 4 types of ratios including, Debt to Equity Ratio (DER), Return on Equity (ROE) and Return On Asset (ROA).

To get a high return, an investor must be able to analyze the company's financial statements properly to facilitate decision making. From the financial statements, information is obtained about the financial performance of a company and can be used as a basis for assessment to select company shares that are able to provide a high rate of return. Financial ratios are an important part of evaluating the performance and financial condition of an entity. So that in accordance with the above statement that the financial ratios analyzed are those that are considered theoretically and adjusted to the empirical evidence obtained and are related to what the financial ratios are used and intended for. Financial ratios help in identifying some of the company's financial strengths and weaknesses.

Food and beverage sub-sector manufacturing companies listed on the Indonesia Stock Exchange in 2017 - 2022 are 24 companies, and the samples in this study are 7 companies, it can be seen the company's financial performance chart in the figure below:

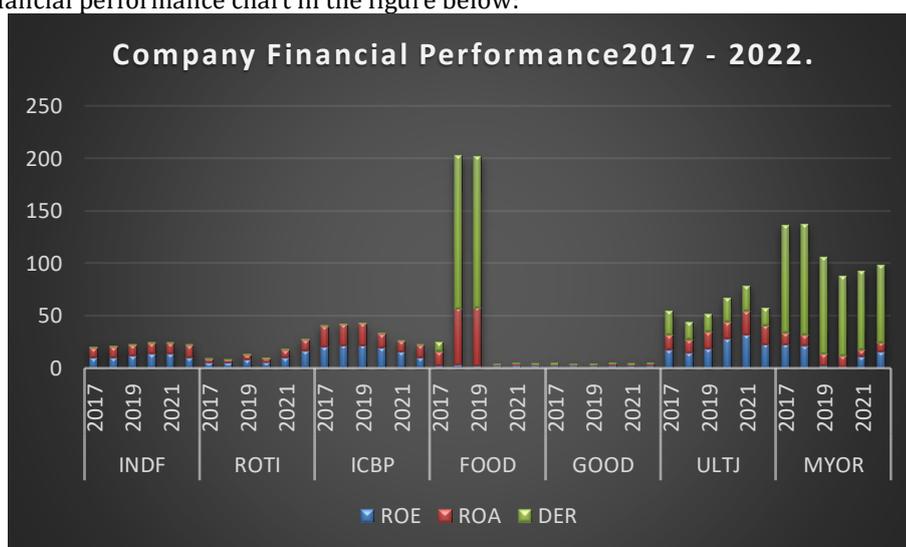


Figure 1: Company financial performance 2017 – 2022

Based on the picture above, it can be seen that the financial performance of food and beverage sub-sector companies does not all have good performance, when viewed from the seven companies above, it can be seen that ICBO and MYOR issuers have stable financial performance, this situation will benefit the company because of its impact on the company's stock price increase. Based on the above background, researchers are interested in conducting further research related to the company's financial performance and its effect on stock prices, the selection of the consumer goods industry sector, especially the food and beverage sub-sector as the object of research is because this sector can survive the global crisis and is a leading branch of the manufacturing industry. The food and beverage industry has an important role in the development of the industrial sector, especially its contribution to high-growth GDP. In addition, the characteristics or nature of people who tend to help maintain the food and beverage sub-sector.

3. RESEARCH METHOD

The method used by the author in this research is This research uses descriptive quantitative research methods (Satori & Komariah, 2013). This descriptive qualitative research is to determine the effect of financial performance on stock prices in consumer sector manufacturing companies listed on the Indonesia Stock Exchange for the period 2017 - 2022. Population identification in this study is the

consumer goods industry sector of the food and beverage industry subsector totaling 26 companies. This study uses purposive sampling technique, which is a sampling technique with certain considerations (Ghazali, 2016). The sample in this study amounted to 7 food and beverage industry sector companies listed on the IDX 2024. Data analysis in this study used the Structural Equation Model Partial Least Square (SEM-PLS). As an alternative to covariance-based SEM, the variance-based or component-based approach with analysis-oriented PLS shifts from testing causality / theory models to component-based predictive models.

4. RESULTS AND DISCUSSIONS

Table 1: Financial Performance of Food and Beverage Subsector companies listed on the IDX

No	EMITEN	TAHUN	ROE	ROA	DER	Price Share
1	INDF	2017	9,7	9	0,87	Rp7.450
		2018	10,2	9,9	0,93	Rp7.500
		2019	11,3	10,2	0,77	Rp7.925
		2020	13,1	9,9	1,05	Rp6.850
		2021	13,5	9,9	1,06	Rp6.325
		2022	10,2	10,9	0,93	Rp6.725
2	ROTI	2017	4,8	3	0,6	Rp1.275
		2018	4,4	2,9	0,5	Rp1.200
		2019	7,6	5,1	0,5	Rp1.300
		2020	5,2	3,8	0,4	Rp1.360
		2021	9,9	6,8	0,5	Rp1.360
		2022	16,1	10,5	0,5	Rp1.320
3	ICBP	2017	19,9	19,5	0,5	Rp9.000
		2018	21,7	19,5	0,51	Rp10.450
		2019	21,7	20,3	0,45	Rp11.175
		2020	19,2	12,9	1,04	Rp9.575
		2021	15	10,5	1,15	Rp8.725
		2022	10,2	11,5	1,01	Rp10.000
4	FOOD	2017	1,9	13,17	8,9	Rp99
		2018	2,2	54,69	145,58	Rp105
		2019	1,7	56,06	143,47	Rp107
		2020	1,7	0,75	1,01	Rp103
		2021	2,1	1,13	0,6	Rp133
		2022	2	0,76	1,3	Rp111
5	GOOD	2017	1,63	1,16	1,83	Rp300
		2018	1,65	0,99	0,69	Rp375
		2019	1,41	1,18	1,1	Rp302
		2020	1,56	1,77	1,25	Rp254
		2021	1,55	1,48	1,22	Rp525
		2022	1,54	1,74	1,19	Rp525

No	EMITEN	TAHUN	ROE	ROA	DER	Price Share
6	ULTJ	2017	17,11	13,88	23,3	Rp1.295
		2018	14,69	12,63	16,35	Rp1.350
		2019	18,32	15,67	16,86	Rp1.565
		2020	28	15,58	23,21	Rp1.600
		2021	31,68	21,98	24,85	Rp1.555
		2022	22,38	17,66	16,58	Rp1.450
7	MYOR	2017	22	11	103	Rp2.020
		2018	21	10	106	Rp2.620
		2019	2	11	92	Rp2.050
		2020	1	11	75	Rp2.710
		2021	11	6	75	Rp2.000
		2022	15	9	74	Rp2.460

Based on the table above, it can be seen the value of the ROE, ROA and DER ratios and the share price of the food and beverage subsector companies listed on the IDX. Of the seven companies that became the research sample, ICBP issuers became issuers with the best financial performance growth so that it affected the increase in the company's share price.

Reliability Test

Tests to measure the reliability of a construct. With a reliability construct score > 0.6, the composite reliability has a high enough value.

Table 2 : Reliability Test

Variable	Crombach's Alpha	rho_A	Composite Relability	AVE	Result
ROE (X1)	0,785	0,833	0,838	0,740	Reliable
ROA (X2)	0,925	0,930	0,940	0,691	Reliable
DER (X3)	0,848	0,887	0,883	0,527	Reliable
Price Share (Y)	0,908	0,913	0,927	0,645	Reliable

Source: Data processed by SEM PLS 2024

Based on the data presentation above, it can be seen that each research variable has a value of crombach's alpha and composite reliability > 0.6, which means that each variable used in the study is reliable.

Coefficient of Determination (R-Square)

The r-square result for endogenous latent variables of 0.75 indicates that the model is substantial (good), 0.50 indicates that the model is moderate (medium) and 0.25 indicates that the model is weak (poor).

Table 3 : R-Square Result

	R-Square	R-Square Adjust
Price Share	0,792	0,785

Source: Data processed by SEM PLS 2024

From the table above, it is known that the effect of financial performance on stock prices with an r-square value of 0.792 can conclude that the variation in the value of financial performance is worth 0.792 X 100 = 79.2% in other words that the model is substantial (high), and 20.8% is influenced by other variables.

F Square

The inference criteria are if the f2 value is 0.02 then there is a small (weak) effect of the exogenous variable on the endogenous, the f2 value is 0.15 then there is a moderate effect of the exogenous variable on the endogenous or moderate, the f2 value is 0.35 then there is a large effect of the exogenous variable on the endogenous.

Table 4 : F-Square Result

Variable	Share Price
ROE (X1)	0,302
ROA (X2)	0,381
DER (X3)	0,317

Source: Data processed by SEM PLS 2024

Based on the F-Square table above, it can be explained as follows:

- 1) ROE on stock price performance is worth 0.302 indicating that there is no very large effect.
- 2) ROA on stock price performance is worth 0.381 indicating that there is no very large effect.
- 3) ROA on stock price performance is worth 0.317 indicating that there is no very large effect.

Path Coefficient /Direct Effect

The direct effect that can be seen in the long term from the results of the path coefficient on exogenous and endogenous variables as follows is:

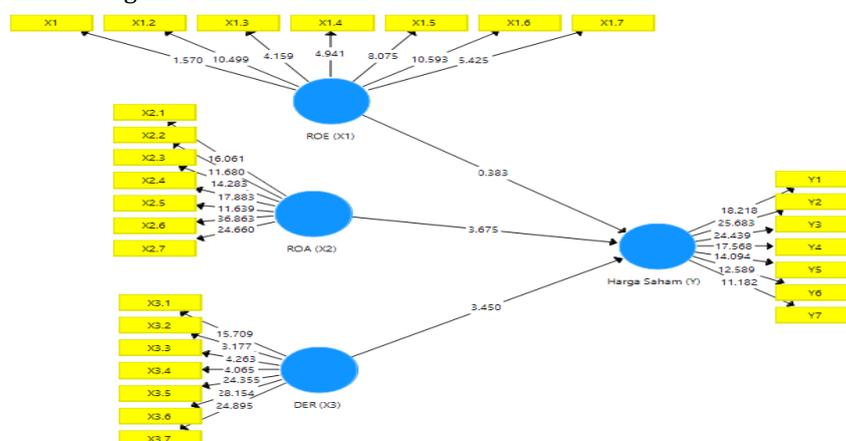


Figure 2 : Boostrapping'soutput

Table 5 : Path Coefficient Result

	Original Sampel (O)	Sampel Mean (M)	Standart Deviation (STDEV)	Statistik (IO/STDEV)	P Values
X1 -> Y	-0,031	-0,024	0,081	0,386	0,700
X2 -> Y	0,470	0,471	0,135	3,486	0,001
X3 -> Y	0,490	0,492	0,143	3,429	0,001

Source: Data processed by SEM PLS 2024

Discussion

The Effect of ROE on the Share Price of Consumer Sector Manufacturing Companies Listed on the IDX for the period 2017 – 2022

The higher the Return On Equity (ROE) value, the negative effect on the stock price. The higher the Return On Equity value owned by the company, the lower the company's share price. According to (Fahmi, 2014) not only ROE is able to influence the decline in the company's share price but there are several conditions and situations that determine a stock will experience fluctuations, namely; (1) micro and macroeconomic conditions, (2) company policy in deciding to expand (business expansion), (3) sudden change of directors, (4) the presence of directors or commissioners of the company involved in criminal acts, (5) company performance that continues to decline, (6) systematic risk, (7) the effect of market psychology which turns out to be able to suppress the technical conditions of buying and selling shares. For a company, maintaining and improving financial performance is a must so that the shares continue to exist and remain in demand by investors. The financial statements published by the company are a reflection of the company's financial performance. This study is in line with the results of research (Dewi & Suwarno, 2022), (Wasis Sujatmiko, 2019), (Rahmawaty Arifiani, 7 C.E.) which states that Return on Equity has no effect on stock prices.

The Effect of ROA on Stock Prices in Consumer Sector Manufacturing Companies Listed on the IDX for the period 2017 - 2022

The results of the study explain that Return On Asset (ROA) has a significant positive effect on stock prices. The higher the ROA shows that the better the company is in managing its assets in generating profits so that it can attract investors to conduct stock transactions. The higher the Return On Assets value, the higher the profit generated by the company so that it will make investors interested in the share price. The higher the Earning Per Share value, the higher the company's share price so that it will have an impact on the amount of profit for shareholders. Return On Assets (ROA) describes the company's ability to earn profits using assets. ROA aims to measure the return on invested capital using all assets owned by the company. The higher the ROA value, the more effective it is in providing returns to investors. In other words, the higher the ROA value, the more profit the company makes. If the ROA value tends to decrease, the company will experience a loss. Therefore, the company must maximize the ROA value so that the financial performance improves so that it results in the value of the share price also increasing.

This research is in line with the results of research (Wasis Sujatmiko, 2019), (Mohamad Gani Ghonio, 2017) and (Nurli Hayati, 2022) explaining that ROA has a positive and significant effect on stock prices because it can be seen from the behavior of investors or capital market players who often do not see ROA in the selection / decision to buy a stock to be bought. Market participants are not only fundamentalists or look at company fundamentals in choosing a stock to buy but can also see the stock price chart on the stock exchange or commonly called technicalists.

The Effect of DER on Share Price in Consumer Sector Manufacturing Companies Listed on the IDX for the period 2017 - 2022

The higher the DER value, the lower the stock price. The results of this study are in line with research conducted by Ari et al. (2020) which states that Debt to Equity Ratio has a positive effect on stock prices. Debt to Equity Ratio will affect company performance and cause stock price appreciation. DER that is too high has a negative impact on company performance, because a higher level of debt indicates that the company's interest expense will be greater and reduce profits. This means that DER has a positive and significant effect on stock prices, which means that if the company's DER increases, the company's stock price also increases. DER is the company's ability to pay its debts with the equity it has. This study is in line with the results of research (AF, 2020), (Mufarikah & Armitha, 2021) and (Sugitajaya et al., 2020) explained in their research that the DER value is of great concern to investors because it can show the composition of funding in financing the company's operational activities or utilizing its debt. The lower the DER indicates that the capital used in the company's operations is getting bigger, so the risk borne by investors will also be smaller and able to increase the share price.

The Effect of ROE, ROA and DER on the Share Price of Consumer Sector Manufacturing Companies Listed on the IDX for the period 2017 - 2022

Stock prices can change at any time depending on the amount of supply and demand from investors for these shares in the capital market. The stock price is one of the benchmarks to determine the value of the company in the eyes of the market in general. Before investors buy shares, investors first apply performance analysis to the company whose shares they want to buy. The performance analyzed is generally financial performance.

The company's financial performance can be analyzed or examined through several financial ratios. In this study, the ratios used are liquidity ratios and profitability ratios. The profitability ratio is proxied by Return on Asset (ROA), Return on Equity (ROE) and Debt to equity ratio (DER). This research is in line with the results of research (Sudirman et al., 2023) and (Apriani & Situngkir, 2021) explaining that good financial performance is able to increase the company's stock price, therefore the company must maintain the stability of the company's value both from the profitability ratio and the liquidity ratio.

5. CONCLUSION

The results of the conclusion of this study with the title "*Analysis of the Effect of Financial Performance on Stock Prices in Consumer Sector Manufacturing Companies Listed on the Indonesia Stock Exchange for the period 2017 - 2022*" are as follows: 1) partially ROE has no positive and insignificant effect on stock prices in Consumer Sector Manufacturing Companies Listed on the Indonesia Stock Exchange for the period 2017 - 2022, 2) partially ROA has a positive and insignificant effect on stock prices in Consumer Sector Manufacturing Companies Listed on the Indonesia Stock Exchange for the period 2017 - 2022, 3) partially DER has a positive and insignificant effect on stock prices in Consumer Sector Manufacturing Companies Listed on the Indonesia Stock Exchange for the period 2017 - 2022. 4) simultaneously ROE, ROA and DER have a positive and insignificant effect on stock prices in Consumer Sector Manufacturing Companies Listed on the Indonesia Stock Exchange for the period 2017 - 2022.

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