

The Effect of Financial Performance on Stock Prices in Food and Beverage Sub-Sector Companies Listed on the Indonesia Stock Exchange 2017-2021 Period

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Abstract

This study aims to determine and analyze the effect of financial performance through return on assets, return on equity, net profit margin, and earnings per share either simultaneously or partially on stock prices of food and beverage sub-sector companies listed on the Indonesia Stock Exchange for the 2017-2021 period. The population of this study is all food and beverage sub-sector companies indexed on the IDX for the 2017-2021 period. The sampling technique used purposive sampling which resulted in 17 sample companies. Data analysis used multiple linear regression. The results of this study indicate that simultaneously stock prices are significantly influenced by financial performance through return on assets (ROA), return on equity (ROE), net profit margin (NPM), and earnings per share (EPS). Return on assets (ROA) and earnings per share (EPS) have a significant effect on stock prices, while return on equity (ROE) and net profit margin (NPM) have no significant effect on stock prices. The implication of the results of this study is that companies increase their income and assets so that net income is greater and earnings per share are also greater. Shareholders should not immediately withdraw their shares when the share price declines in the hope that their financial performance is stable.

Keywords:

Earnings Per Share, Net Profit Margin, Return on Assets, Return on Equity, Stock Price

1. Introduction

Regarding the role of food and beverages in GDP, Putu Juli Ardika said that the position of food and beverage companies in maximizing the monetary recovery program in the country was also a consideration in the contribution of food and beverage companies which continued to increase to the country's GDP which reached 38.91% in the long term at the same time. The stability of the food and beverage trade during the last nine months recorded a surplus of US\$22.38 billion Catriana (2021).

One approach to company valuation will have an effect on stock prices, financial experts can examine the company's overall performance. If the company has a very good overall financial performance, its investors will invest their capital, because it is certain that they will get more profit on their investment.

Companies evaluated in this study are business entities in the food and beverage sub-sector whose shares have been indexed on the Indonesia Stock Exchange for the 2017-2021 period. The reason for choosing this business entity is that currently the food and beverage sub-sector companies are experiencing rapid development, but from the facts, the value of stock prices looks risky and tends to experience a downward trend. Based on a number of findings from several researchers, namely Nailal (2016); Sauqi et al., (2019) obtained information explaining that stock prices are influenced by financial performance which is estimated through financial ratios which include return on equity (ROE), return on assets (ROA), earnings per share (EPS), debt equity ratio (DER), return on investment (ROI), net profit margin (NPM), and price earnings ratio (PER).

Based on the phenomenon that clearly describes the background, the research objectives that can be formulated in this study are to identify and analyze the impact of financial performance which includes return on assets (ROA), return on equity (ROE), net profit margin (NPM), and earnings per share (EPS) either partially or simultaneously on stock prices of food and beverage sub-sector companies listed on the Indonesia Stock Exchange for the 2017-2021 period.

1.1. Literature Review

The stock price is the price that occurs for shares in the capital market at a certain time and is determined by market participants as well as the demand and supply of shares in the capital market Jogiyanto (2014).

Meanwhile, Darmadji & Fakhruddin (2012) stated that the stock price used is the closing price of the transaction, namely the stock price recorded at closing.

Financial performance is a formal effort to evaluate the efficiency and effectiveness of the company in achieving certain income and cash situations. Financial performance analysis can be divided into several types based on the technique, including: comparative financial analysis, percentage per component analysis, analysis of sources and uses of working capital, analysis of sources and uses of cash, financial ratio analysis, gross profit analysis, break-even analysis, and analysis trends Hery (2015).

Several financial ratios related to the themes reviewed in this study include:

1. Return on Assets

According to Fahmi (2013), return on assets (ROA) is a ratio used to measure the extent to which an investment is able to provide a return after considering the expected profit based on the assets owned. Lukviarman who stated that if the ROA value exceeds 5.98 percent, then the company has a decent return on assets. Corporations are said to have a poor return on assets if the ROA is ≤ 5.98 percent Saefullah et al., (2018).

2. Return on Equity

According to Fahmi (2013), return on equity (ROE) is an indicator that analyzes how well a company uses its resources to generate return on capital. A decent ROE quality is defined by Lukviarman quoted by Saefullah et al., (2018), especially if the ROE value exceeds 8.32 percent, then the company is considered to have a strong return on equity. If the ROE figure is ≤ 8.32 percent, then the company is considered to have a bad return on equity.

3. Net Profit Margin (NPM)

According to Hery (2015), net profit margin (NPM) is the ratio used to analyze the proportion of net profit to net sales. Lukviarman quoted by Saefullah et al., (2018), to be more precise. If the number of NPM exceeds 3.92%, the company is considered to have a good net profit margin. If the NPM figure is $\leq 3.92\%$, the company is said to have a low net profit margin.

4. Earnings Per Share (EPS)

Hery (2015) states that earnings per share is a ratio that measures the success of a corporation in providing benefits to ordinary stock investors. A high EPS indicates that the company can provide a high level of shareholder wealth, while a low EPS indicates that the company cannot provide this wealth (Darmadji & Fakhruddin, 2012).

There are several hypotheses that can be formulated in this study, among others:

H1 : Stock prices are simultaneously significantly affected by financial performance which includes return on assets (ROA), return on equity (ROE), net profit margin (NPM), and earnings per share (EPS)

H2 : Individual stock prices are significantly affected by return on assets (ROA)

H3 : Individual stock price is significantly influenced by return on equity (ROE)

H4 : Individual stock prices are significantly affected by net profit margin (NPM)

H5: Individual stock prices are significantly affected by earnings per share (EPS)

2. Method

This type of research is quantitative research designed with explanatory research. The population in this study consisted of all corporations engaged in the food and beverage sub-sector indexed on the IDX for the 2017-2021 period. The samples in this study were 17 companies obtained using purposive sampling with the following criteria:

1. Go public companies indexed on the IDX during the 2017-2021 period which are engaged in the food and beverage sub-sector
2. The company has fully published its financial statements for the 2017-2021 period on the IDX's official website (www.idx.co.id).
3. The company did not experience a loss in the 2017-2021 period.

This study has two types of variables, namely the dependent variable (Y) and the independent variable (X) which are operationally defined as follows:

1. The variable (Y) is the stock price which is defined as the price of a share of a food and beverage sub-sector company that occurs on the stock market on the Indonesia Stock Exchange. The measurement indicator is the stock price recorded at closing
2. The variable (X1) is return on assets (ROA) which is defined as a financial ratio of companies in the food and beverage sub-sector listed on the IDX which is used to see the extent to which the investments that have

been invested are able to provide a return of profits after what is expected based on the assets they have. Variable measurement indicators X1 is obtained through the formula:

$$ROA = \frac{\text{Earning After Interest and Tax}}{\text{Total Asset}}$$

3. The variable (X2) is return on equity (ROE) which is defined as the financial ratio of the food and beverage sub-sector companies listed on the IDX which shows how much equity contributes in creating its net profit. The measurement indicator for the X2 variable is obtained through the formula:

$$ROE = \frac{\text{Earning After Interest and Tax}}{\text{Total Equity}}$$

4. The variable (X3) is the net profit margin (NPM) which is defined as the profitability ratio of the food and beverage sub-sector companies listed on the BEI which is used to measure the company's net profit compared to its sales . The measurement indicator for the X3 variable is obtained through the formula:

$$NPM = \frac{\text{Earning After Interest and Tax}}{\text{Sales}}$$

5. The variable (X4) is earnings per share (EPS) which is defined as the form of profit given by the food and beverage sub-sector companies to shareholders and each share owned. The measurement indicator for the X4 variable is obtained through the formula:

$$EPS = \frac{\text{Net Income}}{\text{Common Shares Outstanding}}$$

In this study, secondary data is used, namely the data obtained refers to sources that do not directly provide data to data collectors Sugiyono (2017). The data is taken from the Indonesia Stock Exchange website (www.idx.co.id), as well as other textual sources, in the form of annual reports produced by food and beverage sub-sector companies for 2017-2021.

Descriptive statistical analysis method was used to characterize and describe the inferential statistics of the variables in this study. This inferential analysis provides an overview of the average, standard deviation, lowest, and maximum values of each variable. Meanwhile, to estimate the effect of each independent variable with the dependent variable, multiple linear regression analysis was used which previously tested the classical assumptions, including: normality test, heteroscedasticity test, multicollinearity test, and autocorrelation test.

study , the following regression model equation was used :

$$Y = a + b_1 x_1 + b_2 x_2 + b_3 x_3 + b_4 x_4 + \dots \dots \dots b_i x_i + e$$

Where :

- Y = Stock price
- X1 = Return On Assets
- X2 = Return On Equity
- X₃ = Net Profit Margin
- X₄ = Earnings Per Share
- b_i = Direction parameter
- e = Standard Error

Simultaneous hypothesis testing was carried out using the F test with criteria H0 rejected and Ha accepted, if Fh > Ft. While H0 is accepted and Ha is rejected, if Fh < Ft . Furthermore, for partial hypothesis testing, t-test is used with criteria H0 is rejected and Ha is accepted, if the value of th > ttable, while H0 is accepted and Ha is rejected, if th < ttable.

3. Result and Discussion

On descriptive statistical analysis, it is known that food and beverage companies for the 2017-2021 period in this study have an average ROA value of 8.75 (greater than 5.98) and the highest partial mean is shown by ADES issuers of 20.65. The average ROE value is 17.05 (greater than 8.32) and the highest partial mean is shown by MLBI issuers of 60.58. The average NPM value is 10.62 (greater than 3.92) and the highest partial mean is shown by DLTA issuers of 32.50. The average EPS value is 196.73 and the highest partial mean is shown by INDF issuers at 818.17. The average value of share prices as a whole is 2,392.49 and the highest partial mean is shown by MLBI issuers of 12,515 .

The summary of the results of multiple linear regression analysis with four independent variables and one dependent variable with SPSS is shown in the following table.

Table 1. Summary of Multiple Linear Regression Analysis Results

Model	Unstandardized Coefficients		Standardized Coefficients	t	Signs. t	r partial
	B	Std. Error	β			
Constant	-5,959	8,042		-0.741	0.461	
SQRT_X1	8,797	4,232	0.352	2,079	0.041	0.226
SQRT_X2	-0.134	1,478	-0.009	-0.091	0.928	-0.010
SQRT_X3	5.034	3,456	0.247	1,457	0.149	0.161
SQRT_X4	0.839	0.322	0.265	2,605	0.011	0.280
Dependent Variable			SQRT_Y			
F			14.601			
Signs. F			0.000			
R			0.650			
Adjusted R 2			0.393			

Based on the table, the regression equation is obtained as follows:

$$Y = -5,959 + 8,797 \text{ ROA} - 0.134 \text{ ROE} + 5.034 \text{ NPM} + 0.839 \text{ EPS}$$

The magnitude of the coefficient of simultaneous determination (Adjusted R^2) is 0.393, meaning that the variability of stock prices that can be explained by using the variables of return on assets, return on equity, net profit margin and earnings per share is 39.3%, while the effect is 60.7%. caused by other variables outside this model. Meanwhile, based on table 1, the coefficient of determination of partial return on assets (X1) is 0.226, meaning that the return on assets has a positive contribution to the stock price of 0.226 or 22.6% . The coefficient of determination of partial return on equity (X2) is -0.010 or -1% , meaning that return on equity has a negative contribution to stock prices of 0.010 or 1% . The value of the coefficient of partial determination for the net profit margin (X3) is 0.161 or 16.1% , meaning that the net profit margin makes a positive contribution to stock prices of 0.161 or 16.1% . The coefficient of determination of partial earnings per share (X4) is 0, 280 or 28% , meaning that earnings per share contribute positively to the share price of 0.280 or 28%.

In testing the first hypothesis in this study, the calculated F_{value} of 14.601 and probability $0.000 < 5\%$ means that the return on assets, return on equity, net profit margin, and earnings per share simultaneously have a significant effect on stock prices. Thus the first hypothesis (H1) which states " share prices are simultaneously significantly influenced by financial performance which includes return on assets (ROA), return on equity (ROE), net profit margin (NPM), and earnings per share (EPS) in food and beverage sub-sector companies listed on the Indonesia Stock Exchange for the period 2017-2021" are accepted at a 95% confidence level. The simultaneous contribution of return on assets, return on equity, net profit margin , and earnings per share to the stock price is adjusted $R^2 = 0.393$ or 39.3%. The findings in this study are in line with the findings from the research of Choiriyah et al., (2021) which states that ROA, ROE, NPM, EPS, and OPM together have a significant effect on stock prices of banking companies on the Indonesia Stock Exchange (IDX) and the research findings of Nurlia & Juwari (2019) which states that the variables Return On Asset (ROA) , Return On Equity (ROE) , Earning Per Share (EPS), and Current Ratio (CR) simultaneously have a very strong influence on stock prices.

In testing the second hypothesis in this study, the $t1_{\text{value}}$ of 2.079 and probability of $0.041 < 5\%$ means that the return on assets partially has a significant effect on stock prices. Thus the second hypothesis (H2) which states " individual stock prices are significantly affected by return on assets (ROA) in food and beverage sub-sector companies listed on the Indonesia Stock Exchange for the period 2017-2021 "is accepted at the 95% confidence level. The partial contribution of return on assets to stock prices is r_1 partial determination = 0.226 (table 1) or 22.6%. The findings in this study are in line with the research of Khasanah et al., (2021) which states that return on assets (ROA) has a definite influence on stock prices and research by Fahlevi et al., (2018) which states that ROA has a positive and significant effect on stock prices. However, this study is not in line with the findings of the study of Sauqi et al., (2019) which states that ROA has no significant effect and research by Nurlia & Juwari (2019) partially states that Return on Assets (ROA) has a negative and insignificant effect on stock prices.

In testing the third hypothesis in this study, the $t2_{\text{value}}$ of -0.091 and probability $0.928 > 5\%$ means that the return on equity value partially has no significant effect on stock prices. Thus the third hypothesis (H3) which states " individual stock prices are significantly affected by return on equity (ROE) in food and beverage sub-sector companies listed on the Indonesia Stock Exchange for the period 2017-2021 "is accepted at a 95% confidence level. The partial contribution of return on equity to stock prices is r_2 partial determination = -0.010 (table 1) or -1%. The findings in this study are in line with the findings of the study of Sauqi et al., (2019) which states that ROE has no significant effect and the research findings of Nurlia & Juwari (2019) partially states that return on equity (ROE) has a positive and insignificant effect on stock prices. But the results of this study are in line with the findings of the research of Wulansari & Prihantoro (2018) which partially states that ROE has a

significant effect on stock prices and the findings from the research of Khasanah et al., (2021) which states that return on equity (ROE) has a definite influence on stock prices.

In testing the fourth hypothesis in this study, the t_3 value of 1.457 and probability $0.149 > 5\%$ means that the net profit margin value partially has no significant effect on stock prices. Thus the fourth hypothesis (H4) which states "individual stock price significantly influenced by the net profit margin (NPM) in the food and beverage sub-sector companies listed on the Indonesia Stock Exchange for the period 2017-2021" is accepted at the 95% confidence level. The partial contribution of net profit margin to stock prices is r_3 partial determination = 0.161 (table 1) or 16.1%. The findings in this study are in line with the findings of the study of Khasanah et al., (2021) which states that net profit margin (NPM) has an uncertain effect on stock prices and research by Choiriyah et al., (2021) which states that NPM and OPM have no significant effect on stock prices of banking companies on the Indonesia Stock Exchange (IDX). However, the results of this study are not in line with the findings of the study of Sauqi et al., (2019) which states that NPM partially has a significant effect on stock prices of metal companies listed on the Indonesia Stock Exchange for the 2014-2016 period.

In testing the fifth hypothesis in this study, the t_4 value of 2.605 and probability of $0.011 < 5\%$ means that the value of earnings per share partially has a significant effect on stock prices. Thus the fifth hypothesis (H5) which states "individual stock prices are significantly affected by earnings per share (EPS) in food and beverage sub-sector companies listed on the Indonesia Stock Exchange for the period 2017-2021" is accepted at a 95% confidence level. The partial contribution of earnings per share to stock prices is r_4 partial determination = 0.280 (table 1) or 28%. The findings in this study are in line with the findings from the Sorongan study (2019) which states that Earnings per Share has a positive and significant effect on the stock prices of automotive companies listed on the IDX for the period 2013-2015 and Ilahiyah (2021) which states that partially EPS has a positive and significant effect on stock prices of pharmaceutical companies listed on the Indonesia Stock Exchange (IDX), but the results of this study are not in line with the findings of Maulita & Arifin (2018) which states that EPS has no significant effect on sharia stock returns.

4. Conclusion

Conclusions from this study include:

1. Return on assets, return on equity, net profit margin, and earnings per share simultaneously have a significant effect on stock prices
2. Return on assets has a positive and significant effect on stock prices
3. Return on equity has a negative and insignificant effect on stock prices
4. Net profit margin has a positive and insignificant effect on stock prices
5. Earning per share has a positive and significant effect on stock prices

The implication of the results of this study is that the company further increases its income and assets so that the net income obtained is greater and increases the earnings per share, and shareholders do not immediately withdraw their shares when there is a decline in share prices, because it is expected that financial performance stability will occur.

Limitations in this study, namely:

1. The period used in estimating is too short and the sample obtained is also small, so the results of this study cannot be generalized as a company in the food and beverage sub-sector as a whole.
2. The busyness of researchers working in a company so that the writing of this thesis does not show optimal results.

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