The Influence of Current Ratio, Debt to Equity, and Return on Assets on Stock Prices in The Media and Entertainment Subsector Companies Listed on The Indonesia Stock Exchange

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Abstract – This study examines the effect of Current Ratio (CR), Debt to Equity Ratio (DER), and Return on Assets (ROA) on Stock Prices in media and entertainment sub-sector companies listed on the Indonesia Stock Exchange (IDX) for the period 2016-2023. This study uses a quantitative method with secondary data obtained from the annual financial reports of 7 media and entertainment sub-sector companies listed on the IDX. The results of the study indicate that CR does not have a significant effect on Stock Prices, while DER and ROA together have a significant effect on Stock Prices in media and entertainment sub-sector companies. This finding indicates that investors pay more attention to the capital structure and profitability of companies in this sub-sector than to liquidity. This study has several limitations, such as the limited number of samples and not considering other variables that may affect Stock Prices. Further research is expected to overcome these limitations and expand the analysis by including other variables and considering data from other sectors on the IDX.

Keywords – Current Ratio, Debt to Equity Ratio, Stock Price.

INTRODUCTION

The era of technology that is developing rapidly like today provides space for society to help economic growth. One of the economic growth of a country can be seen in whether or not the number of investors in the capital market increases. The increase in capital market investors, due to the increase in investors who invest their assets in the capital market, through applications supervised by the Financial Services Authority (OJK), makes it very easy for investors to find information and developments in recognizing products in the capital market.

The stock exchange or capital market is a very important milestone or tool for the economy of a country because, in addition to increasing the efficiency and competitiveness of a company that goes public, the stock exchange also has two functions, namely, as a means for companies to get funds from the investor community and the capital market is a means for the public to invest in financial instruments such as stocks, bonds, mutual funds, and others.

The more the stock price matches the market information, the market situation has been perfectly formed. With the existence of the capital market, investors do not have to be directly involved in the form of ownership of real assets used in these investment activities. Meanwhile, the investor's goal in investing is to maximize returns. According to Hartono (2014), Return is the result obtained from investment. In investing, an investor must expect a return and is unlikely to want to make an investment that does not make a profit.

The Indonesian capital market is regulated in the law of the Republic of Indonesia number 8 of 1995 concerning the capital market which contains regulations on activities related to public offerings and trading of securities issued by them, as well as institutions and professions related to securities. Securities are securities, namely debt acknowledgment letters, commercial securities, stocks, bonds, proof of debt, Participation Units of collective investment contracts, futures contracts on Securities, and any derivatives of Securities.

The form of a stock is a piece of paper that explains that the owner of the paper is the owner of the company that issued the securities. Proof that a person or party can be considered a shareholder is if they are

already registered as shareholders in a book called the Register of Shareholders (DPS). The benefits that investors can get from stock investment are dividends and capital gains.

Every time the stock price fluctuates, the stock price is formed through the mechanism of supply and demand in the capital market. A stock experiences excess demand if the stock price tends to rise, and vice versa if the stock price is over-promulgated tends to fall. In general, several factors affect the rise and fall of a company's stock price. These factors are classified into internal factors and external factors. Internal factors are factors that arise from within the company. While external factors are factors that come from outside the company.

The goal that a company wants to achieve is to obtain maximum profit or profit. By obtaining maximum profits, the company can make new investments, improve product quality, and prosper employees.

The assessment of a company's financial performance can be seen from various financial ratios that reflect the health and efficiency of the company's operations. The three financial ratios that are often used are the Current Ratio (CR), Debt to debt-to-equity ratio (DER), and Return on Assets (ROA).

According to Kasmir (2016), the current ratio is a ratio to measures the company's ability to pay short-term obligations or debts that are due immediately at the time of being billed as a whole.

The same thing was stated by Mamduh (2016) who said that the current ratio measures the ability of a company to meet its short-term debt by using its current assets (assets that will turn into cash within one year or one business cycle).

Wiagustini (2013) argues that the Debt-debt-equity ratio (DER) is a ratio that compares long-term debt with own capital. Lalu Kasmir (2016) said that the Debt to debt-equity ratio (DER) is a ratio used to assess debt to equity.

Subramanyam stated that (2010) profitability can be measured by Return on Asset (ROA). ROA is the ratio of the expected rate of return on invested capital which is calculated by dividing net profit by the average asset.

Shares are securities issued by a company in the form of a limited liability company commonly called an issuer (Sjahrial, 2009).

According to Suhartono and Qudsi (2009), shares are a sign of the participation or ownership of a person or business entity in a company or limited liability company. By including this capital, the party has claims for the company's income, claims for the company's

assets, and has the right to attend the General Meeting of Shareholders (GMS). On the other hand, stocks are an investment instrument that many investors choose because stocks can provide attractive levels of profit (Martalena & Maya, 2011).

The amount of profits distributed depends on the number of shares held in the company. The stock price is the value of the shares determined by the strength of the stock buying and selling offer on a certain market mechanism and is the selling price from one investor to another (Darmadji & Fakhruddin, 2006).

The value of a company can be described by the development of the company's share price in the capital market. The higher the share price of a company, the higher the value of the company.

According to Suad Husnan and Enny Pudjiastuti (2004), a stock or security is a piece of paper that shows the right of the owner of the paper to obtain a share of the prospects or wealth of the company that issued the securities and various conditions to exercise these rights.

Companies in the media and entertainment sub-sector have an important role in the economy and socio-culture. They not only contribute to gross domestic product but also influence people's behavior and preferences. The growth of this industry is driven by the increasing use of the internet, smartphones, and other digital platforms. Therefore, the financial performance of companies in this sub-sector is interesting to analyze, especially regarding stock prices.

This study aims to examine the influence of the current ratio (CR), Debt to Equity Ratio (DER), and Return on Assets (ROA) on the stock price of media and entertainment subsector companies listed on the IDX.

MATERIALS AND METHODS

This study uses a quantitative method with secondary data obtained from the annual financial statements of 7 media and entertainment subsector companies listed on the IDX for the 2016-2023 period. The sampling technique uses purposive sampling, with the following criteria:

1. Media and entertainment subsector companies that have been listed on the IDX in 2016-2023.
2. Media and entertainment subsector companies listed on the IDX that IPO before 2016.
3. Media and entertainment subsector companies that publish financial statements every year in the period 2016-2023.

Data analysis uses multiple linear regression with classical assumption tests (normality, multicollinearity,

autocorrelation, and heteroscedasticity), t-test, and F-test.

Based on the conceptual framework, this study formulates the following hypotheses:

- H1: The Current Ratio (CR) has no significant influence on the Share Price of media and entertainment subsector companies listed on the IDX.
- H2: Debt to Equity Ratio (DER) has a positive and significant influence on the share price of media and entertainment subsector companies listed on the IDX.
- H3: Return on Assets (ROA) has a positive and significant influence on the share price of media and entertainment subsector companies listed on the IDX.
- H4: Current Ratio (CR), Debt to Equity Ratio (DER), and Return on Assets (ROA) simultaneously have a significant influence on the share prices of media and entertainment subsector companies listed on the IDX.

RESULTS AND DISCUSSION

Relationship of Current Ratio to Stock Price (H1)

Based on the results of the calculation of the output of SPSS version 26 data processing with the t test, the value of t was obtained$_{count}$ < t$_{table}$ (1,368 < 2,032) and significance value (p-value = (0.177 > 0.05). Then H$_1$ rejected and H$_0$ Accepted. This means that there is no influence between the Current Ratio (CR) on the Stock Price of media sub-sector companies and Entertainment listed on the Indonesia Stock Exchange for the 2016-2023 period.

The results of this study are consistent or in line with previous research conducted by Indah Sulistya Dwi Lestari and Ni Putu Santi Suryantini (2019) which stated that the Current Ratio (CR) does not affect the Stock Price.

Debt to Equity Ratio Relationship to Stock Price (H2)

The results of research and testing using the IBM SPSS Version 26 program are known that the t-value is calculated < t$_{table}$ (-1.672 < 2.032) with a significance value (p = 0.101 > 0.05). If t is calculated < t$_{table}$ then H$_0$ is rejected and H$_2$ is accepted, which means that *the Debt to Equity Ratio* has a positive and significant effect on the Stock Price.

The results of this study are consistent or in line with previous research conducted by Bayu Ramadan and Nursito (2021) which stated that the Debt to debt-equity

ratio has a positive and significant effect on the Stock Price.

Relationship of Return on Assets to Stock Price (H3)

The results of research and testing using the IBM SPSS Version 26 program are known that the value of t$_{count}$ > t$_{table}$ (4.360 > 2.032) and significance value (0.00 > 0.05) then H$_0$ rejected and H$_3$ Accepted. This means that there is a significant influence between Return on Assets (ROA) on the Stock Price of media companies and Entertainment listed on the Indonesia Stock Exchange for the 2016-2023 period.

The results of this study are not by Fahmi's (2011) ratio Return on Assets Seeing the extent to which the investment that has been invested can provide a return on profit as expected. The results of the ROA research that are too high will result in a decline in stock prices. This is said that the company cannot manage and utilize its assets properly so when the company cannot allocate properly, investors will lose interest in investing and the stock price will fall. These results are supported by the research of Rosalina and Mastidok (2018), Pramulya (2016), and Mardani and Wahono (2017) which found that *Return on Assets* has a significant influence on stock prices.

The Relationship of Current Ratio, Debt to Equity Ratio, and Return on Assets to Stock Price (H4)

The results of research and testing using the IBM SPSS Version 26 program are known to have a value of F$_{count}$ > F$_{table}$ (8.881 > 2.78) and the significance value of α (0.000 < 0.05) then H$_0$ accepted and H$_1$ rejected. Based on the results of the significance test, it was obtained that there was an influence between the Current Ratio, Debt to debt-to-equity ratio, and Return on Assets to the Stock Price Simultaneously. The results of the correlation test show that the magnitude of the relationship between Current Ratio (X1), Debt to Equity Ratio (X2), and Return on Assets (X3) to the Stock Price (Y) calculated by the correlation coefficient is equal to 0.582 is in the relationship range of 0.400-0.599 with a moderate relationship level between Current Ratio (X1), Debt to Equity Ratio (X2), and Return on Assets (X3) against the variable Stock Price (Y).

The results of the determination test concluded that the variable ability Current Ratio (CR), Debt to Equity Ratio (DER), and Return on Assets (ROA) contributed 33.6% and the remaining 66.4% was influenced by other variables.

CONCLUSION AND RECOMMENDATION

Based on the results of the research and the limitations in the previous chapter, the author can draw the following conclusions:

The results of the research and testing of the T Current Ratio (CR) Test are known that the t-value calculated $<$ t_{table} (1.368 $<$ 2.032) and the significance value (p-value = (0.177 $>$ 0.05). Then H_1 is rejected and H_0 is accepted. This means that there is no influence between *the* Current Ratio (CR) on the Stock Price of media and entertainment sub-sector companies listed on the Indonesia Stock Exchange for the 2016-2023 period.

1. The results of the research and testing of the Debt *to* Equity Ratio (DER) t test are known that the t-value is calculated $<$ the table (-1.672 $<$ 2.032) with a significance value (p = 0.101 $>$ 0.05). If $t_{counts} < t_{table}$, H_0 is rejected and H_2 is accepted, which means that the Debt-to-equity ratio has a positive and significant effect on the Stock Price of media and entertainment sub-sector companies listed on the IDX for the 2016-2023 period.
2. The results of the research and testing of the Return *on Assets* (ROA) t test are known that the $_{t-value}$ calculated $>$ t_{table} (4.360 $>$ 2.032) and the significance value (0.00 $>$ 0.05), thus H_0 is rejected and H_3 is accepted. This means that there is a significant influence between *Return on Assets* (ROA) on Stock Prices in media and *entertainment* companies listed on the Indonesia Stock Exchange for the 2016-2023 period.
3. The results of the research and testing of the f test were known that the F value calculated$>$ F_{table} (8.881 $>$ 2.78) with a significance level (0.00 $<$ 0.05), H_0 $_{was}$ rejected and H_1 was accepted. So it can be interpreted that simultaneously or together the *Current Ratio, Debt to Equity Ratio,* and *Return on Assets* have a significant effect on the Stock Price of media and entertainment sub-sector companies listed on the Indonesia Stock Exchange for the 2016-2023 period.

The results of this study are expected to be used as a reference for other researchers to develop, correct, and make improvements as necessary. Referring to the results of the research, the author gives some suggestions as follows: The next research is expected to use other samples such as companies in sectors other than the media and entertainment sub-sector listed on the Indonesia Stock Exchange (IDX) to be more optimal in obtaining research results.

1. Further research is expected to add other variables that can affect the Stock Price as an independent variable.
2. For companies to improve company performance, they should pay attention to variables and factors that can have a significant effect on the Stock Price

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