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The Effect of Firm Size, Current Ratio, and Debt to Equity Ratio on Share Price in Food and Beverage Subsector Manufacturing Companies Listed on the Indonesia Stock Exchange

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ABSTRACT

The purpose of this study is to understand how company size, liquidity, and capital structure can affect stock prices in the food and beverage industry in Indonesia, and to provide practical guidance for stakeholders in making financial and investment decisions. This research method uses a sample of 18 manufacturing companies in the food and beverage subsector on the IDX in the 2019-2022 period. Sample selection is carried out by purposive sampling technique, which is a technique that considers and determines samples based on certain criteria. The purposive sampling technique was chosen to ensure that the samples taken were relevant to the research objectives. The results of this study show that the number means that the independent variable is only able to explain the bound variable of 0.299 or 29.9%. *The Stock Price variable can be explained by 29.9% by variables such as company size, debt-to-equity ratio, current ratio, and return on equity while the remaining 70.1% can be influenced by other factors that are not studied.

Introduction

The capital market has an important role in a country's economy because it functions as a means of raising funds for companies and an investment place for investors. (Saefurrohmat et al., 2022). One of the popular investment instruments in the capital market is stocks. The stock price is an important indicator that reflects the company's performance and is the main concern for investors in making investment decisions.

Manufacturing companies, especially the food and beverage subsector, are one of the attractive subsectors for investors because of the stable and increasing demand for products in line with population growth and changes in people's consumption patterns. (Saefurrohmat et al., 2022). However, stock price fluctuations in these companies are influenced by various factors, both internal and external.

The global economy is currently experiencing very sharp fluctuations, leading to a decline in performance and stock prices in various companies around the world. Since the COVID-19 pandemic hit in 2020 to 2021, the global economic trend has tended to decline. Companies in various sectors experienced a decline in performance to increase corporate value. Large and important companies in daily life such as manufacturing companies, with high liquidity and market capitalization in Indonesia, experienced a decline in performance. During the COVID-19 pandemic, people's purchasing power and consumption around the world decreased significantly. (Ratnaningtyas & Nurbaeti, 2023). This decline hurts the global economy, including Indonesia. This decrease in consumption was due to strict regulations and prohibitions on going out and gathering in public places during the pandemic. The public is encouraged to stay at home and avoid direct contact and normal socialization. (Kurniati et al., 2023). As a result, many business places have experienced a decline, including companies in the food and beverage sector. Several efforts have been made to increase the share price, one of which is by controlling the financial aspects of the Company. (Aldimiyyathi et al., 2023).

Figure 1
Average Company Size and Share Price in Manufacturing Companies in the Food and Beverage Subsector Listed on the IDX for the 2019-2022 Period

In Chart 1 above, you can see the phenomenon from 2021 to 2022, where the average stock price decreased to IDR 2,440.73 however, the average size of the company increased from a natural logarithmic value of 29.23 to 29.28. This is a phenomenon where the larger the size of the company, the higher the stock price. The larger size of the company will be a good benchmark for the performance and quality of a company because there is no doubt that large assets will also have a large market price. Investors will not abandon their intention to invest because the stock price will also increase. (Prasetyo et al., 2021).

Figure 2 Average Debt to Equity Ratio and Share Price in Food and Beverage Manufacturing Companies Listed on the IDX for the 2019-2022 Period

Graph 2 above shows a phenomenon in 2020-2021 where the debt-to-equity ratio increased by 74% accompanied by an increase in the stock price at Rp. 2,975.67. This is not in line with the theory from previous research, a higher debt-to-equity ratio will show that the performance of a company will deteriorate due to the company's increasing dependence on foreign capital. A large debt-to-equity ratio can cause a company's stock price to decrease. This is because if the company makes a profit, then the profit will be used to pay the company's debt rather than allocating it to shareholders. (Zakaria et al., 2021).

In this study, the Stock Price is a dependent variable, and independent variables, namely Company Size, Current Ratio, and Debt to Equity Ratio. The supporting theories used in this study are Signalling Theory, Pecking Order Theory, and Trade-Off Theory.

Method

According to (Sugiyono, 2020), Population is a general area of objects and subjects that have certain characteristics. Meanwhile, the population in this study is manufacturing companies in the food and beverage subsector listed on the Indonesia Stock Exchange in 2019-2022. There is also a population of 24 manufacturing companies in the food and beverage subsector found on the Indonesia Stock Exchange in 2019-2022.

A sample is several units owned by a population. In this study, there are 18 manufacturing companies in the food and beverage subsector listed on the Indonesia Stock Exchange in 2019-2022. Sample selection is carried out by the purposive sampling technique, which is a technique carried out to consider and determine samples with certain criteria, (Sugiyono, 2020). The following are the sample criteria for this research:

Table 1
Calculation of Sampling Criteria

Information	Sum
Manufacturing companies in the food and beverage subsector consecutively during the 2019-2022 period	24

Manufacturing companies in the food and beverage subsector on the Indonesia Stock Exchange that do not meet the selection criteria	6
Manufacturing companies in the food and beverage subsector on the Indonesia Stock Exchange that are used as sample	18

The sample in this study was obtained from as many as 18 companies that were included in the research criteria using purposive sampling techniques. Based on the process of selecting research samples that have been carried out, 18 companies meet the criteria and can be used as samples in the research, so the number of observation data (n) is 18x4 = 72 observation data in the study.

Results and Discussion

Multicollinearity Test

According to (Arifudin et al., 2020), the multicollinearity test is intended to see the existence of linear relationships, both perfectly and near-perfect independent variables in a regression model, and to find out the existence of multicollinearity in the regression model by looking at the tolerance value and the variance inflation factor (VIF) value. If the tolerance value > 0.10 and the VIF value < 10, then multicollinearity does not occur. The results of the multicollinearity test are presented in Table 2 as follows:

Table 2
Multicollinearity Test

Coefficients

Model		*Unstandardized Coefficients*		*Standardized Coefficients*			*Collinearity Statistics*	
		B	*Std. Error*	*Beta*	*t*	*Mr.*	*Tolerance*	*BRIGHT*
1	(Constant)	-28.640	7.861		-3.643	.001		
	LNSIZE	10.919	2.326	.528	4.694	.000	.816	1.226
	LNCR	-.033	.393	-.018	-.084	.933	.214	4.675
	LNDER	-.230	.368	-.144	-.623	.535	.193	5.172

a. Dependent Variable: LNHS

Table 2 shows that the tolerance value in the LNSIZE variable is 0.816 and VIF is 1.226. The tolerance value of the LNCR variable was 0.214 and the VIF was 4.675. The tolerance value of the LNDER variable is 0.193 and the VIF is 5.172. The tolerance value in the LNROE variable was 0.969 and the VIF was 1.032. Each variable has a tolerance

value of > 0.01 and a VIF value of < 10, so it can be concluded that there is no multicollinearity symptom for each variable in the model.

Heteroskedasticity Test

The heteroscedasticity test is used to test whether there is an unevenness in the variance of the residual for all observations in the regression model. The Glejser test is a test used in this study to see if there is a heteroscedasticity problem in this study. The following are the results of the heteroscedasticity test in this study which is available in Table 3:

Table 3
Heteroskedasticity Test

Coefficients

Model		*Unstandardized Coefficients*		*Standardized Coefficients*		
		B	*Std. Error*	*Beta*	*t*	*Mr.*
1	(Constant)	9.846	4.765		2.066	.043
	LNSIZE	-2.434	1.410	-.205	-1.726	.089
	LNCR	-.134	.238	-.131	-.563	.575
	LNDER	.021	.223	.023	.093	.926

a. Dependent Variable: ABSRES

Based on Table 3, it can be concluded that the significance value of each independent variable in this study is greater than (0.05). LNSIZE is 0.089, LNCR is 0.575, LDER is 0.926 and LNROE is 0.60. So, it can be concluded that the research data does not have heteroscedasticity.

Uji Autokorelasi

The autocorrelation test is used for a purpose, namely to find out whether there is a correlation between members of a series of data that is observed and analyzed according to space or according to time or time series. (Arifudin et al., 2020)(Ghozali, 2016). The autocorrelation test is used for a purpose, namely to find out whether there is a correlation between members of a series of data that is observed and analyzed according to space or according to time or time series. This test aims to see if there is a correlation between the interference error in the t period and the error in the t-1 period or earlier. A good regression model is a regression that is free from autocorrelation. One way to test for autocorrelation is to use the Durbin-Watson test (DW test). To detect the presence or absence of autocorrelation, it can be done through testing the Durbin-Watson (DW) test value with the following conditions (Santoso, 2020):

1) If the DW number is above +2, then a negative autocorrelation occurs
2) The DW number is between -2 and +2 so there is no autocorrelation
3) If the DW number is below -2, then a positive autocorrelation occurs

Table 4
Uji Autokorelasi

Model Summaryb

Model	*R*	*R Square*	*Adjusted R Square*	*Std. Error of the Estimate*	*Durbin-Watson*
1	.583a	.340	.299	1.04025	1.814
a. Predictors: (Constant), LNROE, LNCR, LNSIZE, LNDER					
b. Dependent Variable: LNHS					

Based on the results of Table 4, it can be seen that the model has a Durbin-Watson value of 1,814 This result satisfies – 2 < dw < + 2, so it can be concluded that there is no autocorrelation in the regression model.

Coefficient of Determination (Adjusted R2)

The determination coefficient test is used to measure whether independent variables can explain the variation of dependent variables. The results of the research determination coefficient test can be seen in the following table:

Table 5
Hasil Koefisien Determinasi

Model Summary

Model	*R*	*R Square*	*Adjusted R Square*	*Std. Error of the Estimate*	*Durbin-Watson*
1	.583[a]	.340	.299	1.04025	1.814
a. Predictors: (Constant), LNCR, LNSIZE, LNDER					
b. Dependent Variable: LNHS					

Based on the results of Table 5, the value of the Adjusted R Square that was prepared had a model result of 0.299 or 29.9%. The Stock Price variable can be explained by 29.9% by variables such as company size, debt-to-equity ratio, current ratio, and return on equity while the remaining 70.1% can be influenced by other factors that are not studied.

Model Conformance Test (Test F)

The F test was carried out to find out whether the independent variables collected in the research regression model had a joint influence on the dependent variables. This test is seen through criteria by looking at the value of probability (sig), If the value is of sig 5, then the probability of the regression model is suitable and suitable for use in testing. On the other hand, if the value of the sig > 0.05. Therefore, the model equation of regression has no conformity or is not suitable to be used as a regression model. The results of the F-value test are presented in the following table:

Table 6
F-Grade Test Results

ANOVA[a]

Model		*Sum of Squares*	*df*	*Mean Square*	*F*	*Sig.*
1	Regression	35.672	4	8.918	8.241	.000[b]
	Residual	69.256	64	1.082		
	Total	104.928	68			
a. Dependent Variable: LNHS						
b. Predictors: (Constant), LNROE, LNCR, LNSIZE, LNDER						

Table 6 shows the results of the f-test with an f-value of 8,241 and a sig value of 0.000 < 0.05, so it can be concluded that variables such as company size, debt to equity ratio, current ratio and return on equity have a significant effect on the stock price.

Partial Test (T-Test)

The Partial Test or t-Value Test can be used to determine empirically the influence of independent variables studied on partial dependent variables. The criteria obtained from the t-test are by looking at the results of the significance value or Sig and the direction of the coefficient. If the significance value obtained > 0.05 and or the regression coefficient value is opposite or negative, then the results of the alternative hypothesis are not supported. On the other hand, if the significance value obtained < 0.05 and the coefficient regression is unidirectional or positive, then the alternative hypothesis is supported. The results of the t-value test of the hypotheses are presented.

Table 7
t-Value Test Results

Coefficients

Model		*Unstandardized Coefficients*		*Standardized Coefficients*		
		B	*Std. Error*	*Beta*	*t*	*Mr.*
1	(Constant)	-28.640	7.861		-3.643	.001
	LNSIZE	10.919	2.326	.528	4.694	.000
	LNCR	-.033	.393	-.018	-.084	.933
	LNDER	-.230	.368	-.144	-.623	.535

a. Dependent Variable: LNHS

Firm Size Relative to Stock Price

Based on the table, firm size has a regression coefficient value of 0.528 with positive and unidirectional values and a significance of 0.000 < α 0.05. These results show that the SIZE variable is proven to be influential and significant on the Stock Price.

CR on the Stock Price

Based on Table 4.13, CR has a regression coefficient value of -0.018 with negative and non-directional values and a significance of 0.933 > α 0.05. The results show that the CR variable is proven to have a negative and insignificant effect on the Stock Price.

DER Against Stock Price

Based on Table 4.13, DER has a regression coefficient value of -0.144 with negative and non-unidirectional values and a significance of 0.535 > α 0.05. The results show that the DER variable is proven to have a negative and insignificant effect on the Stock Price.

Company Size Relative to Stock Price

Based on the results of the T-Test in the table, the results of the Company Size have a positive and significant effect on the Stock Price of manufacturing companies in the food and beverage sector listed on the Indonesia Stock Exchange for the 2019-2022 period. Based on the table, SIZE has a regression coefficient value of 0.528 with positive

and unidirectional values and a significance of 0.000 < α 0.05. These results show that the SIZE variable is proven to be influential and significant on the Stock Price.

The results of this study are in line with the signaling theory discovered by Spence (1973), stating that the larger the size of the company, the better the signal that investors can receive for the company, which will increase investment and stock prices. Investor Perception: Investors are generally more confident to invest in large companies because, of more established reputation and credibility; Longer and tested performance history, and wider diversification of businesses, so they are more resistant to risks, and have easier access to funding and capital sources; greater growth potential (Hu et al., 2022). Company size is an indicator that shows the financial strength of the company. The larger the company, the higher the interest of investors to invest in their shares compared to small companies. This is because large companies are considered to have a stronger financial structure such as total assets and capital compared to small companies. This condition is natural because investors want stable profits, and usually large companies have more stable profits than small companies (Saputri and Supramono, 2021).

Current Ratio to Stock Price

Based on the results of the T-Test in the table, the results of the Current Ratio have a negative and insignificant effect on the Stock Price of manufacturing companies in the food and beverage sector listed on the Indonesia Stock Exchange for the 2019-2022 period. Based on the table, the Current Ratio has a regression coefficient value of -0.018 with negative and non-unidirectional values and a significance of 0.933 > α 0.05. These results show that the Current Ratio variable is proven to have a negative and insignificant effect on the Stock Price.

This result means that the rise and fall of the value of the Current Ratio does not affect the Stock Price. This research is not in line with the signal theory which explains that the current ratio is an important signal that describes the liquidity condition of a company. Companies that have high liquidity, which is a signal for investors, will increase their stock price due to the increasing demand for company shares.

The reason the results of this study are not in line with the signal theory is that it is estimated that investors consider a high CR value not to mean that the company is performing well. This can be due to the high value of inventory. The high value of inventory will cause low company profits and ultimately not be able to provide the expected returns. (Febriani, 2020). So, not only CR is used by investors as a signal to consider making their investments. Investors can use other aspects as signals such as the company's profitability, solvency, activities, and profit management of a company. External factors such as the macroeconomic conditions of a country influence stock prices (Romanello et al., 2021).

Debt to Equity Ratio to Stock Price

Based on the results of the T-Test in the table, the results of the Debt to Equity Ratio have a negative and insignificant effect on the Stock Price of manufacturing companies in the food and beverage sector listed on the Indonesia Stock Exchange for the 2019-2022 period. Based on the table, the Debt to Equity Ratio has a regression

coefficient value of -0.144 with negative and non-directional values and a significance of 0.535 > α 0.05. The results show that the Debt to Equity Ratio variable is proven to have a negative and insignificant effect on the Stock Price.

The rise and fall of the DER value does not affect the stock price. The results of this study do not support the theory that has been used as a theoretical basis. Signal theory explains that a moderate DER can show investors that the company's management has confidence in the company's prospects. This is because the company is willing to take financial risks by using debt to fund its operations and expansion. Investors who are confident in the company's prospects will be willing to provide a higher risk premium, thus encouraging an increase in stock prices.

The effect of the Debt to the debt-to-equity ratio (DER) on the Share Price is assumed because the funding decision made by the company is not a direct factor for investors in investing their capital in the company. Investors prioritize information on how the company's management uses the funds as the company's capital effectively and efficiently. Investors consider other factors in deciding to invest such as considering the Company's profit. (Rahmawati & Subardjo, 2023).

Conclusion

This study aims to test independent variables consisting of Firm Size, Current Ratio, Debt to Equity Ratio to Stock Price. The determination coefficient of this study shows a number which means that the independent variable is only able to explain the bound variable of 0.299 or 29.9%. The Stock Price variable can be explained by 29.9% by variables such as company size, debt-to-equity ratio, current ratio, and return on equity while the remaining 70.1% can be influenced by other factors that are not studied.

Along with the variable, the Stock Price has changed in average value from year to year. The results of the study can be concluded as follows:

1. It partially proves that the Firm Size variable has a positive and significant effect on the Stock Price.
2. Partially proving that the Current Ratio variable does not affect the Stock Price
3. Partially proving that the Debt to Equity Ratio variable does not affect the Stock Price
4. Partially proving that the Profitability variable does not affect the Stock Price

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