

## **The Effect of Profitability, Solvency, Market Value, and Company Size on Stock Prices in Food and Beverage Sector Companies**

**Rifki Deva<sup>1</sup>, Anggulyah Rizqi<sup>2✉</sup>**

<sup>1,2</sup>Raden Rahmat Islamic University, Indonesia

Received: Maret, 2022

Accepted: April 23, 2022

Published: April 30, 2022

### **Abstract**

*The occurrence of stock price fluctuations in the capital market makes the stock market attractive to some investors. This study aims to determine how much influence the level of profitability, solvency, market ratios, and company size on stock prices. The research model used is descriptive statistical analysis and classical assumption test. The population of this study is the food and beverage sector companies listed on the Indonesia Stock Exchange (IDX) for the period 2017 - 2020 totaling 20 companies. The sample research method used purposive sampling technique with a total of 12 companies that met the criteria. Data analysis was performed using multiple linear regression. The results showed that partially the level of profitability variables had an effect on stock prices. The level of solvency variable has no effect on stock prices. The market ratio variable has no effect on stock prices. As for the variable size of the company has an effect on stock prices. Simultaneously it can be concluded that the level of profitability, solvency, market ratios, and firm size affect stock prices.*

**Keywords:** Profitability, Solvency, Market Ratio, Firm Size, Stock Price

## **Pengaruh profitabilitas, Solvabilitas, Nilai Pasar, dan Ukuran Perusahaan Terhadap Harga Saham Pada Perusahaan Sektor Makanan dan Minuman**

### **Abstrak**

Terjadinya fluktuasi harga saham di pasar modal menjadikan bursa efek menarik bagi beberapa kalangan pemodal (investor). Penelitian ini bertujuan untuk mengetahui seberapa besar pengaruh tingkat profitabilitas, solvabilitas, rasio pasar, dan ukuran perusahaan terhadap harga saham. Model penelitian yang digunakan adalah analisis statistik deskriptif dan uji asumsi klasik. Populasi dari penelitian ini adalah perusahaan sektor makanan dan minuman yang terdaftar pada Bursa Efek Indonesia (BEI) periode tahun 2017 – 2020 berjumlah 20 perusahaan. Metode penelitian sampel menggunakan teknik purposive sampling dengan total 12 perusahaan yang memenuhi kriteria. Analisis data dilakukan dengan menggunakan regresi linier berganda. Hasil penelitian menunjukkan bahwa secara parsial tingkat variabel profitabilitas berpengaruh terhadap harga saham. Tingkat variabel solvabilitas tidak berpengaruh terhadap harga saham. Variabel rasio pasar tidak berpengaruh terhadap harga saham. Sedangkan untuk variabel ukuran perusahaan berpengaruh terhadap harga saham. Secara simultan dapat disimpulkan bahwa tingkat profitabilitas, solvabilitas, rasio pasar, dan ukuran perusahaan berpengaruh terhadap harga saham.

**Kata kunci:** Profitabilitas, Solvabilitas, Rasio Pasar, Ukuran Perusahaan, Harga Saham.

✉ Corresponding Author: [anggulyah03@gmail.com](mailto:anggulyah03@gmail.com)  
Jl. Mojosari 2 Kepanjen, Kabupaten Malang

## INTRODUCTION

In the millennial era, the economic system has become global, business and economic competition at the national and world levels has certainly increased sharply. Therefore, the company must be able to take advantage of every opportunity that exists in order to be able to continue to survive and develop, even though the opportunity is very small. The capital market plays a big role in maintaining the survival of the company, especially for those who need long-term funds to finance their company's operational activities. Fulfillment of these funds can be reached through the capital market which is a place to bring together investors who want to channel their funds through investment with companies that want to get funds.

An investor buys a number of shares at this time in the hope of benefiting from an increase in stock prices and a number of dividends in the future in return for the time and risk associated with the investment (Tandelilin, 2010). Stocks promise large profits to their owners, both in the form of capital gains and dividends, so that investors are interested in buying shares. But behind all the promised benefits, stocks are also instruments that have a high level of risk. This is because the nature of the stock is very sensitive to changes that occur (Arifin & Agustasi, 2016).

Companies in the food and beverage sector in Indonesia have developed very rapidly. This is because the food and beverage sector has bright prospects because Indonesia has a large population with a large level of need and has high purchasing power. One of the stock price movements is influenced by the company's internal factors, namely financial performance. Financial performance is one measure of company achievement that describes the level of profits obtained by the company and the company's efficiency in using its funds in generating net profits after tax (Rustiani & Wiyani, 2017). In this study, financial performance is measured through profitability, leverage, and market value.

Profitability is a measurement of the overall effectiveness of management which is indicated by the level of profits obtained in relation to investment and sales. The better the profitability ratio, the better the description of the company's high profitability (Fahmi, 2015). Solvency / Leverage is a measurement of how much the company is financed using borrowed funds. The use of loan funds that are too high can harm the company because the company will fall into the category of Extreme Leverage, which means the company is trapped by high levels of debt and it is difficult to release the debt burden. Therefore, the company should be able to balance loan funds that are worth taking and the sources that will be used to pay them (Fahmi, 2015). Market value is a ratio describing the conditions that occur in the market. This ratio can provide understanding to the company's management about the implementation that will be implemented and the impact that will occur in the future (Fahmi, 2015). Company size is a scale used to classify the size of a company. The classification can be determined based on total sales, total assets, and stock market value (Nurminda et al., 2017).

## METHODS

The method used in this study is a quantitative method, because the research data is in the form of numbers and the analysis uses statistics. The research location in this

study is the Indonesia Stock Exchange (IDX) which provides information on the company's financial statements by accessing the official website of the Indonesian stock exchange, namely [www.idx.co.id](http://www.idx.co.id).

In this study, there are four independent variables used, namely: 1) The profitability ratio is a ratio that aims to determine the company's ability to generate profits during a certain period and also provides an overview of the level of management effectiveness in carrying out its operations (Sanjaya and Rizky, 2018) . 2) Solvency/leverage is used to measure how much a company is financed with debt. This measurement can be interpreted as the amount of company assets that are funded with funding from outside parties (Agustami and Syahida, 2019). 3) Market value is a ratio used to measure the amount of money paid by investors for every rupiah of company income (Sari and Herawati, 2019). 4) Firm size according to Welan et al. (2019) is a scale where the size of the company can be classified according to various ways (total assets, log size, stock market value, etc.). To calculate the size of the company, it can be seen from the amount of equity value, sales value or asset value.

The population in this study are food and beverage sector companies listed on the Indonesia Stock Exchange (IDX) for the 2017-2020 period. The sample used in this study were companies in the food and beverage sector for the period 2017 - 2020 that met the criteria as many as 12 companies as research samples. the data sources used are secondary data sources including: 1) Annual financial report data of food and beverage sector companies listed on the Indonesia Stock Exchange in 2017-2020; 2) Previous research in the form of scientific works, news articles, and publications in the mass media.

The method of data collection in this study was done by means of documentation and literature study. The data analysis technique used descriptive statistics. This study uses the classical assumption test which according to (Sarwono,2016) is used to ensure the estimator coefficient values produced are unbiased. Using multiple linear regression analysis which according to (Sugiyono, 2017: 275) is used if the researcher predicts how the ups and downs of the dependent variable (criteria), if two or more independent variables as predictor factors increase and decrease in value (manipulated). Hypothesis testing using T test and F test.

## **FINDINGS AND DISCUSSION**

From the results of research that has been done, the results of hypothesis testing include:

### **1. The Effect of Profitability on Stock Prices**

Based on the results of the study, it can be concluded that profitability has a positive effect on stock prices, which means the first hypothesis is accepted. The profitability variable calculated by the net profit margin (NPM) has a probability of 0.000 which is smaller than the 0.05 significance level, so it can be concluded that profitability has a positive effect on stock prices in food and beverage sector companies listed on the Indonesia Stock Exchange (IDX) period 2017-2020 partially. This means that companies tend to use profitability to see how efficient the company is in managing management to estimate company sales in the following year compared to measuring stock prices from the company's net profit margin. The company believes that good financial management by setting product prices in increasing the company's net profit

margin will have an impact on the company's share price because the greater the company's profit margin, the higher the company's stock price, and vice versa, the worse the company's profit margin, the lower the share price. company. The higher the level of profitability of the company, the higher the demand for investors to invest in the company. The higher the demand for investors to invest in the company, the higher the share price owned by the company. The results of the study are in line with Arifin and (Agustami, 2016) in their research which shows that profitability has a positive effect on stock prices.

## 2. The Effect of Leverage on Stock Prices

Based on the results of the study, it can be concluded that leverage has no effect on stock prices, which means that the second hypothesis is rejected. The leverage variable calculated by the debt to equity ratio (DER) has a probability of 0.184 which is greater than the 0.05 significance level, so it can be concluded that leverage has no effect on stock prices in food and beverage sector companies listed on the Indonesia Stock Exchange (IDX). period 2017-2020 partially. This means that predicting stock prices does not pay attention to the debt to equity ratio as a measure of financial performance so there is no need to see how much the company's ability to pay off its debts, the greater the company's debt or the smaller the company's debt will not affect the company's stock price. Leverage has a positive effect on stock prices because companies that have high debt ratios are usually growing companies. The company will usually be aggressive in seeking funding. Companies that are growing affect the increase in stock prices in the future if the company's performance is good. The results of the study are in line with (Muksal, 2017) in his research which shows that leverage has no significant effect on stock prices

## 3. Effect of Market Ratio on Stock Price

Based on the results of the study, it can be concluded that the market ratio has no effect on stock prices, which means that the third hypothesis is rejected. The market ratio variable calculated by the dividend payout ratio (DPR) has a probability of 0.895 which is greater than the 0.05 significance level, so it can be concluded that the market ratio has no effect on stock prices in food and beverage sector companies listed on the Indonesia Stock Exchange (IDX). ) period 2017-2020 partially. This means that the rise and fall of stock prices is not determined by dividends, even though high dividends do not reflect high stock prices if the book value is also high. DPR is not the main factor to determine share price. The DPR itself is only to determine how much dividends will be distributed to investors looking at the company's net profit, the share price itself is determined entirely by the company, not investors, so the size of the DPR does not determine the company's share price.

## 4. Effect of Company Size on Stock Price

Based on the results of the study, it can be concluded that company size has an effect on stock prices, which means that the fourth hypothesis is accepted. The variable company size calculated by total assets has a probability of 0.001 which is smaller than the significance level of 0.05 so it can be concluded that company size has a significant effect on stock prices in food and beverage sector companies listed on the Indonesia Stock Exchange (IDX) for the 2017 period. -2020 partially. This means that companies that have large total assets affect the company's stock price. The larger the size of a

company, there is no doubt that the company is superior in terms of wealth and good performance, so that it will attract investors to believe and want to invest by buying shares, this causes share prices to move up. The results of this study are in line with (Putranto and Darmawan 2018) in their research which shows that company size has a positive effect on stock prices.

5. Effect of Profitability, Leverage, Market Ratio, and Company Size Simultaneously on Stock Prices

Based on the results of the research on the F test, it can be concluded that simultaneously the variables of profitability, leverage, market ratio and company size affect stock prices in food and beverage sector companies listed on the Indonesia Stock Exchange (IDX) for the 2017-2020 period. This is because the Sig value of the simultaneous test is 0.000 which is smaller than 0.05. The variables of profitability, leverage, market ratios and firm size have an effect of 51.8%, while 38.2% are influenced by other variables that are not used in this study.

## CONCLUSION

Research conducted on 12 sample companies in the food and beverage sector listed on the Indonesia Stock Exchange (IDX) during the period 2017 – 2020 discusses the effect of financial performance on stock prices. Based on the discussion in the previous chapter, this study produces several conclusions, namely: Profitability affects the stock prices of sample companies listed on the Indonesia Stock Exchange (IDX) for the 2017-2020 period. This is evidenced by a significance value of 0.000 which is below 0.05 so that the first hypothesis states that Profitability (X1) has an effect on the Stock Price variable (Y). Leverage has no effect on the stock prices of sample companies listed on the Indonesia Stock Exchange (IDX) for the period 2017 – 2020. This is evidenced by a significance value of 0.184 which is above 0.05 so that the second hypothesis states that Leverage (X2) has no effect on Stock Price variable (Y). Market Value has no effect on the stock price of the sample companies listed on the Indonesia Stock Exchange (IDX) for the 2017-2020 period. This is evidenced by the significance value of 0.895 which is above 0.05 so that the third hypothesis states that Market Value (X3) has no effect on the Stock Price variable (Y). Company size affects the stock price of sample companies listed on the Indonesia Stock Exchange (IDX) for the period 2017-2020. This is evidenced by the significance value of 0.001 which is below 0.05 so that the fourth hypothesis states that Company Size (X4) has an effect on Stock Price (Y).

## REFERENCES

- Arifin, N. F., Agustami, S. (2016). Effect of Liquidity, Solvency, Profitability, Market Ratio, and Company Size on Stock Prices (Study on Plantation Sub-Sector Companies Listed on the Indonesia Stock Exchange in 2010-2014). *Journal of Accounting and Financial Research*, 4 (3), 2016, 1189-1120.
- Agustami, S., & Syahida, P. (2019). The Effect of Market Value, Profitability, and Leverage on Stock Prices (Study on Consumer Goods Industrial Sector Companies Listed on

- the Indonesia Stock Exchange (IDX) 2013-2017 Period). *Scientific Journal of Management and Accounting*. Vol. 2, No. 2.
- Bailia, F. F. W., Tommy, P., & Baramuli, D. N. (2016). The Effect of Sales Growth, Dividend Payout Ratio and Debt To Equity Ratio on Stock Prices in Property Companies on the Indonesia Stock Exchange. *Scientific Journal of Efficiency*. Vol. 16, No. 3. ISSN: 2552-9678.
- Basuki, A., & Prawoto, N. (2017). *Regression Analysis in Economics & Business Research: Equipped with SPSS & Eviews Applications*. Jakarta: PT. King Grafindo Persada
- Budianti, I. (2018). Effect of Return on Assets (ROA), Leverage (DER), Independent Commissioner, and Company Size on Tax Aggressiveness. *E Proceedings of Management*. Vol. 5, No.2. ISSN:2355-9357.
- Fahmi, I. (2015). *Introduction to Financial Management: Theory and Questions and Answers*. Bandung: ALFABETA.
- Ghozali, I. (2016). *Application of Multivariate Analysis With IBM SPSS 23 Program (8th Edition)*. VIII Printing. Semarang: Diponegoro University Publishing Agency.
- cashmere. (2016). *Financial Statement Analysis*. Jakarta: PT. King Grafindo Persada.
- Ministry of Industry of the Republic of Indonesia. (2019) Accessed February 11, 2021, from <https://kemenperin.go.id/article/20298/Industri-Makanan-dan-Minuman-Be-Sector-Champion->
- Kurniawan, N., & Mawardi, W. (2017). Analysis of the Effect of Profitability on Investment Decisions on Funding Decisions and Dividend Policy on Firm Value (Study of Companies Listed in the Jakarta Islamic Index 2011-2015). *Diponegoro Journal of Management*. Vol. 6, No.2. ISSN:2337-3792.
- Gumanti, T. A. (2009). Signal Theory in Financial Management. *Indonesian Entrepreneur Management*. Vol. 38, No. 6.
- Novari, P. M., & Lestari, P. V. (2016). The Effect of Firm Size, Leverage and Profitability on Firm Value in the Property and Real Estate Sector. *E-Journal of Unud Management*. Vol. 5, No. 9. ISSN 2302-8912, 5671-5694.
- Nurminda, A., Isyнуwardhana, D., & Nurbaiti, A (2017). The Effect of Profitability, Leverage, and Firm Size on Firm Value. *E-Proceedings of Management*: Vol. 4, No. 1,542.
- Ouso, J. M., & Mutava, S. M. (2018). The Effect of leverage on Share Prices at the Nairobi Securities Exchange. *IOSR Journal of Business and Management*. Vol. 20, Issue 6, Ver. III. ISSN: 2278-487X, p-ISSN: 2319-7668.
- Putranto, A. D., & Darmawan, A. (2018). The Influence of Company Size, Profitability, Leverage, and Market Value on Stock Prices (Case Study on Mining Companies Listed on the Indonesia Stock Exchange 2010-2016 Period). *Journal of Business Administration*. Vol.56, No.1.
- Rahmadewi, P. W., & Abundanti, N. (2018). Effect of EPS, PER, CR, and ROE on Stock Prices on the Indonesia Stock Exchange. *E-Journal of Unud Management*. Vol. 7, No. 4. ISSN:2302-8912.
- Rusli, A., & Basis, T. (2014). The Effect of Financial Ratios on Stock Prices in State-Owned Banking Companies Listed on the Indonesia Stock Exchange. *Journal of Accounting*, Vol. 1, No. 2 ISSN: 2339-1502, p. 10-17.

- Sanjaya, S., & Rizky, M. F. (2018). Profitability Analysis in Assessing Financial Performance at PT. Taspen (Persero) Medan. *Journal of Islamic Accounting and Finance*. Vol. 2, No.2.
- Sari, R. A. I., & Priyadi, M. P. (2016). Effect of Leverage, Profitability, Size, and Growth Opportunity on Firm Value. *Journal of Management Science and Research*. Vol. 5, No.10. ISSN:2461-0593.
- Sari, S. O. D., & Herawati, V. (2019) The Effect of Market Ratios, Profitability, Leverage, Liquidity and Activities on Market Performance with Corporate Governance as Moderating. *Journal of Business Administration*. Vol. 66, No.1.
- Sarwono, J. (2016). *Popular Analysis Procedures for Thesis and Thesis Research Applications with EViews*, Yogyakarta: Gava Media.
- Sekaran, U., & Bougie, R. (2014). *Research Methodology for Business*. Jakarta: Salemba Four.
- Setiawan, I. G. A. N. A. P., & Mahardika, D. P. K. (2019). Market to Book Value, Firm Size and Profitability of Hedging Decision Making (Case Study on Automotive Sub-Sector Companies and Their Components Listed on the Indonesia Stock Exchange in 2014–2017). *Scientific Journal of Accounting*. Vol. 4, No. 1.
- Sofiatin, D. A. (2020). Effect of Profitability, Leverage, Liquidity, Company Size, Dividend Policy on Firm Value (Empirical Study on Manufacturing Companies in the Industrial and Chemical Sub-sectors listed on the IDX for the period 2014-2018). *Prisma (Accounting Student Research Platform)*. Vol. 1, No.1
- Sudana, I. (2015). *Corporate Financial Management (Second Edition)*. Jakarta: Erlangga.
- Sugiyono. (2017). *Quantitative, Qualitative, and R&D Research Methods*. Bandung; Alfabet
- Sujarweni, V. W. (2017). *Financial Statement Analysis*. Yogyakarta: New Press Library.
- Sujata, N. K. A. P. D., & Badjra. I.B. (2020). Market Ratios, Profitability and Liquidity Affect Stock Prices in Automotive and Component Companies. *E-Journal of Unud Management*. Vol.9, No. 6. ISSN: 2302-8912.
- Suwandani, A., Suhendro., & Wijayanti, A. (2017). The Effect of Profitability on Stock Prices of Manufacturing Companies in the Food and Beverage Sector on the IDX in 2014-2015. *Journal of Accounting and Taxes*. Vol. 18, No. 01. ISSN:2579-3055.
- Tandelilin, E. (2010). *Portfolio and Investment. Theory and Application*. Yogyakarta: BPFE.
- Taufiq, R. (2016). Factors Affecting Stock Price Index in Companies Listed in Jakarta Islamic Index. *Journal of Accounting Science and Research*. Vol. 5, No.8. ISSN:2460-0585.
- Wehantouw, J. D., Tommy, P., & Tampenawas, J. L. A. (2017). The Effect of Capital Structure, Company Size, and Profitability on Stock Prices in Food and Beverage Sector Industrial Companies Listed on the Indonesia Stock Exchange for the 2012-2015 Period. *EMBA Journal*. Vol. 5, No. 3. ISSN: 2303-1174.
- Welan, G., Rate, P. V., & Tulung, J. E. (2019). The Effect of Profitability, Leverage and Company Size on Stock Prices in Manufacturing Companies in the Consumer Goods Industry Sector Listed on the IDX for the 2015-2017 Period. *EMBA Journal*. Vol. 7, No. 4. ISSN:2303-1174.
- Zaki, M., Islahuddin, & Shabri, M. (2017). The Effect of Profitability, Financial Leverage and Company Size on Stock Prices (Study of Manufacturing Companies Listed on the

Indonesia Stock Exchange for the Period 2005-2014). Journal of Masters in Accounting. Vol. 6, No. 2. ISSN:2302-0164.

Zulfikar. (2016). Introduction to Capital Markets Using a Statistical Approach. Yogyakarta: Deepublish.