


The Influence Of Current Ratio, Debt To Equity Ratio, Return On Assets, And Total Asset Turnover On Stock Prices

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Article Info	ABSTRACT
<p>Keywords: Current Ratio, Debt To Equity, Return Or Asset, Total Asset Turnover, Stock Price.</p>	<p>This research aims to examine the influence of the Current Ratio, Debt to Equity Ratio, Return on Assets, and Total Asset Turnover on stock prices in coal mining companies listed on the Indonesia Stock Exchange (IDX) from 2019 to 2023. The population in this study consists of 83 coal mining companies listed on the IDX during the 2019–2023 period. A sample of 14 companies was selected from this population using the purposive sampling method. The research data was then processed and analyzed using Multiple Linear Regression with the assistance of SPSS version 25. The results of the hypothesis testing indicate that the Current Ratio, Debt to Equity Ratio, and Total Asset Turnover have no significant effect on stock prices. However, Return on Assets has a positive and significant effect on stock prices.</p>
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INTRODUCTION

Indonesia is a country rich in natural resources, one of which is mining products. The mining sector is among the industries with high potential in the capital market, contributing significantly to Indonesia's economic growth. To ensure legal certainty for investors, the government has issued regulations that serve as a reference for both the government and investors in conducting investments in the mineral and coal mining sector. This regulation is stipulated in Law Number 3 of 2020, which amends Law Number 4 of 2009 concerning Mineral and Coal Mining, specifically related to investment in this sector.

Stock prices represent the value set by a company to grant ownership rights to external parties interested in acquiring shares. These values fluctuate based on business performance and are influenced by supply and demand in the stock market. Stock prices play a crucial role in determining the wealth of shareholders and also serve as a measure of corporate management success. As a result, both investors and prospective investors closely monitor stock price movements (Ibrahim & Jusmansyah, 2024).

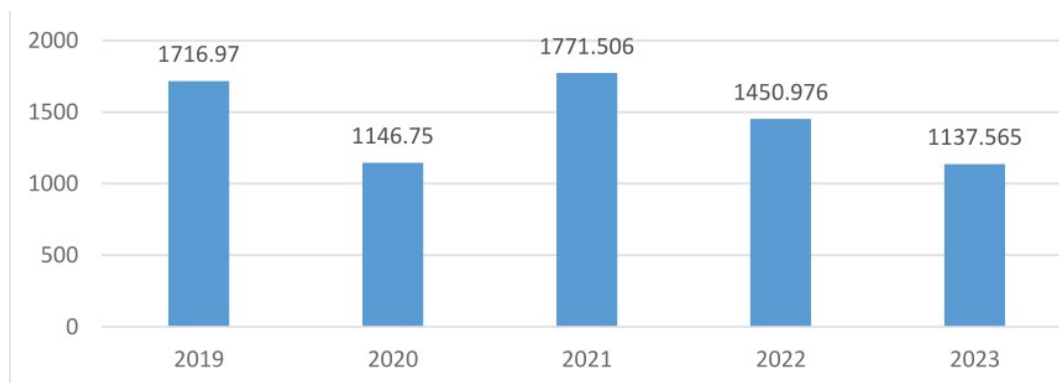


Image 1. The average stock price of the mining sector listed on the Indonesia Stock Exchange for the period 2019-2023.

Based on the image above, it can be concluded that the average stock price of mining companies in 2019 was 1,716.97. In 2020, it experienced a decline to 1,146.75, followed by an increase in 2021 to 1,771.506. However, in 2022, it dropped to 1,450.976, and another decline occurred in 2023, bringing it down to 1,137.565.

The first factor affecting stock prices is the Current Ratio. According to research conducted by Selvi and Syarif (2024), the Current Ratio influences stock prices. Similarly, research by Niazi (2021) also states that the Current Ratio has an impact on stock prices. The second factor influencing stock prices is the Debt to Equity Ratio (DER).

Based on research conducted by Selvi and Syarif (2024), it is stated that the Current Ratio affects stock prices. Since the Current Ratio measures a company's ability to meet short-term obligations with its current assets, it can have a significant impact on stock prices. When a company has a high Current Ratio, it indicates strong financial capability and resilience against short-term financial pressures. Meanwhile, research by Noviana and Nurmasali (2024) also confirms that the Current Ratio influences stock prices, as a low Current Ratio may raise investor concerns about the company's ability to meet its short-term obligations. This concern can lead to reduced demand for the company's stock, ultimately causing a decline in stock prices.

Based on research conducted by Amirullah and Febyansya (2024), the Debt to Equity Ratio (DER) affects stock prices because a high DER indicates a high level of corporate debt, which raises the risk that the company may struggle to repay its obligations, leading to a decline in stock prices. Conversely, a low Debt to Equity Ratio signifies that the company is financially capable of meeting its liabilities, which can instill confidence among investors and drive stock prices up. Research by Ardillah and Herlinawati (2022) also supports this finding, emphasizing that high DER reflects a high debt ratio relative to company equity. Investor concerns over a company's ability to meet its debt obligations, especially in uncertain economic conditions, may arise. A high DER may be perceived as an indicator of high financial risk, reducing investor confidence in the company's stability and future prospects.

Research conducted by Jeynes and Budiman (2023) indicates that Return on Assets (ROA) influences stock prices due to the direct relationship between a company's efficiency

in generating profits from its assets and market perception of its performance. The higher the ROA, the more efficiently the company utilizes its assets to generate profits, which can boost investor confidence and increase stock demand. Similarly, Nababan et al. (2023) concluded that ROA significantly affects stock prices, as ROA reflects how efficiently a company generates profits from its assets. A higher ROA implies a greater ability to generate earnings, enhancing the company's financial prospects and growth potential in the eyes of investors.

According to research conducted by Aprilani et al. (2021), data analysis has shown a positive relationship between Total Asset Turnover (TATO) and stock prices. TATO measures how efficiently a company utilizes its assets to generate revenue. A higher TATO indicates that the company effectively manages its assets to generate sales, which tends to improve financial performance and, in turn, enhance investor confidence. Increased confidence boosts stock demand, leading to a rise in stock prices. Meanwhile, Nova Anggraini, Wilanda, and Suroto (2024) also found that TATO influences stock prices. A higher TATO reflects strong operational performance, which can strengthen investor confidence in the company's ability to generate profits. This, in turn, increases demand for the company's stock, leading to higher stock prices as investor perceptions of the company's prospects improve.

METHODS

This study focuses on mining sub-sector companies listed on the Indonesia Stock Exchange (IDX) from 2019 to 2023 as its research population. Given the scope of the study, purposive sampling was employed as the sampling technique. According to Sugiyono (2018), purposive sampling is a technique for selecting samples based on specific criteria. This method ensures that the selected sample represents the characteristics needed to analyze the influence of financial ratios on stock prices in the mining sector.

The sampling criteria used in this research include mining sub-sector companies listed on IDX during 2019-2023, companies that have published complete, audited, and publicly available financial statements for the period, and companies that report their financial statements in Indonesian Rupiah (IDR) rather than foreign currencies. The exclusion criteria include companies that did not publish complete financial reports, companies that conducted an Initial Public Offering (IPO) during the research period, and companies reporting in foreign currencies.

Based on these criteria, from a total population of 83 mining companies, a filtering process was carried out. Seven companies were excluded for not publishing complete financial reports, 21 companies were removed as they conducted IPOs during the period, and 41 companies were excluded as their financial reports were in foreign currencies. As a result, only 14 companies met the criteria and were selected as the research sample.

Since the study covers five years (2019-2023), the total research data comprises 70 data points (14 companies x 5 years). The data source for this research is secondary data, obtained from www.idx.co.id, which provides official financial reports and stock market data for publicly listed companies. The collected data includes financial ratios such as Current Ratio, Debt to Equity Ratio, Return on Assets, and Total Asset Turnover, as well as stock price data.

To analyze the data, this study employs Multiple Linear Regression Analysis using SPSS version 25. This statistical approach helps determine the relationship between independent variables (financial ratios) and the dependent variable (stock prices). The analysis includes descriptive statistics, classical assumption tests, hypothesis testing (t-test and F-test), and coefficient of determination (R^2) to assess the significance and strength of the relationship between the variables.

RESULTS AND DISCUSSION

Classical Assumption Test

Normality Test

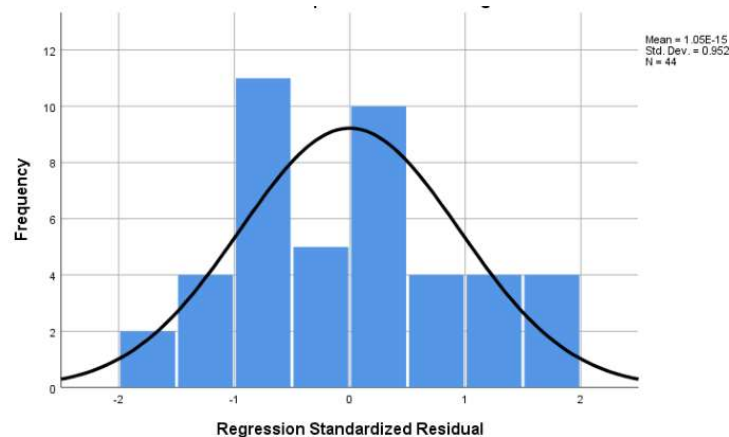


Image 2. Normality Test

Based on the histogram graph above, it can be concluded that the histogram shows a distribution pattern that tends to the right. However, at the center, it resembles an inverted bell shape that aligns with the bell curve, indicating that the data is normally distributed.

Multicollinearity Test

Table 1. Multicollinearity Test

<i>Coefficients^a</i>			
Model		<i>Collinearity Statistics</i>	
		<i>Tolerance</i>	<i>VIF</i>
1	<i>Current Ratio</i>	.649	1.541
	<i>Debt To Equity Ratio</i>	.443	2.258
	<i>Return On Asset</i>	.612	1.635
	<i>Total Asset Turnover</i>	.783	1.276
a. Dependent Variable: Stock Price			

Based on Table 1, it is known that the Tolerance value is greater than 0.1 and the Variance Inflation Factor (VIF) value is less than 10. Therefore, it can be concluded that there is no correlation between the independent variables, indicating that multicollinearity is not present in the regression model used in this study.

Heteroscedasticity Test

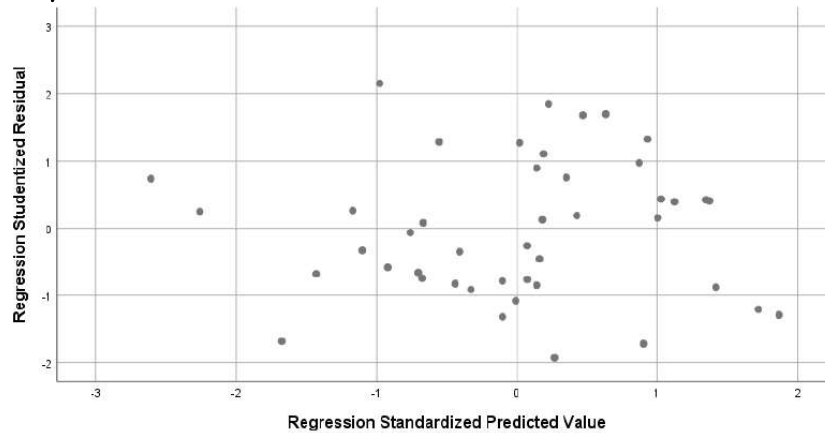


Image 3. Heteroscedasticity Test

Based on the SPSS 25 output using the Enter method, the scatter plot shows that the points are randomly distributed, do not form a clear specific pattern, and are spread above and below the 0 value on the Y-axis. Additionally, they do not form a wave-like pattern that widens, then narrows, and widens again.

Autocorrelation Test

Table 2. Autocorrelation Test

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.554 ^a	.307	.235	1.20041	2.357
a. Predictors: (Constant), Total Asset Turnover, Return On Asset, Current Ratio, Debt To Equity Ratio					
b. Dependent Variable: Stock Price					

It can be seen from the results in Table 2, that the Durbin Watson value is 0.653. It can be concluded that the DW value (2.357) > dU (1.7319), which means there is no autocorrelation.

Panel Data Regression Analysis

Table 3. Results of Multiple Linear Regression Analysis

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	8.357	.560		14.936	.000
	Current Ratio	-.081	.441	-.031	-.184	.855
	Debt To Equity Ratio	-.066	.291	-.046	-.228	.821
	Return On Asset	.461	.156	.504	2.958	.005
	Total Asset Turnover	-.617	.408	-.228	-1.511	.139
a. Dependent Variable: Stock Price						

From Table 3, it can be explained that:

1. The constant value in the regression equation is 8.357, which means that if the Current Ratio, Debt to Equity, Return on Assets, and Total Asset Turnover variables are not applied in mining sub-sector companies, the company will still carry out activities related to these variables, resulting in a fixed stock price value of 8.357.
2. The regression coefficient for the Current Ratio variable is -0.081. This indicates that a 1% decrease in the Current Ratio will lead to a 0.081 decrease in stock prices, and vice versa, assuming other variables remain unchanged.
3. The regression coefficient for the Debt to Equity variable is -0.066. This suggests that a 1% decrease in Debt to Equity will result in a 0.066 decrease in stock prices, and vice versa, assuming other variables remain unchanged.
4. The regression coefficient for the Return on Assets variable is 0.461. This means that a 1% increase in Return on Assets will lead to a 0.461 increase in stock prices, assuming other variables remain constant.
5. The regression coefficient for the Total Asset Turnover variable is -0.617. This implies that a 1% decrease in Total Asset Turnover will cause a 0.617 decrease in stock prices, and vice versa, assuming other variables remain unchanged.

Table 4. F Test

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	24.848	4	6.212	4.311	.006 ^b
	Residual	56.199	39	1.441		
	Total	81.047	43			
a. Dependent Variable: Stock Price						
b. Predictors: (Constant), Total Asset Turnover, Return On Asset, Current Ratio, Debt To Equity Ratio						

Based on the output results in Table 4, the significance value is $0.006 < 0.05$ and the F-statistic value (4.311) > F-table value (2.513). Therefore, H_0 is rejected and H_a is accepted, indicating that the regression equation in this study is suitable for use.

Table 5. t-Test Results

Coefficients ^a						
Model		Unstandardized Coefficients		Standardize d Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	8.357	.560		14.936	.000
	Current Ratio	-.081	.441	-.031	-.184	.855
	Debt To Equity Ratio	-.066	.291	-.046	-.228	.821
	Return On Asset	.461	.156	.504	2.958	.005
	Total Asset Turnover	-.617	.408	-.228	-1.511	.139
a. Dependent Variable: Stock Price						

Based on the table above, the results are as follows:

1. Effect of Current Ratio on Stock Price
The T-statistic value is smaller than the T-table value ($-0.184 < 1.997$), with a significance value of $0.855 > 0.05$. Therefore, H_0 is accepted, and H_a is rejected, indicating that the Current Ratio does not have a significant effect on stock price.
2. Effect of Debt to Equity Ratio on Stock Price
The T-statistic value is smaller than the T-table value ($-0.228 < 1.997$), with a significance value of $0.821 > 0.05$. Therefore, H_0 is accepted, and H_a is rejected, meaning that the Debt to Equity Ratio does not significantly affect stock price.
3. Effect of Return on Assets on Stock Price
The T-statistic value is greater than the T-table value ($2.958 > 1.997$), with a significance value of $0.005 < 0.05$. Therefore, H_0 is rejected, and H_a is accepted, indicating that Return on Assets has a positive and significant effect on stock price.
4. Effect of Total Asset Turnover on Stock Price
The T-statistic value is smaller than the T-table value ($-1.511 < 1.997$), with a significance value of $0.139 > 0.05$. Therefore, H_0 is accepted, and H_a is rejected, meaning that Total Asset Turnover does not significantly affect stock price.

Interpretation of Research Results

Based on the results of the research conducted using the Statistical Package for the Social Sciences (SPSS) version 25 regarding the relationship between Current Ratio, Debt to Equity Ratio, Return on Assets, and Total Asset Turnover on Stock Prices, the interpretation is as follows:

1. Effect of Current Ratio on Stock Price
Based on the analysis, it was found that the Current Ratio does not significantly affect stock prices, as evidenced by the t-test result where the significance value is greater than 0.05. Therefore, the first hypothesis (H_1) is rejected, and it can be concluded that the Current Ratio does not affect stock prices. A high current ratio indicates the accumulation of current assets, which suggests that the company cannot use excess current assets for investments that could generate profits. This could signal to investors that the company is facing losses. These findings contradict studies by Selvi and Syarif (2024) and Niazi (2021), who found that the Current Ratio affects stock prices.
2. Effect of Debt to Equity Ratio on Stock Price
Based on the analysis, it was found that Debt to Equity Ratio (DER) does not significantly affect stock prices, as evidenced by the t-test result where the significance value is greater than 0.05. Therefore, the second hypothesis (H_2) is rejected, and it can be concluded that the Debt to Equity Ratio does not affect stock prices. The DER indicates the company's reliance on debt versus equity, but it doesn't significantly impact market decisions like stock prices or profitability. Other factors, such as operational performance or market conditions, are more influential. This result contrasts with studies by Amirullah and Febyansya (2024) and Ardillah and Herlinawati (2022), who found that DER affects stock prices.
3. Effect of Return on Asset on Stock Price

Based on the analysis, it was found that Return on Asset (ROA) significantly affects stock prices, as evidenced by the t-test result where the significance value is less than 0.05. Therefore, the third hypothesis (H3) is accepted, and it can be concluded that Return on Asset has a positive and significant effect on stock prices. A higher ROA indicates that a company is efficient in utilizing its assets to generate profits, increasing investor confidence and thus boosting stock prices. This finding aligns with research by Jeynes and Budiman (2023) and Nababan et al. (2023).

4. Effect of Total Asset Turnover on Stock Price

Based on the analysis, it was found that Total Asset Turnover (TATO) does not significantly affect stock prices, as evidenced by the t-test result where the significance value is greater than 0.05. Therefore, the fourth hypothesis (H4) is rejected, and it can be concluded that Total Asset Turnover does not affect stock prices. TATO measures how well the company uses its assets to generate sales, but it is not a significant factor for investors when determining stock value. Other factors like financial performance, market conditions, or growth expectations are more influential. This result contradicts research by Aprilani et al. (2021) and Anggraini et al. (2024), who found that TATO affects stock prices.

CONCLUSION

Based on the research conducted, it can be concluded that the Current Ratio does not have an effect on stock prices, and similarly, the Debt to Equity Ratio also does not significantly influence stock prices. On the other hand, Return on Assets has a positive and significant effect on stock prices, while Total Asset Turnover does not show a significant effect on stock prices. The results of this study are expected to contribute meaningfully to all relevant parties, particularly companies, investors, and academics interested in this topic. As the capital market continues to grow rapidly year by year, the findings are hoped to provide new insights that can increase the interest and confidence of both local and international investors.

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