The Effect Of Current Ratio And Size Firm On Return Saham Food And Beverage

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ABSTRACT

The objective of the research is to analyze the influence of current ratio and size firm to stock return. In this study the subjects taken were stocks that entered the food and beverage sector that were listed on the Indonesia Stock Exchange (IDX) during 2010 - 2015. The selection of samples in this study was conducted by Purposive Sampling in order to obtain a representative sample according to predetermined criteria. The number of food and beverage industry samples that meet the criteria are 13 listed on the Indonesia Stock Exchange in 2010-2015. The data analysis technique used regression analysis with the help of the EViews program. The results confirm that the current ratio has a positive but not significant effect on stock returns and the size firm has a negative and significant effect on the return of food and beverage stocks listed on the IDX in 2010-2015.

Keywords: Current ratio; Size firm; Stock return
INTRODUCTION

The Indonesian Capital Market experienced a very rapid development from period to period, as evidenced by the increasing number of shares transacted and the increasing volume of stock trading. In line with this rapid development, the need for relevant information in making investment decisions in the capital market is also increasing. Capital Market is an indicator of the economic progress of a country and supporting the economy of the country concerned.

Information will be greatly needed by investors to make decisions in choosing stocks. As for the information needed, there are fundamentals that have an impact on company performance, as well as technical information. According to Sawir (2005: 4), there are two factors that influence return on investment, namely the first is the company's internal (fundamental) factors such as management quality, the condition of the company's financial structure and performance, and so on. The company's financial performance can be seen from the company's financial ratios. Second is external (technical) factors, for example the impact of monetary and fiscal policies, developments in the industrial sector and macroeconomic factors such as inflation, Bank Indonesia interest rates and so on. Information related to the condition of this company is generally shown in financial statements that are often used to predict prices and stock returns. Corporate finance is the most important aspect in carrying out and advancing the company, and this information is needed for internal companies and external parties in making decisions.

The internal factors used in this study are the effect of the Current ratio, and Size firm. These two factors will later be used as a reference for investors in making investments. Investors will invest their shares, if the above factors show conditions inline with their expectations, so that the purchase of shares will rise which will have an impact on rising share prices later (Gunawan, 2012).

The food and beverages sector is a sector that can be said to be dynamic, as evidenced by the many companies listed on the IDX and the existence of several companies listed and delisted from the IDX. The food and beverages sector is one of the strong sectors in surviving during the crisis period of 2008, as evidenced by the many companies that can
survive in the midst of a crisis while many companies from other sectors experience bankruptcy, so this industry will be more interesting to be researched.

The choice of food and beverage companies as the object of this research is one form of company that is quite rapidly developing. In addition, food and beverage companies are one of the companies that play an important role in the needs of the community. With the high interest in consumer needs, the greater the competition in the business world (Ramli, 2010; Ramli, 2012). Although Indonesia’s economic conditions are not too good, the food and beverage sector is not too affected.

Seeing the phenomenon that occurs, the authors are interested in examining the effect of the Current ratio, and Size firm on the Stock Return of the Food and Beverage Sector on the Indonesia Stock Exchange.

**LITERATURE REVIEW**

**Factors Affecting Stock Returns**

There are several factors that can affect the Stock Return itself, several factors that affect the price or Stock Return both macro and micro.

These factors include:

1. Macro Factors, namely factors that are outside the company, including:
   1. a) Macroeconomic Factors
      1. Inflation
      2. Interest rates
      3. Foreign Exchange Rates
      4. Economic growth rate
      5. Prices of fuel oil on the international market
      6. Regional share price index
   2) b) Non-Economic Macro Factors
      1. Domestic political events
      2. Social events
      3. International political events

2) Micro Economic Factors
Information obtained from the company’s internal conditions used is financial information in the form of accounting information summarized in financial statements and non-financial information in the form of non-accounting information that is not summarized in financial statements. Fundamental and technical information can be used as a factor used by investors to predict stock returns. If the company’s prospects are very strong and good, the company’s stock returns are expected to increase.

Several factors that influence stock returns according to Bramantyo (2006: 2) state that there are two types of analysis to determine stock returns in outline, namely fundamental information and technical information. Fundamental information obtained from internal companies includes dividends and the company’s sales growth rate, financial characteristics, company size while technical information is obtained outside the company such as economics, politics, and finance.

From the two outlines of the factors that affect the return above, we can conclude that financial performance is not the main factor that determines the capitalization of a company. The company’s operational performance is another determining factor in the company’s success. Therefore, as we know that the sustainability of the company depends on the operations of the company.

Stock indices can be a benchmark for how a company’s capitalization is influenced by external factors. For example, when using a sectoral base index reference, then this index is calculated from all companies incorporated in the same sector, so when a company in the same sector experiences a decline in performance, this will result in lowering the performance of one sector. If our basic reference is the Mandiri Stock Price Index, the results will be different, fundamental factors will dominate compared to technical factors, this happens because the valuation uses the Mandiri Price Index, based solely on the price index of one issuer, meaning that there is a possibility of a decline/increase in index due to shares of other issuers.

**Analysis of Investment Profit Levels**

To be able to choose a safe investment, it requires a careful, thorough, and supported by accurate data. The correct technique in the analysis will reduce the level of risk for investors in investing. Starting from the simplest to complicated analysis. There are even
investors who only see the trend of society in passing, just investing in the instrument. Of course this is not a mistake, but it would be nice if money or invested capital would produce maximum and safe profits. Or if there is a risk, the risk will be smaller when compared to the possible benefits that can be achieved. Therefore, it is not surprising that prospective investors want to spend large enough money to get more accurate information and analysis. In general, there are many analytical techniques in evaluating investments, but the most widely used are fundamental analysis, economic analysis and financial ratio analysis (Raharjo 2005).

**Current Ratio (CR)**
Company liquidity describes the company's ability to fulfill its short-term obligations. To measure company liquidity in this study using the ratio of current ratio (CR). The current ratio is one measure of liquidity aimed at measuring a company's ability to pay off its short-term liabilities with its current assets.

This ratio is calculated by dividing current assets with short-term liabilities. This ratio is often called the working capital ratio which shows the number of available current assets owned by the company to respond to business needs and continue its daily business activities.

So Current Ratio (CR) is a measuring tool for liquidity capabilities (short-term solvency), namely the ability to pay debts that must immediately be met with current assets.

Current assets include: cash, securities, accounts receivable, and inventory.

Current debt includes: tax debt, interest debt, money order, salary debt, and other short-term debt.

Current Ratio (CR) is higher, the net profit generated by the company is less, because the high current ratio shows the excess of bad current assets on the profitability of the company because current assets produce lower returns compared to fixed assets (Mamduh and Halim, 2003). The high current ratio value is not necessarily good in terms of profitability.

**Company Size (Size)**
One benchmark that shows the size of a company is the size of the company.
The size (size) of the company can be stated in market capitalization. The greater the market capitalization, the more well known in the community. (Achmad, 2011: 12). According to Sujoko and Soebiantoro (2007), a larger firm size reflects good growth in the company which can be seen from the size of the company's assets. The size of the company will affect the structure of corporate funding. This causes the tendency of companies to require more funds than smaller companies. Large funding needs indicate that the company wants profit growth and also the growth of stock returns.

Research Hypothesis

Some studies that are empirical evidence to support the hypothesis in this study are research carried out by Meanwhile according to Kusumo researchers (2011) with the title "Analysis of the Effect of Financial Ratios on Stock Returns on LQ 45 Non-Bank Companies" where the results of the study are Current ratios have no effect significant to stock returns. Then the research conducted by Raisa Rusmiyani (2011) Effect of Inflation, Return on Assets (ROA), Economic Value Added (EVA) and Firm Size on Stock Returns in Manufacturing Companies that are on the Indonesia Stock Exchange 2007-2008 Period. Research provides results that firm size has a negative and significant effect on stock returns. Simultaneously inflation and ROA that affect return, while the other two variables, namely EVA and firm size do not affect stock returns. With the results of the empirical research above, the hypotheses used in this study are:

**H1:** Current ratio has a positive and significant effect on stock returns in food and beverage companies listed on the Indonesia Stock Exchange for the period of 2010 - 2015

**H2:** Firm size has a negative and significant effect on stock returns in food and beverage companies listed on the Stock Exchange for the period of 2010 – 2015

**RESEARCH METHODS**

This research is associative research, namely research that aims to determine the influence or also the relationship between two or more variables (Sugiyono, 2005). Therefore this study aims to determine the effect of independent variables on the dependent variable and
how strong the influence is. Based on the type of data, this research is a quantitative research, namely research in the form of numbers.

The variables of this study include dependent and independent variables.

Variable Dependent (Y) is also called the type of dependent variable which is a variable that is caused or influenced by an independent variable (free). The dependent variable in this study is stock returns (Y). In this study the Dependent variable is Stock Return at the end of the year.

Stock return is the level of profit enjoyed by investors for the investment they make. Stock return is the result of securities investment (shares) in the form of capital gain (loss), namely the difference between the current stock price (closing price in period t) with the stock price of the previous period (closing price in period t-1) divided by the period stock price beforehand (closing price at period t-1) can be written with the formula (Jogiyanto.2010):

\[
\text{Stock returns} = \frac{P_t - P_{t-1}}{P_{t-1}} \times 100\%
\]

Information:

\(P_t\) = Current Stock Price

\(P_{t-1}\) = Price of the previous account

Independent Variables (X) Independent variables are variables that affect other variables or produce results on other variables. In this study the independent variable or independent variable is the Current ratio (X1) and Firm size (X2).

a. Current Ratio (CR)

This ratio states the company's ability to meet its short-term obligations that will be due (less than 1 year) Current Ratio (CR) is a measure of liquidity capability (short-term solvency), namely the ability to pay debts that must immediately be met with current assets. Can be formulated as follows:

\[
\text{Current Ratio} = \frac{\text{current asset}}{\text{current liabilities}}
\]
b. Firm size

Company Size (SIZE) is an independent variable in this study. Company size (SIZE) is obtained by analyzing the issuance of the total assets of the issuer. Some companies see company size from total assets while companies use revenue and market size. This study uses total assets as a measure of size, namely all assets owned by the company, both current assets and fixed assets. Large total assets will increase company efficiency and provide growth prospects for the company in the future (May, 2009).

\[
\text{Size} = \log (\text{Total Assets})
\]

**Population and Sample Research**

Population is the total number of research subjects. The implementation of research is always dealing with objects that are interesting to study. In this research the subjects taken were stocks that entered the food and beverage sector that were listed on the Indonesia Stock Exchange (IDX) during 2010 - 2015.

The selection of samples in this study was conducted by Purposive Sampling with the aim of getting a representative sample according to predetermined criteria. The criteria used are as follows:

Food and beverage companies listed on the Indonesia Stock Exchange and publish financial reports with the book period ending December 31 each year.

The company issued an annual report and notes to the financial statements for 2010-2015 respectively.

The company did not experience delisting from the Indonesia Stock Exchange during the study period.

Having data needed in research

The number of food and beverage industry samples that meet the criteria are 13 listed on the Indonesia Stock Exchange in 2010-2015. The sample in this study can be seen in Table 1.1. following:
Table 1.1: Research Samples

| No | Company name                     | Code |
|----|----------------------------------|------|
| 1  | Akasha Wira International Tbk    | ADES |
| 2  | Tiga Pilar Sejahtera Food Tbk    | AISA |
| 3  | Wilmar Cahaya Indonesia Tbk      | CEKA |
| 4  | Delta Djakarta Tbk               | DLTA |
| 5  | Indofood CBP Sukses Makmur Tbk    | ICBP |
| 6  | Indofood Sukses Makmur Tbk       | INDF |
| 7  | Mayora Indah Tbk                 | MYRO |
| 8  | Multi Bintang Indonesia Tbk      | MLBI |
| 9  | Prasidha Aneka Niaga Tbk         | PSDN |
| 10 | Sekar Laut Tbk                   | SKLT |
| 11 | Siantar Top Tbk                  | STTP |
| 12 | Nippon Indosari Corpindo Tbk     | ROTI |
| 13 | Ultrajaya Milk Industry & Trading Co Tbk | ULTJ |

Source: www.idx.co.id

Hypothesis testing

Hypothesis testing is a test in the form of steps to prove the researcher or hypothesis. This step is to test the truth of the hypothesis proposed by the researcher linearly. The hypothesis testing is carried out by the researcher as follows:

**Partial Statistical Test (t-Test)**

The t-test is conducted to see the significance of the effect of individual independent variables on the dependent variable assuming the other independent variables are constant. The t test uses the following hypotheses (Gujarati, 2003):

\[ H_0 : \beta_i = 0 \]
\[ H_a : \beta_i \neq 0 \]

Where \( \beta_i \) is the coefficient of the independent variable - i as the hypothetical parameter value. The value of \( \beta \) is usually considered zero, meaning that there is no effect of the \( X_i \) variable on \( Y \). From the results of the t test, the conclusions that may be obtained are:

a) If the statistical \( \text{Sig} < \alpha \), then \( H_0 \) is rejected and \( H_a \) is accepted
b) If the statistical \( \text{Sig} > \alpha \), then \( H_0 \) is accepted and \( H_a \) is rejected

or

a) If \( t_{\text{statistik}} > t_{\text{tabel}} \), then \( H_0 \) is rejected and \( H_a \) is accepted
b) If $t_{statistik} < t_{table}$, then $H_0$ is accepted and $H_a$ is rejected

$\alpha = 1\%, 5\%$ and $10\%$.

**CONCLUSION AND IMPLICATIONS**

Based on the results of the analysis and discussion that has been explained, it can be concluded that the good Fixed Effect model is used as follows:

1. CR has a positive and not significant effect on food and beverage stock returns listed on the IDX in 2010-2015 with a coefficient of 0.083235 and a significance of 0.3192.
2. Size has a negative and significant effect on the return of food and beverage stocks listed on the Stock Exchange in 2010-2015 with a coefficient of -1.314748 and a significance of 0.0986.

Based on the conclusions and limitations of this study, some of the implications are as follows:

1. The results of this study show investors that the Current Ratio has a positive but not significant effect on food and beverage stock returns, so these variables need to be considered, but not a primary consideration in assessing the performance or capacity of food and beverage companies.

2. By obtaining the results that Firm size has a negative and significant effect on food and beverage stock returns, the implication is that this variable does not need to be a concern for investors in making judgments in evaluating the performance of food and beverage companies.

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