

The Impact of Operating Profit Margin, Debt to Equity Ratio, and Current Ratio on Stock Prices of Manufacturing Companies in the Consumer Goods Sector Listed on the Indonesian Stock Exchange for the Period 2016-2018

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Abstract

This study aims to determine and analyze the impact of the Operating Profit Margin, Debt to Equity Ratio, and Current Ratio of manufacturing companies in the Consumer Goods Industry sector from 2016-2018. The independent variables in this study include the Operating Profit Margin, Debt to Equity Ratio, and Current Ratio, and the dependent variable is the Stock Price. Companies operating in the manufacturing sector of the consumer goods industry are companies with good prospects and are targeted by the public as investment targets. The sampling technique in this study uses purposive sampling with 41 companies sampled using a quantitative method, descriptive research type, explanatory research characteristics, and secondary data type. The population of this study is 51 manufacturing companies in the Consumer Goods Industry sector listed on the Indonesia Stock Exchange from 2016 - 2018. In hypothesis testing, this study uses Multiple Linear Regression Analysis. From the hypothesis testing in this study, it can be concluded that the Operating Profit Margin (OPM), Debt to Equity Ratio (DER), and Current Ratio (CR), which are independent variables, do not significantly influence the Stock Price of consumer goods industry sector companies listed on the Indonesia Stock Exchange for the period 2016-2018, which is the dependent variable. In addition, the partial hypothesis testing results in this study show that the Operating Profit Margin (OPM) does not significantly affect the Stock Price of consumer goods industry sector companies listed on the Indonesia Stock Exchange for the period 2016 - 2018, whereas the Debt to Equity Ratio (DER) and Current Ratio (CR) do not significantly affect the Stock Price of consumer goods industry sector companies listed on the Indonesia Stock Exchange for the period 2016-2018.

Keywords: *Operating Profit Margin (OPM), Debt to Equity Ratio (DER), Current Ratio (CR), and Stock Price.*

1. Introduction

In essence, there are three things that humans need, namely, primary, secondary, and tertiary needs. To fulfill these needs, people need an appropriate business form. Thus, the Consumer Goods Industry company was formed (Yusuf et al., 2023). The Consumer Goods Industry is a manufacturing business that processes several raw materials into finished products consumed by consumers and the wider community. Subsectors of this company include the pharmaceutical industry, household appliances, to food and beverages. Most of the consumer goods industry stocks are targeted by investors on the Indonesia Stock Exchange (www.sahamgain.com).

The stock price is the pricing of a company's shares by another party that wants to own shares, where its value will also change at any time (Sahabuddin et al., 2023). A high company value will also produce a high stock value, and vice versa. The increase that occurs in the Operating Profit Margin, Debt to Equity Ratio, and Current Ratio will affect the decrease and increase in the stock price of manufacturing companies in the Consumer Goods Industry sector for the period 2016-2018. Even though they get a lot of investments, the stock prices owned by companies in the same field are not necessarily experiencing the same thing.

Operating Profit Margin (OPM) is a form of profitability ratio by comparing operating profit before tax on sales previously invested by shareholders. An increase in OPM will reduce the stock price of manufacturing companies in the Consumer Goods Industry sector for the period 2016-2018. The Debt To Equity Ratio (DER) is a ratio that compares the total debt and equity, which is quite often applied by several analysts and investors to ensure the amount of the company's related debt. The increase in DER will also increase the stock price in the Consumer Goods Industry sector manufacturing companies for the period 2016-2018. The Current Ratio (CR) is a ratio that assesses the business industry's ability to pay short-term obligations or debts that will soon mature by applying existing current assets. The higher the CR ratio, the higher the guarantee of debt repayment, but it can lower the stock price of manufacturing companies in the Consumer Goods Industry sector for the period 2016-2018.

2. Literature Review

The Theory of Operating Profit Margin on Stock Price

Kasmir (2013:202) states that OPM is the amount truly generated from a company's operations, disregarding other financial obligations. Murhadi (2013:63) also mentions that OPM is something that reflects management's ability to convert activities into profits. Hery (2016:197) states that OPM is a ratio used in measuring the percentage magnitude of operational profit over net sales. Based on these opinions, OPM is a form of a company's ability to increase profits before interest and taxes with the sales concept implemented.

Theory of Debt to Equity Ratio on Stock Price

Hani (2015:124) mentions that DER is something that displays the portion of capital that guarantees all debts. Wardiyah (2017:106) states that DER is a risk in assessing the size of a company in financing carried out by creditors. Sujarweni (2017:61) mentions that DER is a form of comparison between company debt and equity, and its ability to fulfill capital and other obligations. According to these opinions, DER is a form of financial ratio in the comparison of the total debt and its equity.

Theory of Current Ratio on Stock Price

Fahmi (2015:121) mentions that CR is a measurement applied in short-term solvency. Agnes Sawir (2017:8) states that CR is a formula applied to find out the ability to fulfill short-term obligations. Triwartono (2018:82) mentions that CR is the process of comparing each asset with its liabilities. Based on these opinions, the CR is a comparison between short-term debt and a company's current assets.

Conceptual Framework

The conceptual framework explains the interrelation between theories or concepts that support the research and are used as guidelines in formulating the research hypothesis.

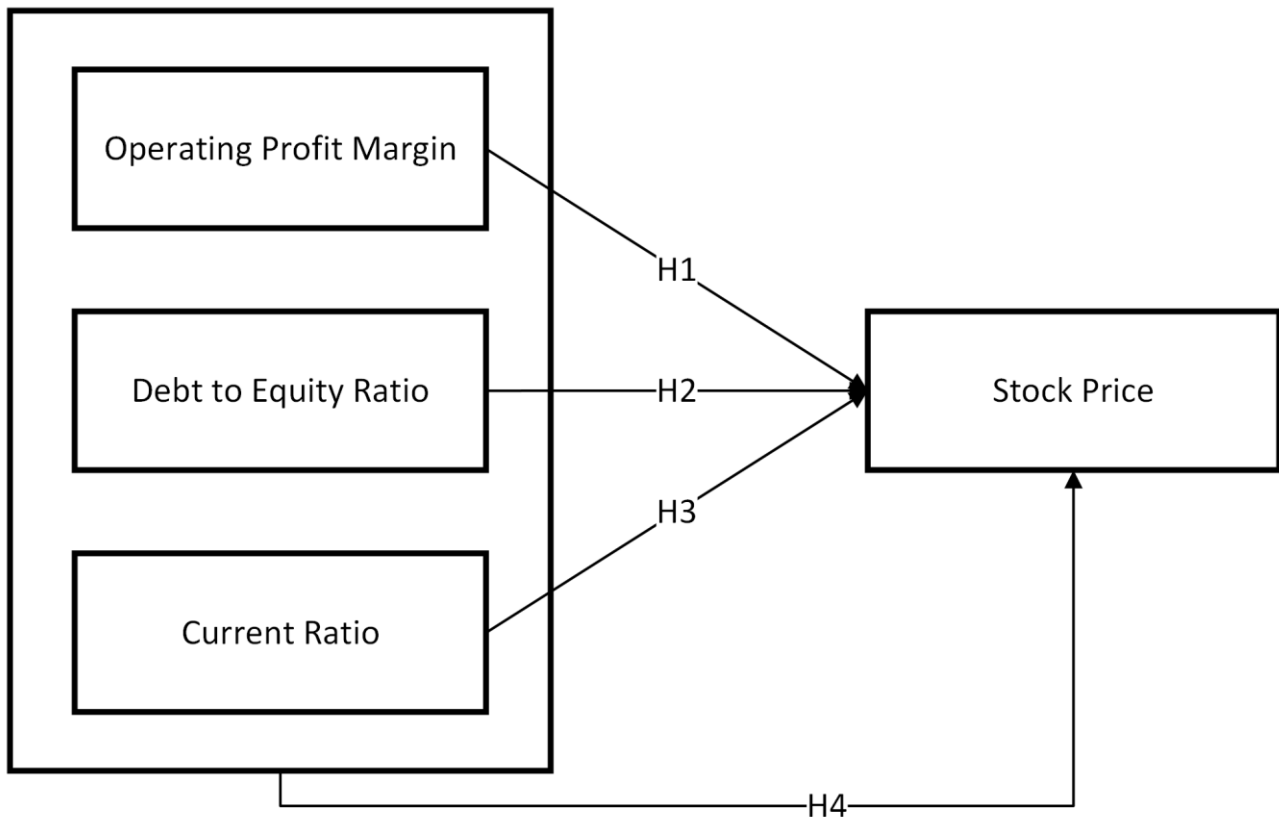


Figure 1. Conceptual Framework

Hypothesis

The hypotheses contained in this study are:

- H1: OPM has an impact on the stock price of Consumer Goods Industry companies that have been registered on the Indonesia Stock Exchange.
- H2: DER has an impact on the stock price of Consumer Goods Industry companies that have been registered on the Indonesia Stock Exchange.
- H3: CR has an impact on the stock price of Consumer Goods Industry companies that have been registered on the Indonesia Stock Exchange.
- H4: OPM, DER, and CR have an impact on the stock price of Consumer Goods Industry companies that have been registered on the Indonesia Stock Exchange.

3. Methodology

The study focuses on the Consumer Goods Industry sector companies that have been registered in the Indonesia Stock Exchange (BEI) from 2016 to 2018. The data is collected from February 2023 to August 2023, accessed via www.idx.co.id and www.google.com. This study adopts a quantitative approach and is classified as descriptive research with an explanatory research characteristic. The research population consists of 51 Consumer Goods companies registered on the BEI. Purposive sampling method is used for data collection. According to Sugiyono (2013:81),

purposive sampling is a method to determine samples for consideration in a study. The sampling criteria for this study are:

1. Consumer Goods Industry companies that have been registered in BEI from 2016 to 2018.
2. Consumer Goods Industry companies that reported their financial data from 2016 to 2018.
3. Consumer Goods Industry companies that experienced consecutive losses from 2016 to 2018.

A sample of 41 companies is selected annually, resulting in a total of 123 samples for the period 2016-2018. Sugiyono (2015:224) mentions that data collection is a strategic step in research. This study employs the document research technique, collecting data directly from the Consumer Goods Industry companies registered in the BEI from 2016 to 2018. Secondary data, which Sugiyono (2016:225) defines as not directly providing data to the data collector, is utilized in this study. The data, including financial reports and stock prices from 2016 to 2018, is sourced from the official BEI website. The operational definitions and measurement of dependent and independent variables include Operating Profit Margin (OPM), Debt to Equity Ratio (DER), Current Ratio (CR), and Stock Price. Validity and Reliability Tests The validity test ensures the measurement instrument functions properly. The reliability test uses Cronbach's Alpha, with a benchmark of 0.60 for acceptable reliability. The normality test checks if residuals have a normal distribution. The multicollinearity test ensures that regression models are not correlated with each other, i.e., among independent variables. The heteroskedasticity test ensures no variance difference in residuals from each observation. A good regression model exhibits homoscedasticity. A multiple linear regression analysis, using SPSS, is applied to analyze the significant impact of independent variables on dependent variables. Coefficient of Determination (R²), Simultaneous Hypothesis Testing (F-test), and Partial Hypothesis Testing (t-test) are conducted. The F-test examines whether all independent variables included in the model jointly affect the dependent variable. The t-test confirms the influence of each independent variable on the dependent variable.

4. Result and Discussion

Descriptive Statistics

In the research variable description, an explanation will be provided related to the minimum, maximum, mean, and standard deviation of each variable applied in this research, namely Operating Profit Margin (OPM) (X1), Debt to Equity Ratio (DER) (X2), Current Ratio (CR) (X3) and stock price (Y) of manufacturing companies in the Consumer Goods Industry sector for the period 2016-2018. Below is a complete descriptive analysis of the research variables:

Table 1. Descriptive Statistics

Variables	Minimum	Maximum	Mean	Std. Deviation	
LNX1	123	-2.53	6.17	4.9303	1.15669
LNX2	123	2.48	6.20	4.9597	.83834
LNX3	123	.00	7.75	4.9120	1.24855
LNY	123	1.61	11.33	5.5824	1.43326

Source: Research Results, 2023 (Processed Data)

Based on the Table 1 above, the minimum value of Operating Profit Margin (OPM) (X1) obtained is -2.53, and its maximum value is 6.17. The mean value is 4.9303, and the standard

deviation is 1.15669. For Debt to Equity Ratio (DER) (X2), the minimum value obtained is 2.48, the maximum value is 6.20, the mean value is 4.9597, and the standard deviation is 0.83834. As for the Current Ratio (CR) (X3), the minimum value obtained is 0.00, and the maximum value is 7.75. The mean value is 4.9120, and the standard deviation is 1.24855. Lastly, for the stock price (Y), the minimum value is 1.61, the maximum value is 11.33, the mean value is 5.5824, and the standard deviation is 1.43326.

Normality Test

In the process of testing the normality of a regression model, the model applies residuals. The normality test and these residual values implement a graphical method, namely normal probability by observing data distribution on the diagonal line.

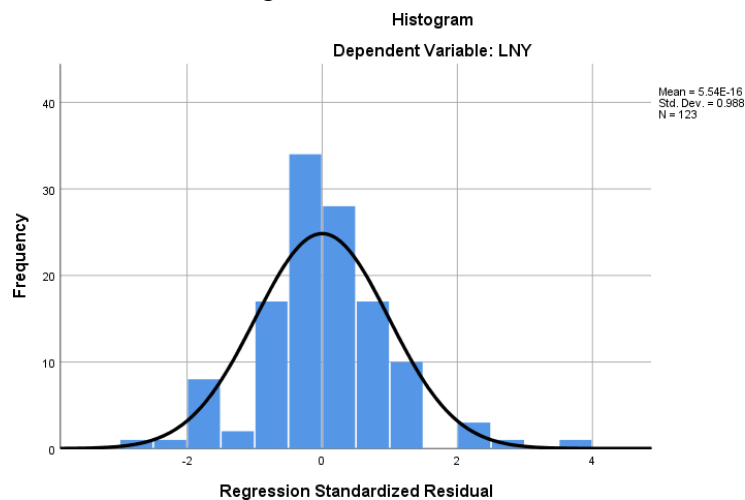


Figure 2. Normality Test Histogram

Source: Research Results, 2023 (Data Processed)

Heteroskedasticity Test

In this study, the heteroskedasticity test was employed using statistical methods and graphical methods, where the chosen statistical method used the Glejser test (Figure 3).

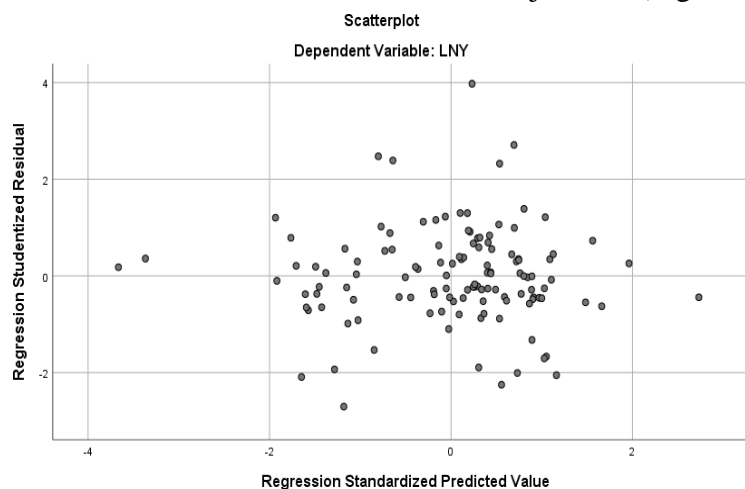


Figure 3 Heteroskedasticity Test

Source: Research Results, 2023 (Data Processed)

In Figure 3, it can be seen that the points do not form a specific pattern, and the points are spread above and below the number zero on the Y-axis. Therefore, it can be concluded that the regression model does not exhibit heteroskedasticity, thus satisfying the assumption of non-heteroskedasticity.

Multiple Linear Regression Analysis

Table 2. Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients Beta		
	B	Std. Error		t	Sig.
1 (Constant)	2160.093	1406.437		1.536	.127
OPM	-4.862	12.304	-.037	-.395	.693
DER	-4.673	9.391	-.048	-.498	.620
CR	-.951	2.794	-.033	-.340	.734

Source: Research Results, 2023 (Data Processed)

The results of the multiple linear regression analysis yield the following equation: $Y=2160,093 - 4,862 X_1 - 4,673 X_2 - 0,951 X_3 + e$. The interpretation of the multiple regression equation is as follows. Based on the data above, there is a constant of 2160.093, which means that when the independent variables OPM, DER, and CR are equal to 0, the stock price will be 2160.093. The regression coefficient for the OPM variable is -4.862 and it's negative, indicating that for every unit increase in OPM, the stock price will decrease by 4.862 units, assuming all other variables remain constant. The regression coefficient for the DER variable is -4.673 and it's negative, indicating that for every unit increase in DER, the stock price will decrease by 4.673 units, assuming all other variables remain constant. The regression coefficient for the CR variable is -0.951 and it's negative, indicating that for every unit increase in CR, the stock price will decrease by 0.951 units, assuming all other variables remain constant.

Discussion

Influence of Operating Profit Margin on Stock Price

The research results show a t-count value of $-0.395 < t\text{-table value of } 1.981$ and a significance value of $0.693 > 0.05$. This means that the Operating Profit Margin (OPM) does not influence the stock price of the related company. This aligns with Hery's statement (2016:197) that Operating Profit Margin is a ratio used to measure the size of the operating profit percentage over net sales. This means the higher the operating profit margin, the higher the operating profit provided by net sales. This could be due to high gross profit and low operating expenses. Conversely, the lower the operating profit margin, the lower the operating profit from net sales (Meiryani et al., 2023).

Influence of Debt to Equity Ratio on Stock Price

The research shows a t-count value of $-0.498 < t\text{-table value of } 1.981$ and a significance value of $0.620 > 0.05$. Therefore, it can be concluded that the Debt to Equity Ratio (DER) does not affect the stock price listed on manufacturing companies in the Consumer Goods Industry sector from 2016-2018. This research result is also consistent with Sujarweni (2017:61) who states that Debt to Equity Ratio compares debts and equity in the company's capital and explains the potential of the company's own capital in meeting all its obligations. This condition aligns with the theory that if the DER in a company is high, the company has a large debt compared to its capital. This situation explains the maximum impact borne by the funds provided in the company, thus causing shareholders to think that companies with large debts are associated with the security level of investments in the company, which can easily wobble. On the other hand, when a company has large debts, the company can use it for investment, thus increasing profits. Therefore, shareholders find it difficult to measure company performance, so DER does not influence stock prices.

Influence of Current Ratio on Stock Price

The research shows a t-count value of $-0.340 < t\text{-table value of } 1.981$ and a significance value of $0.734 > 0.05$. Thus, it is stated that the Current Ratio has no influence on the stock price listed on manufacturing companies in the Consumer Goods Industry sector from 2016-2018. The research results are in line with Agnes Sawir (2017:8) who states that the Current Ratio is a measurement scale commonly used to determine whether or not it can meet short-term obligations. This explains that if the company has not yet been able to utilize its current asset potential in providing an investment, the investment can provide an additional profit, and if the company cannot utilize its current asset potential, surely the shareholders know if the company is in a loss condition, then the demand price at the company is minimal and certainly will not affect the stock price. Of course, when the potential of current resources is not idle and is utilized in providing additional working capital and can be utilized in providing additional profits, it can attract investors to buy stock prices in the company.

5. Conclusions

Based on the partial hypothesis testing output, the t-count value is less than the t-table value ($-0.395 < 1.981$) with a significance level of $0.693 > 0.05$. This means that the Operating Profit Margin (OPM) has no partial influence on the stock price of consumer goods industry sector companies listed on the Indonesia Stock Exchange. According to the partial hypothesis test results, the t-count value is less than the t-table value ($-0.498 < 1.981$) with a significance level of $0.620 > 0.05$. This means that the Debt to Equity Ratio (DER) partially has no influence on the stock price of consumer goods industry sector companies listed on the Indonesia Stock Exchange. From the partial hypothesis testing results, the t-count value is less than the t-table value ($-0.340 < 1.981$) with a significance level of $0.734 > 0.05$. This indicates that the Current Ratio (CR) partially has no influence on the stock price of consumer goods industry sector companies listed on the Indonesia Stock Exchange. Based on the results of simultaneous hypothesis testing, the F-count value (0.157) is less than the F-table value (2.68) with a significance probability of $0.925 > 0.05$. This suggests that OPM, DER, and CR simultaneously have no influence on the stock price of consumer goods industry sector companies listed on the Indonesia Stock Exchange.

In light of the issues studied, several suggestions are proposed: For the consumer goods industry sector companies listed on the Indonesia Stock Exchange, it is recommended that the company should further foster a working spirit in terms of quality and quantity. This can demonstrate progress and increase stock prices, thus arousing investors' interest in funding the company. For the Faculty of Economics at Prima Indonesia University, it is suggested that the output of this research

should be published to provide references for future researchers. The results of this study offer additional insights and inputs for researchers and can inspire other researchers in their investigations. For future researchers, it is advised to include other variables beyond those examined in this study.

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