

## The Effect Financial Performance on Stock Price (Case Study of Food Company Listed on Indonesia Stock Exchange BEI)

Dwi Agustyawati<sup>1\*</sup>, Muhammad Rais R<sup>2</sup>

<sup>1,2</sup>Muhammadiyah University of Buton, Indonesia  
E-mail Koresponden: [partyazh@gmail.com](mailto:partyazh@gmail.com)

### Article Info

*Keywords:*  
*Influence,*  
*Financial.*  
*Performance, Stock*  
*Price*

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**Abstract:** This study aims to identify the factors that influence the stock price of food companies on the Indonesia Stock Exchange (IDX) during the 2018-2021 period, and data analysis was carried out using multiple linear regression tests using data from published financial reports of food companies and stock price data from the platform. IDX stock trading. The results of the analysis show that Earning Per Share has a significant effect on stock prices. This is because an increase in EPS can increase the potential income for shareholders, make shares more attractive, and increase the demand for these shares. In addition, Net Profit Margin also has a significant effect on stock prices because it shows higher efficiency and company profitability. This attracts investors and demonstrates the company's ability to generate significant profits. Furthermore, the Current Ratio also has a significant effect on stock prices because it can show a company's ability to pay short-term obligations easily. This gives confidence to investors that the company is able to overcome financial challenges and operate properly. However, Debt to Equity Ratio does not have a significant effect on stock prices because other factors such as company growth, industry performance, and market sentiment have a greater influence on stock prices than debt to equity ratio. Finally, the Price Earning Ratio also has no significant effect on stock prices because stock valuation is influenced by other factors such as company growth, industry conditions, and market sentiment, which are more important than the PER itself.

### 1. Introduction

The need for capital or funds in the business world is always increasing due to increased production activities. This creates a greater demand for capital, which encourages companies to look for sources of financing that can provide large enough amounts to be used for business development, increased production, and other activities. Therefore, companies are constantly looking for ways to access financing sources that can meet their growing capital. Many companies from various sectors compete with each other to advance their business. Significant economic development will create new opportunities and increase the demand for products and services, which makes competition in the market to advance in the market even

tighter. Companies must do everything they can to improve their business and continue to grow, even though this is not easy and requires substantial funds (Kumala, 2018).

The capital market is a way for companies to get additional capital in a country by selling shares to investors. Investing in the capital market can provide long-term benefits for investors because they can own part of the shares of the selected company, so they will benefit from the investment without having to be involved in the operational activities of the company they have invested in. Thus, the capital market is a way for companies to grow and develop in the long term by accessing available financing sources. In addition, the capital market is also an option for investors who want to benefit without having to work or be directly involved in the company's operations. The capital market is a facility provided by the government and economic institutions to make it easier for companies, government institutions or investors to obtain capital by accessing available sources of financing and obtaining profits from investment. The capital market also provides a mechanism for parties who need funds to access available financing sources.

One of the most popular instruments in the capital market is the stock. Stocks are one type of investment that is quite interesting and in demand because they can provide large profits, but also have high risks. According to Husnan in (Marlina, 2022) shares are proof of company ownership and the rights of investors over the company that issued the shares. Shares are in the form of securities which are proof of ownership of a person or company to an issuer company. Shareholders have rights to a portion of the company's assets as reflected in the net profit earned by the company, as well as voting rights at the general meeting of shareholders (GMS). Companies that issue their shares in the capital market always try to maximize the value of their shares so that many investors are interested in investing in their company, investors can measure the value of a company's shares by looking at the movement of its share price. The better the financial performance is seen by investors in generating profits, the more investors invest in the company.

The food industry is an important sector in a country's economy because it can contribute to increasing income and employment as well as providing the food needed by the community. However, the financial performance of food companies is not always stable and can be influenced by factors such as fluctuations in raw material prices, market competition, and changes in people's consumption habits. Therefore, food companies must be able to manage financial performance well in order to maintain a stable or even increase share price. According to (Kasmir, 2015) financial reports are a tool that can be used by investors to determine the company's financial condition during a certain period. The report usually consists of a statement of financial position, a profit and loss statement, and a cash flow statement that presents information about the company's assets, liabilities, and capital as well as the income and expenses experienced by the company.

The liquidity ratio is one measure to assess a company's ability to meet its short-term obligations. The liquidity ratio can be measured using the Current Ratio (CR), which is a ratio that shows a company's ability to meet its short-term obligations. According to writing by I Nyoman Suupa in 2018, the Current Ratio (CR) has a positive effect on stock prices. However, because stock prices can change every second, the written results may not be able to directly affect the stock price of the food company under study.

The solvency ratio is used to measure a company's ability to finance its long-term debt. One of the commonly used solvency ratios is the Debt To Equity Ratio (DER), which measures how much debt a company has compared to its equity (Sutapa, 2018). the results of writing carried out by Sofi Alfia Fitri (2016) with the title "The Influence of Financial

Performance on Stock Prices of Food and Beverages Companies on the IDX" and I Nyoman Sutapa (2018) with the title "The Effect of Ratios and Financial Performance on Stock Prices on the LQ45 Index on Stock Exchanges Indonesia (IDX) Period 2015-2016" shows that the solvency ratio has no significant effect on stock prices. However, it still needs to be considered whether these results also apply to food companies, bearing in mind that market conditions and the characteristics of the food industry may differ from other industries.

According to Fahmi (2017), market ratios are used to assess a company's stock price based on earnings and book value per share. This ratio provides an indication of the company's past performance and future prospects expected by investors. One of the market ratios used to measure this is the Price Earning Ratio (PER), which helps determine whether a company's stock price is considered too high or potential (cheap), (Brigham and Houston in M. K. Putri, 2018). Sofi Alfia Fitri (2016) in writing entitled "The Influence of Financial Performance on Stock Prices of Food and Beverage Companies on the IDX" found that PER does not have a significant effect on stock prices in food and beverage companies on the Indonesia Stock Exchange. However, it still needs to be considered whether the results can be applied to different food companies, given the different market conditions and characteristics of the food industry.

## **2. Literature Review**

### **Signalling Theory**

Signaling theory is an economic theory that studies how information provided by a company can affect stock prices in the market (Marlina, 2022). This theory states that stock prices will fluctuate according to the information received by investors about the company's performance. This theory also states that the information provided by the company can provide a signal to investors about what the company's management has done to achieve the goals of the company owner. This signal can be in the form of promotions or other information that shows that the company is better than other companies. This signaling theory is useful to help investors understand how the information provided by the company can affect their investment decisions.

Broadly speaking, signaling theory is a theory that explains how information can be used as a signal or sign that helps others make decisions. Financial reports are a source of information that can be used to evaluate a company's financial performance. Financial ratio analysis is carried out to facilitate the interpretation of financial reports presented by management and assist investors in making investment decisions. The rating of companies that have gone public (following the process of listing shares on the stock exchange) is usually based on an analysis of these financial ratios.

### **Financial Performance**

Financial performance is an analysis carried out to measure the extent to which a company has succeeded in managing its finances in accordance with applicable regulations. The purpose of this analysis is to determine the level of profitability or profits obtained by the company and the level of risk or health of the company. Financial performance analysis is usually carried out using the company's financial statements, which are an important source of information for investors and creditors in making decisions. Financial reports present notes or descriptions of the past, present and future conditions of the company, as well as how the stock market itself is. By analyzing the financial statements, the company's stakeholders can find out the level of the company's financial performance and make the right decisions in accordance with the expected goals.

Financial performance analysis is an important process for evaluating financial performance, including reviewing, measuring, calculating, interpreting and providing solutions to company financial problems over a certain period of time. He added that financial performance is an analysis carried out to determine the extent to which a company is managed properly and correctly by using more financial execution rules (Fahmi, 2017). Analysis of a company's financial statements basically, because they want to know the level of profitability (profit) and the level of risk or level of soundness of a company.

Financial statement analysis can also be used as an initial screening tool in selecting investment or merger alternatives, as a forecasting tool regarding future financial conditions and performance, as a diagnostic process for management, operating or other problems, or as an evaluation tool for management. One of the important meanings of financial statement analysis is to help users of financial statements understand the financial condition and performance of the company and predict what might happen in the future. Financial statement analysis can be used as an initial screening tool in choosing investment or merger alternatives, as a forecasting tool to determine future financial conditions and performance, as a diagnostic process for management, operational or other problems, or as an evaluation tool for management. Analysis of financial statements can help reduce the dependence of decision makers on pure guesswork and narrow the scope of uncertainty that is inevitable in any decision-making process (Sham, 2018).

Evaluation of financial performance is a process for assessing and evaluating the condition and financial performance of a company. The aim is to provide useful information for companies, creditors and investors in making decisions. One way that is often used to evaluate financial performance is to use financial ratios. According to Kasmir (2016: 104) financial ratios can be obtained by dividing one financial report item with another post. Thus, financial ratios can provide information about how effective a company is in managing its finances, how liquid the company is, how solvency the company is, how profitable the company is, and so on. The financial ratios used in this writing are: 1) Probability Ratio, 2) Liquidity ratio, 3) Solvency Ratio, and Market Ratio.

### **Capital Stock**

Shares can be interpreted as a sign of the equity participation of a person or business entity in a company. According to Tumandung (2017) shares are proof of ownership of a company in the form of securities issued by a company in the form of a limited liability company or commonly called an issuer. Shares represent that the owner of the shares is also a part owner of the company. Shares can also be defined as a sign of participation or ownership of a person or entity in a company or limited liability company (Putri, 2019). So shares are a sign of a person's capital participation or business entity in a company. Shares can be realized in the form of a piece of paper which explains that the owner of the paper is the owner of the company that issued the securities. The portion of ownership of a person or entity in a company is determined by how much investment is invested in the company. Shares have several benefits for their owners, namely: 1) Dividend: part of the company's profits distributed to shareholders; 2) Capital gain: profit obtained by the company from the difference between the selling price and the purchase price; 3) Non-financial benefits: the emergence of pride and the power of obtaining voting rights in determining the course of the company.

A fairly high stock price will provide benefits for the company, namely in the form of capital gains and a better image for the company, making it easier for management to obtain funds from outside the company. By owning shares of a company, the shareholder will get

the benefits mentioned above. However, keep in mind that owning stocks is also risky, as the price of the shares can fall, reducing the value of the investment. Therefore, before deciding to invest in stocks, you should carefully consider the risks and benefits that may be obtained.

### 3. Methodology

This type of writing is explanatory writing (Muhammad Darwin, 2021). Explanatory writing is writing that can explain the relationship between several variables for situations and phenomena that occur. This writing aims to analyze the influence between one variable and another variable that influence each other by using a quantitative approach in which each variable and between variables are based on a quantitative measurement scale. Quantitative writing is writing that is expressed using numbers, can be measured, and calculations are carried out and need to be interpreted first so that it becomes relevant information. Population is one of the essential things and needs to get careful attention if the writer wants to conclude a reliable and effective result for the area or object of writing (Yusuf, 2014). The population used in this writing is the annual financial statements of food companies listed on the Indonesia Stock Exchange for the 2018-2021 period. The population in this study is 67 food companies. The sample criteria in this writing can be seen in the following table:

**Table 1.** Sampling Criteria

No	Sampling Criteria
1	Companies in the food industry sector listed on the Indonesia Stock Exchange from 2018-2021 for 4 consecutive years
2	Food companies that submit their financial reports regularly during the 2018-2021 period

This study uses predetermined sample criteria to select participants. In this case, there were 30 food companies selected as the study population using a purposive sampling method. Detailed information about the companies involved can be found in Table 1. As a result of selecting the sample, the total number of samples involved in this study was 120. This was obtained by multiplying the number of companies (30) by the duration of the study (4 years). However, to ensure that the data used meets the assumption of normality, a normality test is performed on 120 samples that have been collected. The test results show that most of the data does not meet the assumption of normality with a significance level of less than 0.05. Because of these findings, the study authors decided to identify the presence of outlier data in the samples that have been collected.

These outlier data were then removed from the sample to maintain the validity of the analysis. After removing the outlier data, the number of samples that still met the normality test criteria was 90. Thus, the test results showed that of the initial 120 samples, after removing outlier data, 90 samples remained that could be used for further analysis. It is important to note that the significance value of the normality test results for these 90 samples exceeds the limit of 0.05, which indicates that the remaining data meets the normality assumptions required for further analysis in this study.

The literature study data collection method is a method used to collect data by reading written sources, such as books, scientific articles, journals, writing reports, and others. The data obtained is secondary data that is already available and has been processed by other people. In this writing, the data obtained using the literature study method is historical stock price data on the Indonesia Stock Exchange and the Jakarta Composite Index (IHSG) for the period 2018 - 2021, as well as stock prices at the closing price for the period 2018 - 2021

obtained through the official website of the Stock Exchange Indonesia, www.idx.co.id. This data is used as a relevant reference for the analysis in this writing.

The research data analysis method uses descriptive statistical methods with multiple linear analysis techniques. The main objective is to assess the effect of the independent variable (X) on the dependent variable Y (stock price) using regression analysis, which is a simple and commonly used method. Before writing, a classical assumption test is carried out first to obtain valid estimator model parameters. To meet the requirements for valid parameter values, the classical assumption test must meet the assumptions of normality, the absence of heteroscedasticity, autocorrelation and multicollinearity. The calculation method in this writing is done using SPSS 25, with the following steps:

**Classic Assumption Test**

1. Normality Test

Graphical analysis is one of the easiest ways to see the normality of the residuals, by looking at the histogram graph which compares the observed data with a distribution that is close to the normal distribution. The Kolmogorov-Smirnov test or K-S test is referred to as a non-parametric group because the authors do not know whether the data used includes parametric data or not. In the K-S test the data can be said to be normal if the Sig value is > 0.05.

2. Multicollinearity Test

There are several ways that can be done to detect multicollinearity in the regression model, including checking the R2 value produced by model estimation, analyzing the correlation matrix between independent variables, looking at the tolerance value and its opposite (1 - tolerance), and checking the variance inflation factor (VIF) value. If the R2 value generated by the estimated regression model is very high, this indicates that there is a high positive correlation between the independent variables. In addition, if the tolerance or VIF value is less than 0.10, then there is multicollinearity in the regression model. Multicollinearity should be avoided in writing, because it can affect the reliability and interpretation of the estimation results of the regression model.

3. Autocorrelation Test

In this study, another method is needed, such as the Breusch-Godfrey test to detect autocorrelation in residuals. The decision making of whether or not autocorrelation exists can be seen in the following table:

**Table 2.** Making a Decision Whether Or Not Autocorrelation Exists

Null Hypothesis	Decision	If
There is no positive autocorrelation	Reject	$0 < d < dl$
There is no positive autocorrelation	No decision	$dl \leq d \leq du$
There is no negative correlation	Reject	$4 - dl < d < 4$
There is no negative correlation	No decision	$4 - du \leq d \leq 4 - dl$
There is no autocorrelation, positive or negative	Not rejected	$Du < d < 4 - du$

4. Heteroscedasticity Test

A good regression model is one that is homoscedasticity or does not have heteroscedasticity (Ghozali 2018). The independent variable has statistical significance influencing the dependent variable, so there is an indication that heteroscedasticity is occurring.

### Multiple Linear Regression Analysis

Multiple linear regression analysis is a statistical analysis that links two or more independent variables ( $X_1, X_2, \dots, X_n$ ) with the dependent variable  $Y$  (M. K. Putri, 2018). This method is used to determine the relationship between one independent variable and one dependent variable. The general form of multiple linear regression is (Fitri, 2016):

$$Y = a + b_1X_1 + b_2X_2 + \dots + b_nX_n + e$$

Where:

$Y$  = Stock price

$a$  = Constant value

$X_1 \dots X_n$  = The  $i$ -th independent variable

$b_1 \dots b_n$  = The value of the regression coefficient or parameter of the regression coefficient of the independent variables

Thus, multiple linear regression at this writing is stated in the company as follows:

$$Y = a + b_1\text{EPS} + b_2\text{NPM} + b_3\text{CR} + b_4\text{DER} + b_5\text{PER} + e$$

$b_1$  = *Earning Per Share* (EPS)

$b_2$  = *Net Profit Margin* (NPM)

$b_3$  = *Current Ratio* (CR)

$b_4$  = *Debt to Equity Ratio* (DER)

$b_5$  = *Price Earning Ratio* (PER)

$a$  = Konstanta

$b_1, b_2, b_3, b_4, b_5$  = Koefisien regresi

$e$  = Variabel Pengganggu (*residual*)

### Model Feasibility Test (F Test)

The F test (simultan) aims to test whether the independent variable and the dependent variable really have a linear relationship. This test is carried out by calculating the  $F_{\text{count}}$  value obtained from the writing data, then comparing it with the  $F_{\text{table}}$  value contained in the statistical table. If the  $F_{\text{count}}$  value is greater than the  $F_{\text{table}}$  value, then the alternative hypothesis is accepted, which means that the independent variables simultaneously affect the dependent variable. Conversely, if the  $F_{\text{count}}$  value is less than the  $F_{\text{table}}$  value, then the null hypothesis is accepted, which means that the independent variables simultaneously have no effect on the dependent variable. In addition, it can also use the probability value ( $p$ -value) as a reference in testing the hypothesis. If the probability value  $< \alpha$  (usually  $\alpha = 0.05$  or  $0.01$ ), then the alternative hypothesis is accepted, which means that the independent variable simultaneously influences the dependent variable. Conversely, if the probability value  $\geq \alpha$ , then the null hypothesis is accepted, which means that the independent variable simultaneously has no effect on the dependent variable.

### Uji Koefisien Determinasi ( $R^2$ )

The coefficient of determination ( $R^2$ ) is a method used to measure the extent to which the independent variable ( $X$ ) can explain the variation of the dependent variable ( $Y$ ).  $R^2$  values range between 0 and 1, where the  $R^2$  value that is closer to 1 indicates that the model is getting better at explaining variations in the dependent variable. Conversely, the smaller the  $R^2$  value indicates that the model is not good at explaining variations in the dependent variable. So, the higher the value of  $R^2$ , the higher the ability of the independent variable ( $X$ ) to explain variations in the dependent variable ( $Y$ ). However, keep in mind that the coefficient of determination ( $R^2$ ) only measures the model's ability to explain variations in

the dependent variable (Y) using the independent variable (X). So, if the value of  $R^2$  is not too high, it does not necessarily mean that the model is bad, but maybe there are other variables that are more dominant in influencing the variation of the dependent variable (Y).

### Hypothesis testing

Hypothesis testing in this paper uses the t (partial) test according to Ghozali (2016: 98) t statistical test basically shows the extent to which one explanatory or independent variable influences individually in explaining the variation of variables, one way to compare the value of the t statistic with t- table. The purpose of the (partial) t test in this paper is to determine whether the independent variables (EPS, NPM, CR, DER, PER) have a significant effect on the dependent variable (stock price) partially, with the assumption that the other independent variables are considered constant. The hypothesis to be tested is: 1) If the t value is significant  $> 0.050$ , then the null hypothesis (H0) will be accepted and the alternative hypothesis (H1) will be rejected and If the t value is significant  $< 0.050$ , then the null hypothesis (H0) will be rejected and the alternative hypothesis (H1) will be accepted.

## 4. Results and Discussion

### 4.1 Results

#### Classic assumption test

##### 1. Normality Test

The normality test is used to check whether the dependent variable and independent variable have a normal distribution in the regression analysis. A good regression model must have a normal or close to normal data distribution. To test the assumption of normality in the data, the authors can use the Kolmogorov-Smirnov approach in the normality test. According to (Ghozali 2018), data can be considered normal if the significance value in the Kolmogorov-Smirnov test is greater than 0.05.

**Table 3.** Normality Kolmogorov-Smirnov Test Results  
**One-Sample Kolmogorov-Smirnov Test**

		Unstandardized Residual
N		90
Normal Parameters <sup>a, b</sup>	Mean	.0000000
	Std. Deviation	1409.382714
Most Extreme Differences	Absolute	.091
	Positive	.091
	Negative	-.078
Test Statistic		.091
Asymp. Sig. (2-tailed)		.063 <sup>c</sup>

a. Test distribution is Normal.

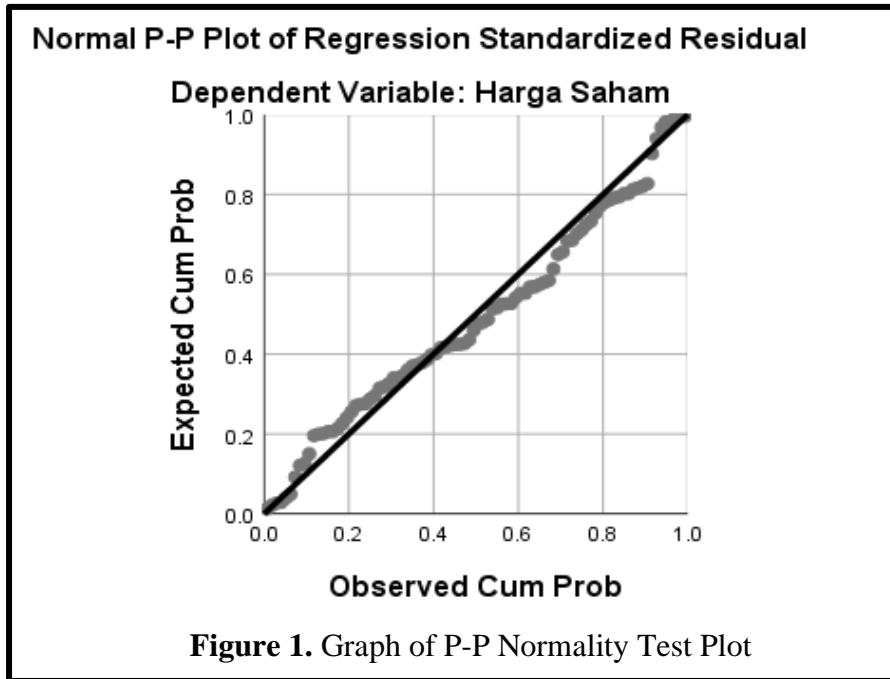
b. Calculated from data.

c. Lilliefors Significance Correction.

From the table above it can be seen that the Sig value calculation results are  $> 0.063$ , which indicates that the value is  $\alpha = > 0.05$ . Because the value of Sig.  $> \alpha = 0.05$ , it can be concluded that the data has a normal distribution and the normality assumption is met. Data normality analysis is also supported by the Normal P-P Plot, where if the points or data spread around the diagonal line and follow the direction of the diagonal line, then the assumption of normality is fulfilled. Conversely, if the points or data spread far from the diagonal line and



do not follow the direction of the diagonal line, then this assumption is considered not fulfilled.



From the P-P plot graph that can be seen, it can be concluded that the data points are spread homogeneously around the diagonal line and follow the direction of the diagonal line. Therefore, it can be concluded that the writing data meets the assumption of normality, and the regression model can be considered to meet the assumption of normality. Based on the results of the two tests, it was concluded that the data were assumed to be normally distributed.

2. Multicollinearity Test

The multicollinearity test is used to determine whether there is a strong linear relationship between the independent variables. If there is multicollinearity, it means that the independent variables are related to each other. According to Ghozali (2018) To detect multicollinearity, it can be seen from the Tolerance and VIF values. Tolerance values less than 0.1 indicate multicollinearity symptoms, while VIF values less than 10 indicate no multicollinearity symptoms. The following are the results of the multicollinearity test on the regression model tested:

**Table 4. Multicollinearity Test Results**

		<b>Coefficients<sup>a</sup></b>	
		Collinearity Statistics	
Model		Tolerance	VIF
1	EPS	.815	1.226
	NPM	.764	1.308
	CR	.625	1.600
	DER	.697	1.434
	PER	.964	1.038

a. Dependent Variable: Stock price

The results of calculating the Tolerance value show that there are no independent variables that have a value less than 0.1. In addition, the VIF (Variance Inflation Factor) calculation results also show the same thing, that is, none of the independent variables has a VIF value of more than 10. Thus, it can be concluded that there is no multicollinearity in the regression model tested, the results of the analysis regression can be trusted and the resulting interpretation can be considered correct.

### 3. Heteroscedasticity Test

The heteroscedasticity test was used to test the differences in residual variation between observations in the regression analysis. Heteroscedasticity on the residual variation can lead to inefficient and inaccurate parameter estimation, so the assumption of homoscedasticity must be fulfilled where the residual variation between observations must be the same. If the residual variation is not the same between observations, then the regression model is considered to have heteroscedasticity. If the calculated chi-square value is smaller ( $<$ ) than the table chi-square value, then there is no heteroscedasticity. However, if on the contrary, the calculated chi-square value is greater than ( $>$ ) the table chi-square value, then there are symptoms of heteroscedasticity.

**Table 5.** White Heteroscedasticity Test Results

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.530 <sup>a</sup>	.281	.238	2853517.533

a. Predictors: (Constant), PER, NPM, DER, EPS, CR

Based on the results of the heteroscedasticity test using the White test on a sample of  $N = 90$  with an  $r$  squared of 0.281, there is significant evidence that there are symptoms of heteroscedasticity in the samples tested. This is indicated by the calculated chi-square value of 25.29, which exceeds the table chi-square value of 9.488. White's test is used to test the assumption of heteroscedasticity in a regression model, which occurs when the residual variance is not constant across the range of predictor values. In this study, the test results show that there is a significant difference between the actual residual variance and the expected variance of the regression model. This means that the residual variance in the regression model is not constant and needs to be considered in further analysis.

### 4. Autocorrelation Test

The autocorrelation test is used to determine the correlation between members of a series of observation data, both time series data (periodic data) and cross-sectional data (cross-sectional time). A good regression model is a regression that is free from autocorrelation symptoms. To see or detect the presence or absence of autocorrelation symptoms, the Durbin-Watson Test (DW Test) is used.

**Table 6.** Autocorrelation Test Results

Model Summary <sup>b</sup>					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.846 <sup>a</sup>	.716	.699	1339.10603	1.583

a. Predictors: (Constant), LAG\_X5, LAG\_X2, LAG\_X4, LAG\_X1, LAG\_X3  
b. Dependent Variable: LAG\_Y

Decision making exists or autocorrelation, namely  $Du < D < 4-Du$ , so there is no autocorrelation. In this writing, the results of the Durbin-Watson test showed a DW value of 1.583 with a total sample of 90 (n) and a total of 5 independent variables ( $k = 5$ ). Based on the set Du value limit, which is 1.7758 and the dl value limit is 1.5420, and the 4-Du value is 2.2242, it can be concluded that there is no autocorrelation in the data studied. This is based on the fact that the DW value (1.583) is between the Du limit (1.5420) and below the 4-Du value (2.2242), namely  $1.5420 < 1.583 < 2.2242$ .

### Multiple Linear Regression Test

Multiple linear regression analysis was used to determine how much influence the independent variables had, namely (EPS) Earnings Per Share X1, (NPM) Net Profit Margin X2, (CR) Current Ratio X3, (DER) Debt-to-Equity Ratio X4, and (PER) Price Earnings Ratio X5, to the dependent variable, namely stock price (Y). The following table shows the results of data processing using SPSS.

**Table 7.** Multiple Linear Regression Test Results

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1079.257	583.300		1.850	.068
	EPS	12.796	.946	.814	13.528	.000
	NPM	75.950	28.865	.163	2.631	.010
	CR	-405.230	185.360	-.150	-2.186	.032
	DER	-3.719	2.579	-.094	-1.442	.153
	PER	8.111	5.635	.080	1.439	.154

a. Dependent Variable: Stock price

Based on the results of data processing table 4.5, the regression equation is obtained as follows:  $HS = 1079,257 + 12,796 \text{ EPS} + 75,950 \text{ NPM} - 405,230 \text{ CR} - 3,719 \text{ DER} + 8,111 \text{ PER}$ . The regression results can be interpreted as follows: 1) The regression results show that the value of the constant (constant) is 1079,257, which is a positive value. This shows that the value of the independent variable which is zero, the value of the dependent variable will have a value of 1079,257; 2) The value of the regression coefficient for the EPS independent variable is 12,796, which also has a positive value. This indicates that there is a positive relationship between the EPS independent variable and the dependent variable. With an increase in the value of the EPS independent variable by one unit, the value of the dependent variable will decrease by 12,796, by controlling for the other independent variables; 3) The regression coefficient for the independent variable NPM has a value of 75,950, which indicates that it has a positive value. This indicates that there is a positive relationship between the EPS independent variable and the dependent variable. With an increase in the value of the EPS independent variable by one unit, the value of the dependent variable will decrease by 75,950, by controlling for the other independent variables; 4) The regression coefficient for the independent variable CR is -405.230, which indicates a negative relationship between the independent variable CR and the dependent variable. By increasing the value of the independent variable CR by one unit, the value of the dependent variable will decrease by 405,230 by controlling the other independent variables; 5) The value of the regression coefficient for the independent variable DER is -3.719, which indicates a negative relationship between the independent variable DER and the dependent variable. With an

increase in the value of the DER independent variable by one unit, the value of the dependent variable will decrease by 3,719; 6) The regression coefficient for the independent variable PER is 8.111, which indicates a positive relationship between the independent variable PER and the dependent variable. With an increase in the value of the independent variable PER by one unit, the value of the dependent variable will increase by 8,111.

### Model Feasibility Test (F Test)

The F test is used to evaluate whether the independent variables (EPS, NPM, CR, DER, and PER) together have a significant effect on the dependent variable (stock price). To determine the significance of the effect, the significance value is observed. If the significance value  $< \alpha = 0.050$ , then the model is considered significant. In the case of finding significance, the null hypothesis (H0) is rejected and the alternative hypothesis (H1) is accepted. Conversely, if significance is not found, then H0 is accepted and H1 is rejected. In the context of the Anova output, if the F count  $< F$  table, then H0 is accepted and H1 is rejected, whereas if F count  $> F$  table, then H0 is rejected and H1 is accepted. The test results using the SPSS program show the following:

**Table 8.** Model Feasibility Test Results (Test F)  
ANOVA<sup>a</sup>

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	536913048.9	5	107382609.8	51.023	.000 <sup>b</sup>
	Residual	176786007.5	84	2104595.327		
	Total	713699056.4	89			

a. Dependent Variable: Stock price

b. Predictors (constant) PER, NPM, DER, ES, CR

Based on the results of the output table 4.6, obtained F table = F (k ; n-k) = F (5 ; 85) = F-table value (2.32), where K is the number of independent variables and n-K is the difference between the number of samples and the number of independent variables. From the output results, it can be concluded that together the independent variables (EPS, NPM, CR, DER, and PER) have a significant influence on the dependent variable (stock price). This is indicated by a significance value (sig) of 0.000 which is less than the specified significance level (0.05), and an calculated F value of 51.023 which is greater than the F table value (2.32). Thus, the conclusion is that the five independent variables (EPS, NPM, CR, DER, and PER) jointly affect stock prices.

### Determination Coefficient Test (R<sup>2</sup>)

The coefficient of determination is used to measure how far the model's ability to explain variations in the dependent variable. The value of the coefficient of determination is usually stated between 0 and 1, where the greater the value of R<sup>2</sup>, the stronger the contribution of the independent variables to the dependent variable. However, if the value of R<sup>2</sup> is small, then the ability of the independent variable to explain the dependent variable is very limited. The magnitude of the coefficient of determination can be displayed in the form of the following table.

**Table 9.** Determination Coefficient Test Results (R<sup>2</sup>)

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.867 <sup>a</sup>	.752	.738	1450.72235

a. Predictors: (Constant), PER, NPM, DER, EPS, CR

Adjusted R Square (coefficient of determination) of 0.738 indicates that around 73.8% of the variation in the dependent variable (Y), namely stock prices, can be explained by the five independent variables (X), namely Earning Per Share (X1), Net Profit Margin (X2), Current Ratio (X3), Debt to Equity Ratio (X4), and Price Earning Ratio (X5) which have been entered into the model. The remaining 26.2% is explained by other factors not included in the model. Therefore, these results indicate that the model used is effective in explaining the relationship between the independent variable and the dependent variable.

## **4.2 Discussion**

### **Effect of Earning Per Share (EPS) on stock prices**

Earning Per Share (EPS) is a ratio that measures the income a company earns for each share owned by a shareholder. This ratio compares the profit available to common stockholders with the number of common shares outstanding. The results showed that there was a significant influence of the EPS variable on stock prices. This is consistent with the theory which states that shareholders or potential investors are very concerned about the value of EPS. The results of this study are in line with previous research conducted by Melly Marlina (2022) which showed that Earning Per Share (EPS) is an indicator of financial performance that is most often considered by investors before making investment decisions. EPS provides an overview of the amount of profit that investors will get based on the number of shares they own (Marlina 2022). Likewise, other authors such as I Nyoman Sutapa (2018) stated that EPS has a positive influence on stock prices, because EPS information provides an overview of the company's future profit prospects. The above explanation can be concluded from the results of the study that EPS is a very important factor for investors and potential investors in considering investing in food companies. The higher the EPS value of a company, the more attractive it is for investors to buy shares of that company because it is considered to have high profit potential in the future. Therefore, food companies need to pay attention to their performance in generating profits in order to maintain or increase the EPS value and increase investor interest in buying the company's shares.

### **Effect of Net Profit Margin (NPM) on Stock Prices**

The results of the t (partial) test show that NPM has a significant influence on stock prices, so companies need to pay attention to NPM and try to increase it in order to increase its share price and attract investors. An increasing NPM shows that the company's ability is getting better to create from net product sales, also indicating that the company is able to streamline its operational costs well. However, NPM improvements should not be made at the expense of the quality of the products or services offered to customers. Therefore, companies need to find a balance between increasing profits and maintaining the quality of the products and services provided. Thus, the results of this study indicate that NPM is an important ratio in assessing company performance and potential future profits and has a significant influence on stock prices. NPM is important because it can show that companies are able to compete in selling their products or services according to the prices set by the company (not affected by price competition), so companies need to pay attention to NPM and strive to improve it by maintaining the quality of products and services offered to customers.

### **Effect of Current Ratio (CR) on Stock Prices**

Based on the results of the t test, the variable Current Ratio (CR) has a significant influence on stock prices. This shows that companies need to pay attention to CR as an important indicator for the company's financial health. Previous research conducted by I

Nyoman Sutapa (2018) supports this finding by showing that CR has a positive effect on stock prices. However, research conducted by Sofi Alfiani Fitri (2016) shows that CR does not have a significant effect on stock prices. Therefore, further research is needed to understand the differences in these results. The relationship between high CR and stock prices can be explained by several reasons: 1) Indicators of financial health: a high CR reflects a company's strong financial position. This shows that the company has enough current assets to pay off its short-term liabilities. Investors tend to be more interested in investing in companies with good and stable financial health, which can increase the demand for and price of the company's shares; 2) Investor confidence: A high CR gives investors confidence that the company can overcome financial challenges that may arise. This provides a sense of security and increases investor confidence in the company's long-term prospects. Investors will tend to view companies with high CR as more attractive investment options, thereby increasing buying interest and the company's stock price; 3) Liquidity and risk management: Companies with high CR have good liquidity and can meet their short-term obligations easily. This reduces the risk of bankruptcy or financial difficulties that can affect the stock price. Investors will be more confident in investing in companies that are able to manage risk well, so they can support rising stock prices.

### **Effect of Debt To Equity Ratio (DER) on Stock Prices**

Debt to Equity Ratio (DER) is a ratio that measures how much the owner's capital can cover the company's debt to outsiders. The greater the DER, the higher the company's obligations, and the lower the DER, the higher the company's ability to meet its debts (Fitri, 2016). However, the greater the company's debt, the more difficult it is for the company to pay dividends because the income available to shareholders will decrease. In addition, DER is also important for companies because it can help demonstrate the company's ability to meet obligations by using existing capital. Companies definitely expect to be able to pay their obligations when carrying out operations. However, the results of the t test show that DER has no significant effect on stock prices. These results are consistent with previous research by I Nyoman Sutapa (2018) and Sofi Alfia Fitri (2016), which also found that DER did not affect stock prices. From the results of this writing, it can be concluded that debt ratios such as the Debt to Equity Ratio (DER) are very important for companies in ensuring their ability to pay their obligations. However, the greater the company's debt, the more difficult it is for the company to pay dividends, and DER does not have a significant effect on stock prices.

### **Effect of Price Earning Ratio (PER) on Stock Prices**

Price Earning Ratio (PER) is the ratio used to show the amount paid by investors to obtain one rupiah of company profit (Fitri, 2016: 6-7). However, the results of the (partial) t test in this paper show that PER has no significant effect on stock prices, in line with Sofi Alfia Fitri's research (2016) which also yielded the same findings. Nonetheless, PER is still one of the main considerations for investors and potential investors in choosing a food company to invest in. This is because PER can provide an overview of the company's value in the stock market and prospects for future profits. However, investors should be aware that PER should not be the only factor considered in choosing a company to invest in. There are other factors such as market conditions, company performance, financial health, and other factors that must also be considered. Although PER does not have a significant effect on stock prices, it remains one of the important factors in choosing a company to invest in. Therefore, before making an investment decision, investors should consider all relevant factors carefully and obtain accurate information about the company they are interested in.

## 5. Conclusion

The conclusions from the results of this study related to the effect of financial performance on stock prices are as follows: 1) Earning Per Share (EPS) has a significant influence on stock prices, with a significance value of 0.000. EPS is a ratio that measures net income per share owned by shareholders. An increase in EPS indicates an increase in potential earnings for shareholders, which makes the stock more attractive to investors. The increase in demand for these shares will most likely lead to an increase in share prices; 2) Net Profit Margin (NPM) has a significant influence on stock prices, with a significance value of 0.010. NPM describes the percentage of net profit earned by the company from its operating income. A high NPM indicates higher efficiency and profitability of a company, which can attract investors. Investors tend to be attracted to companies that are able to generate significant profits, so this can affect stock prices; 3) Current Ratio has a significant effect on stock prices, with a significance value of 0.032. Current Ratio is a ratio that measures a company's ability to pay its short-term obligations using current assets. A high Current Ratio indicates that the company has good liquidity and is able to meet its short term obligations easily. This gives investors confidence that the company has strong financial capability, which can have a positive impact on stock prices; 4) The Debt to Equity Ratio has no significant effect on stock prices, with a significance value of 0.153. Debt to Equity Ratio is a ratio that compares a company's total debt to its total equity. Although this ratio can provide an overview of a company's capital structure, other factors such as company growth, industry performance, and market sentiment have a greater influence on stock prices. Therefore, changes in the debt to equity ratio do not significantly affect stock prices; 5) Price Earning Ratio has no significant effect on stock prices, with a significance value of 0.054. Price Earning Ratio (PER) is a ratio that compares stock prices to net income per share. Although PER can be used as an indicator of stock valuation, other factors such as company growth, industry conditions and market sentiment have a more significant influence on stock prices. Therefore, changes in PER do not significantly affect stock prices

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