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The Effect of Current Ratio, Net Profit Margin and Total Asset Turnover on Stock Returns (Financial study on the Property and Real Estate Sub-Sector Listed on the IDX in 2023)

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ABSTRAK
Penelitian ini mengkaji return saham pada subsektor properti dan real estate yang tercatat di Bursa Efek Indonesia (BEI) tahun 2023 beserta pengaruh *current ratio* (CR), *net profit margin* (NPM), dan *total asset turnover* (TATO). Berdasarkan uji asumsi klasik, data dianalisis menggunakan regresi linier *Mueller-Triplet*. Berdasarkan data tersebut, return saham secara signifikan dipengaruhi secara negatif oleh CR dan NPM serta secara positif oleh TATO. Agar tetap kompetitif, penelitian ini merekomendasikan agar pelaku usaha meningkatkan pengelolaan aset, likuiditas, dan profitabilitasnya. Untuk menganalisis perekonomian secara keseluruhan, penelitian selanjutnya sebaiknya memperluas cakupan penelitian dengan memasukkan suku bunga dan inflasi sebagai faktor makroekonomi.

Kata kunci: *current ratio*, managemen keuangan, *net profit margin*, *total asset turnover*, *return* saham

ABSTRACT
Stock returns in the property and real estate subsector listed on the Indonesia Stock Exchange (IDX) in 2023 are examined in this research along with the effects of current ratio (CR), net profit margin (NPM), and total asset turnover (TATO). Following the classical assumption test, the data was analyzed using Mueller-Triplet linear regression. Stock returns were significantly impacted negatively by CR and NPM and positively by TATO, according to the data. In order to stay competitive, this research recommends that businesses enhance their asset management, liquidity, and profitability. To further analyze the economy as a whole, future studies should broaden the scope to include interest rates and inflation as macroeconomic factors.

Keywords: current ratio, financial management, net profit margin, total asset turnover, stock returns

INTRODUCTION

Competition in the business world is increasingly competitive, requiring companies, especially those that have gone public, to improve perfomance in order to survive and attract investors. One way companies obtain operating funds is through the capital market, which is different from the financial market because it only includes long-term financial instruments (Sujana, 2017). For investors to reap the advantages of capital gains and dividends, shares must be purchased. However, in order to evaluate the company's performance, which impacts stock prices, they need accurate and relevant information (Ariyanto & Sari, 2023). \Gain maximization is the objective of capital market investors even in the absence of physical asset ownership (Hasanudin et al, 2020). The term "return" refers to the anticipated financial gain from an investment. One way to look at a company's financial health is by looking at its current ratio (CR) (Aruan et al., 2021). According to Atmojo & Susilowati (2019), the potential to make net profit after taxes is shown by Net Profite Margin (NPM). One measure of a company's profitability is its Total Assets Turnover (TATO), which measures how well its assets generate revenues (Hantono et al., 2019).

Suhartono et al. (2024) found that stock returns are a reflection of investment policy's return and are strongly correlated with risk. Specifically, they show that greater levels of risk are

accompanied with higher returns. Stock returns in the property and real estate subsector saw large swings between 2020 and 2023, with a 140% gain in 2021, a -100% drop in 2022, and a 112% increase in 2023, according to the data. Idx, data analyzed by researchers in 2024, shows that variations in the subsector's stock prices impact this fluctuation.

The effect of the debt-to-equity ratio (DER) on stock returns has been the subject of conflicting findings in the past (Sausan et al., 2020), but some studies suggest otherwise (Kusumawardani, 2023). CR according to Hasanudin et al, 2020) is not significant, but Rochim & Ghoniyah (2017) show a positive effect. NPM has a significant effect according to Januardin et al. (2020), but not significant according to Abadiyah (2023). Similar results were found for TATO, which was declared significant by Wahyudi & Deitianan (2020).

In light of this fact, the study's overarching objective is to determine how CR, NPM, and TATO will influence the value of property and real estate stocks listed on the IDX in 2023 (Syaban et al, 2024). The aim is to further understand the relationship of these three variables to stock returns, providing theoretical and practical insights for investment management and corporate finance (Kartinah et al, 2021). In theory, this study should help with financial management by clarifying the connection between CR, NPM, and TATO as they pertain to stock returns (Adhinugroho et al, 2022). The study's findings could be useful for current and future investors in the property and real estate subsector when evaluating firm performance (Illahi et al, 2020). With a focus on stock returns and other financial indicators, this study also provide a helpful overview for the advancement of the science of financial management.

METHODS

Using a quantitative approach, this study carefully describes the topic under investigation using descriptive and associative research techniques. It then combines two or more variables to discover the link between them. The impact of the current ratio, net profit margin, and total asset turnover on stock returns are the focus of this research. With stock return serving as the dependent variable, the study employs current ratios, net profit margins, and total asset turnover as independent variables. In 2023, the author will investigate the IDX-listed Property and Real Estate Sub-Sector.

This research selects a sample of IDX-listed property and real estate subsector businesses in 2023 using a purposive selection approach. Organizations meeting the following requirements are considered for inclusion: full financial reporting, net income, and stock price. After screening, 44 firms were chosen as study samples from a total of 92. To fill up the gaps in primary sources, this study relies on secondary data collected from relevant books, journals, and articles. Secondary data utilized comes from 2023 Indonesia Stock Exchange annual fundraising reports that can be found on the exchange's official website. Furthermore, literature reviews are used to gather pertinent theoretical data in this investigation. As part of the standard procedure for testing assumptions, the regression model's residual distribution is examined using the normalcy test (Ghozali, 2018). In order for a regression model to be valid, the independent variables must not have a high correlation. The multicollinearity test seeks to detect if this is the case. Lastly, we check for variations in residual variances between observations using the heteroscedasticity test. When the residual variance is constant, it means that the regression model is homoscedastic.

To find out how two or more variables are related to one another, without worrying about the possibility of a causal link, statisticians employ the correlation coefficient test (Hermawan, 2022). A correlation coefficient, which indicates the strength of a link between two variables, is the result of this method. A few examples of possible approaches include partial correlation, multiple correlation, rank correlation, Person product moment correlation, and the phi coefficient. An indicator of how closely related two variables are, the correlation coefficient (Sugiyono, 2018).

According to Ghozali (2018), determines the extent to which the independent variable explains the observed variance in the dependent variable. R^2 values might be anything from zero to one. An R^2 number close to 1 suggests a considerable impact, while a R^2 value of 0 means that the independent variable has no effect on the dependent variable. The smaller the R^2 value, the weaker the effect. However, the use R^2 has a drawback, which is the possibility of bias regarding the dependent variable. To overcome this, Adjusted R^2 is often recommended to evaluate the quality of regression models. According to Ghozali (2018) When more than one independent variable is used in a

regression model, it is called multiple linear regression. Finding the direction and magnitude of the effect of an independent variable on a dependent variable is a common application of linear regression analysis.

According to Wakhid & Purnama (2024) To put it simply, the F test reveals whether the dependent variable is affected by all of the independent variables that were part of the model. The selection is made by comparing the estimated F value with the level of significance, which is either 5% or 0.05, and then with the specified level of significance. H0 is rejected with a specific degree of certainty if the F-count is less than or equal to the F-table value, and accepted with a higher level of certainty if the F-count is more than or equal to the F-table value. According to Ghozali (2018), is used for the purpose of testing the impact of each independent variable on the dependent variable in isolation. To run the test, we compare the t-count significance value to the value, which might be either 5% or 0.05. In the absence of a significant influence of the independent variable on the dependent variable, H0 is accepted when the t-count significance value is larger than .

RESULTS

Nugraha, (2022) Before doing multiple linear regression analysis, the data was subjected to classical assumption tests to guarantee they were accurate and reliable. Tests include tests of normality, multicollinearity, autocorrelation, and heteroscedasticity, which must be met so that regression results are unbiased and consistent.

Table 1
Classic Assumption Test Results

No	Test	Result	Criteria	Description
1	Normality Test	0,262	> 0,05	Normal
2	Multicolonearity Test	Tolerance 0,152 VIF 6,578	> 0,10 < 10,0	No multicollinearity
3	Hesteroscedasticity Test	X1= 0,485; X2= 0,745 X3= 0,061	> 0,05	No heteroscedasticity

Source: Data Processed

The data that researchers have analyzed so far indicates a normalcy test result of 0.262, which is higher than the significance level of 0.05, as seen in the table above. Thus, the condition of normality in multiple linear regression has been satisfied, and it follows that the residual data follows a normal distribution. In the multicollinearity test, the findings indicated a VIF value of 6.578 < 10.00 and a Tolerance value of 0.152 > 0.10. With this figure, we can rule out the possibility of multicollinearity among the study's independent variables. So, the regression model may safely incorporate independent variables like Total Asset Turnover, Net Profit Margin, and Current Ratio. A significant value of 0.485 > 0.05 for X1, 0.745 > 0.05 for X2, and 0.061 > 0.05 for X3 were recorded in the heteroscedasticity test. According to this result, the remaining data do not exhibit heteroscedasticity. It is possible to proceed with multiple linear regression analysis based on the findings of the aforementioned classical assumption tests, which include the Normality Test, the Multicollinearity Test, and the Heteroscedasticity Test.

Inaray et al (2016)The goal of data analysis is to derive meaningful conclusions from collected data by use of organized and processed data. Extracting, organizing, synthesizing, and choosing pertinent data is part of this process to create an understandable model.

Table 2
Technical Results of Data Analysis

No	Test	Result	Criteria	Description
1	Multipke Correlation	0,963	Coefficient Intervals; 0.0-1.000	Very Strong Criterion
2	Coefficient of Determination	0,927	-	100%-92,7%= 7,3%
3	Multiple Linear Regression	Y = -12196246,9+ (-12965,533) X1 + (-8167,885) X2 + 125878381,9 X3 + e		
3	Simultaneously Significant (F Test)	Fcount = 169,636; Sig = 0,000	Ftable = 2,84[Sig = <0,05	Able to affect simultaneously

No	Test	Result	Criteria	Description
5	Partially Significant (t Test)	X1 Tcount = (-10,289); Sig = 0,000	Ttable = 1,683; Sig = <0,05	H0 rejected and H1 accepted
		X2 Tcount = (-2,505); Sig = 0,016	Ttable = 1,683; Sig = <0,05	H0 rejected and H1 accepted
		X3 Tcount = 9,363; Sig = 0,000	Ttable = 1,683; Sig = <0,05	H0 rejected and H1 accepted

Source: Data Processed

R=0.963, as shown in the preceding table, is the value of the correlation coefficient. This metric falls under the "very strong" umbrella. Thus, the study's findings demonstrate a highly correlated link between the following variables: Current Ratio, Net Profit Margin, Total Asset Turnover, and Stock Return. The computed value of the R2 (coefficient of determination) is 0.927. In other words, the ratio of current assets to total assets, net profit margin, and total asset turnover all have a 92.7% impact on stock returns. Other variables, not included in this analysis, account for the remaining 7.3%.

Multiple linear regression analysis revealed that, with all independent variables set to zero, the stock return value would be negative (with a contant of -12,196,246.9). This finding is supported by the regression equation. According to the Current Ratio coefficient of -12,965.533, there is a corresponding rise of 12,965,533 in Stock Return for every one unit increase in the Current Ratio, and a drop of 8,167.885 in Stock Return for every one unit increase in the Net Profit Margin. On the other hand, a one-unit increase in Total Asset Turnover adds significantly to Stock Return (coefficient = 125,878,381.9).

The F count value is 169,636 and the significance value is 0.000 < 0.05, according to the findings of the F test. That the Current Ratio, Net Profit Margin, and Total Asset Turnover all impact Stock Returns at the same time is evident from this. The Current Ratio (CR) variable has a t-count value of -10.289 with a significance level of 0.000, which is less than 0.05, according to the findings of the partial test (t test). A negative and statistically significant relationship between CR and stock returns is shown here. Similarly, the Net Profit Margin (NPM) variable is statistically significant (t-count = -2.505, 0.016). On the other hand, a t-count of 9.363 and a 0.000 significance level indicate that the Total Asset Turnover variable positively and significantly affects Stock Returns. Based on these findings, Total Asset Turnover considerably boosts stock returns, but CR and NPM reduce them.

Effect of Current Ratio (CR) on Stock Return

The statistical test findings show that the current ratio (CR) has a t-count value of -10.289, which is less than the t-table value of 1.683, and the significance level is 0.000 < 0.05. The results show that the Current Ratio significantly affects Stok Return, thereby rejecting H0 and accepting H1. As a liquidity ratio, the Current Ratio should theoretically indicate whether or not a corporation can satisfy its short-term commitments using its current assets. Investors have more faith in a firm with strong liquidity since it shows that it can handle its present assets well. Stock price fluctuations and investor returns may be positively affected by this. Findings from the parsial test (t test) of the Current Ratio variable reveal a negative and substantial influence on Stock Returns, which is consistent with the study done by Yuniarti (2022). Both operational efficiency and market confidence in the company's financial future may be negatively affected by excessive liquidity, as this illustrates.

Effect of Net Profit Margin (NPM) on Stock Return

The t-count value of -2.505 for the Net Profit Margin (NPM) variable is less than the t-table value of 1.683, and the significance value is 0.016 < 0.05, according to the statistical test results. The results show that NPM significantly and positively affects stock returns, hence rejecting H0 and accepting H1. In theory, a company's capacity to create net income from its sales is reflected in its Net Profit Margin (NPM). The effectiveness of a company's expense management and profit generation is directly correlated to its NPM. This sends a good message to investors, who are more likely to be interested in purchasing shares of the firm. The capacity to pay out larger dividends or reinvest earnings in the business for growth is directly proportional to the level of net income. Because investors see the firm as having strong and promising financial performance, this contributes to higher stock returns. These findings corroborate those of studies undertaken by Kartinah et al., (2021) It

reports the outcomes of the t-test for the net profit margin variable, which reveals a negative and statistically significant impact on stock returns.

Effect of Total Asset Turnover (TATO) on Stock Return

The statistical test findings show that the Total Asset Turnover (TATO) variable has a t-count value of 9.367, which is higher than the t-table value of 1.683, and a significance value of 0.000 < 0.05. The results show that TATO significantly and positively affects stock return, thereby rejecting H0 and accepting H1. In theory, TATO assesses a company's efficiency in turning its total assets into revenue. The greater the TATO, the better the company's ability to turn its assets into revenue. This gives investors hope for the future of the company's efficiency and productivity. Investors will be interested in a firm that makes good use of its assets as it demonstrates its ability to generate more money with its current resources. Because rising stock prices and investor returns are common outcomes of improving firm performance, this will ultimately boost stock returns. There is a positive and statistically significant relationship between Total Asset Turnover and Stock Returns, according to the findings of a parsial test (t test) performed by Atmojo & Susilowati (2019). The study reinforces the view that asset management efficiency is one of the most important perfomance indicators in attracting investor interest and maximizing stock returns.

CONCLUSON

In 2023, the findings demonstrated that the property and real estate subsector's stock returns are significantly impacted by Current Ratio (CR). A low CR suggests that the company's financial structure may need some work, while a high CR suggests that the asset efficiency is poor. High net profit margins may make investors think a company isn't trying as hard to grow, which may have a negative impact on stock returns. On the other hand, Total Asset Turnover (TATO) shows a strong positive correlation, suggesting that investors are more interested in companies that make good use of their assets, which may lead to higher stock returns.

Based on these findings, companies are advised to improve liquidity efficiency by optimally managing current assets and controlling short-term liabilities. In addition, companies with low NPM can improve operational stratrgies through innovation, revenue diversification, and cost efficiency. For companies with low TATO, optimisation of asset use and investment in productive assets nees to be done to improve financial perfomance. Future research should expand its scope to include other sectors like manufacturing or services, in addition to macroeconomic variables like interest rates and inflation, and the property and real estate subsector. This will allow for a more comprehensive understanding of the factors that impact stock returns.

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