



# The Determinants of Stock Prices on Property and Real Estates Companies Listed in Indonesia Stock Exchange

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## Abstract

This study analyzes the effect of debt to equity ratio (DER), current ratio (CR), and total asset turnover (TATO) on property prices and real estate companies listed on the Indonesia Stock Exchange. The study uses associative causal with quantitative methods. The analytical method used is multiple linear regression with the independent variables DER, CR, and TATO, and the dependent variable is stock prices. The data in this study used secondary data from [www.idx.co.id](http://www.idx.co.id). The population in this study are property and real estate companies listed on the Indonesia Stock Exchange for the 2022 period. The number of samples in this study is 67 companies. The results of this study indicate that DER and CR have a significant effect on stock prices, and total asset turnover has no significant effect on stock prices. The CR has a significant effect. This study uses data from 2022 with 67 property and real estate companies as a sample. This study's originality is using a combination of 3 variables: financial ratios that represent debt, liquidity, and activity ratios.

**Keywords:** DER, CR, TATO, Stock Prices

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## 1. Introduction

The business world is currently growing rapidly, many companies have sprung up, and the development of the capital market shows important developments for the Indonesian economy. Developments in the business world have encouraged investors to no longer invest in real assets and bank deposits but instead invest in stocks, bonds, and securities (financial assets). Investors hope that by buying shares, they can get dividends yearly and profit when the shares are resold. But in reality, investing in the capital market is not easy because it requires complex information. Besides that, investors also face relatively large risks when compared to other forms of investment.

Investors need information about the financial condition of the companies they invest in. The information obtained must be accurate because it is the final decision for investors to invest their capital. The information needed by investors includes information on the company's financial performance, company management, internal and external conditions, macroeconomic conditions, and the company's stock price.

According to Priantono, Hendra, and Anggraeni (2018), stock price is an important factor and needs to be considered by investors because stock prices indicate the issuer's performance, which is one of the benchmarks for the success of a company. Investors need to know the stock price to make a company valuation. Accurate assessment can minimize risk in stock investment activities because even though it has a high-profit opportunity, investing in stocks also carries a



high level of risk. Declining stock prices have a good and bad impact on investors; when the stock price falls, some investors tend to increase their share ownership because the selling price is relatively low. On the other hand, a decrease in stock prices indicates that the company's income has decreased. This impacts the distribution of earnings per share distributed to investors and decreases and vice versa. In general, many are influenced by various factors, and one of them is sourced from internal factors in the form of a fundamental analysis of the company's finances. In this case, the fundamental analysis referred to can be carried out by assessing financial performance based on financial ratios such as liquidity ratios, solvency, activity, profitability, and market value ratios.

This research used fundamental analysis and solvency, liquidity, and activity ratios. The DER represents the solvency ratio. The DER is a ratio that shows the company's ability to fulfill its long-term obligations if it is liquidated. Brigham and Houston (2018), state that if the company's DER is high, there is a possibility that the company's stock price will be low because if the company earns profits, the company tends to use these profits to pay its debts compared to paying dividends, stock prices tend to decrease with the higher the risk of using debt.

The liquidity ratio used in this study is the CR. According to Hantono (2018), the CR shows the number of current liabilities guaranteed payment by current assets. The higher the results of the comparison of current assets with current liabilities, the higher the company's ability to cover its short-term liabilities. This is the center of attention for every investor because if the CR of an entity decreases, this indicates that the entity is bad or even unfit to be used as a place to invest capital, causing the stock price to fall.

The TATO ratio represents the activity ratio used in this study. According to Rosyamsi (2019), TATO describes asset turnover as measured by sales volume. The higher the Total Assets Turnover ratio, the more efficient the use of all assets in generating sales. This means that assets can rotate faster in generating profits, indicating more efficient use of overall assets in generating sales. Efficient use of all assets encourages an increase in sales growth, which can result in an increase in share prices or a positive change can occur.

On the Indonesia stock exchange, there are several classifications of industrial sub-sectors including the property and real estate sub-sectors. The property and real estate business, both residential and commercial, is showing quite rapid development in Indonesia, as evidenced by the increasingly widespread construction of housing, business centers and supermalls. At the beginning of 2023 shares in the property and real estate sub-sector companies experienced sluggishness, this was reflected in the real estate and property sector IDX which was depressed by up to 4.85% year to date. This decline was the deepest on the stock exchange after IDX Sector Technology, which fell by 9.76%. ([www.investment.kontan.co.id](http://www.investment.kontan.co.id)).

Property and real estate sales have not fully recovered from the pressure experienced by stocks after the Covid-19 pandemic, which suppressed people's purchasing power



([www.investment.kontan.co.id](http://www.investment.kontan.co.id)). The following is empirical data on average per year DER, CR, TATO, and the share prices of property and real estate companies listed on the Indonesia Stock Exchange for the 2020-2022 period are:

**Table 1. Average conditions per year DER, CR, TATO, EPS, and share prices in property and real estate sub-sector companies listed on the Indonesia Stock Exchange for the 2020-2022 period**

Year	Stock Price	DER	CR	TATO
2020	1120,89	75,36	14,97	18,45
2021	996,22	37,14	17,89	20,84
2022	1108,34	39,41	16,47	19,56

Source: [www.kontan.co.id](http://www.kontan.co.id), data processed

From Table 1, it can be seen that the movement in the growth of the share price of Property and Real estate companies has an average increase in 2022 of 1108.34. The DER of property and real estate companies experienced fluctuating conditions during the 2020-2022 period, namely from 1120.89 in 2020 which decreased to 996.22 in 2021 and then increased again in 2022, namely 1108.34. From the data, it can be seen that there is a movement of the DER, which is in the same direction as the stock price growth, namely in 2022. This is not in accordance with the expert's statement, where if the DER increases, the stock price growth tends to decrease and vice versa, but there is an average data. The average in Table 1 shows that the DER is experiencing fluctuating conditions.

On average, the CR of property and real estate companies experienced fluctuating conditions during the 2020-2022 period. In 2021 it became 17.89 from 14.97 in 2020 and again decreased in 2022 to 16.47. From the average CR data in 2022, it can be seen that there is a movement in the CR which is not in the same direction as the growth in stock prices. This is not in accordance with the statements of experts, where if the value of the CR is higher, the company's stock price will increase and vice versa.

TATO of property and real estate companies experienced fluctuating conditions during the 2020-2022 period 2020 from 18.45 to 20.84 in 2021 and decreased again in 2022 to 19.56. From the data, it can be seen that there is a movement in TATO in 2022 which is not in the same direction as the growth in stock prices. This is not in accordance with the statements of experts, where if the value of Total Asset Turnover is higher, the value of the company's stock price will increase and vice versa.

In Amrullah and Widyawati's research (2021) the DER has a significant effect on stock prices, while the same research was conducted by Pratiwi (2020) and the results show that the



DER has no significant effect on stock prices. Because there is a research gap in the research of Amrullah and Widyawati (2021) and Maylani (2020), further research is needed regarding the effect of the DER on stock prices. According to Rajaguk (2022) in his research, the CR has a significant effect on stock prices, while the same research was conducted by Fadila (2022) and the results show that the CR has no significant effect on stock prices. Because there is a research gap in the research of Rajaguk (2022) and Fadila (2022), further research is needed on the effect of the CR on stock prices. According to Khasanah (2022) in his research, TATO has a significant effect on stock prices, while the same research was conducted by Regina (2019) and the results show that Total Asset Turnover has no significant effect on stock prices. Because there is a research gap in the research by Khasanah (2022) and Regina (2019), further research is needed on the effect of TATO on stock prices. This study aimed to empirically test whether there is an influence between the DER, CR, and TATO on stock prices in property and real estate companies partially.

## 2. Research Method

This study uses associative causal with quantitative methods. The analytical method used is multiple linear regression with the independent variables DER, CR, and TATO, and the dependent variable is Stock Prices. The data in this study used secondary data from [www.idx.co.id](http://www.idx.co.id). The population in this study are property and real estate companies listed on the Indonesia Stock Exchange for the 2022 period. The number of samples in this study is 67 companies.

## 3. Results and Discussions

### *Descriptive Analysis*

Descriptive statistical analysis describes the data from the variables used in the study, namely the variables DER, CR (CR), TATO, and Stock Price.

**Table 2. Descriptive analysis**

	<b>N</b>	<b>Minimum</b>	<b>Maximum</b>
DER (X <sub>1</sub> )	67	-9,84	44,98
CR (X <sub>2</sub> )	67	0,07	65,59
TATO (X <sub>3</sub> )	67	0,01	8,38
Stock Price (Y)	67	50	39.000

Source: Processed data, 2023



Located by the river. The observation was taken on February 12, 2023. Farmers planted tall rice and black sticky rice between banana trees. There are durian, duku, teak, sap, coconut and areca palm trees. There are also secondary crops and other wild plants. Furthermore, farmers increased banana trees and planted cassava.

Based on the table 2, it can be seen the description of each variable as follows: (1) The DER has a minimum value of -9.84 and a maximum value of 44.98. The biggest DER is PT. Trimitra Prawara Goldland Tbk in 2022 is 44.98, while the lowest DER is PT. Binakarya Jaya Abadi Tbk in 2022 which is -9.84; (2) The CR has a minimum value of 0.07 and a maximum value of 65.59. The biggest CR is PT. Star Pacific Tbk in 2022 is 65.59, while the lowest CR is PT. Bliss Properti Indonesia Tbk in 2022 is 0.07; (3) TATO has a minimum value of 0.01 and a maximum value of 8.38. The largest TATO is PT. Maha Properti Indonesia Tbk in 2022 is 8.38, while the lowest TATO is PT—City Retail Developments Tbk in 2022, which is 0.01; (4) The share price has a minimum value of 50 and a maximum of 39000. The largest share price is PT. Metropolitan Kentjana Tbk in 2022 is 39000, while the lowest share price is PT. Sentul City Tbk in 2022 is 50.

### Multiple Linear Regression Analysis

**Table 3. Multiple linear regression test results (coefficients<sup>a</sup>)**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.458	.358		6.865	.049
	DER	-.182	.092	-.044	-1.978	.012
	CR	.269	.137	.054	1.963	.034
	TATO	-5.590	1.205	-.084	-4.639	.474

a. Predictors: (Constant), DER, CR, TATO

b. Dependent Variable: Stock Price

Source: Processed data

Based on the table above, the multiple linear regression equation is obtained as follows:

$$Y = 2.458.182X_1 + 0.269X_2 - 5.590X_3 + e_i$$

- a) The constant (a) is 2.458, meaning that if the DER (DER), CR (CR), and Total Asset Turnover (TATO) increase or equal to 0 then the share price is 2.458 ceteris paribus, assuming other variables are constant.



- b) The regression coefficient ( $X_1$ ) is -0.182, meaning that if the DER(DER) increases by one unit, it will reduce the stock price by 0.182, assuming other variables are constant.
- c) The regression coefficient ( $X_2$ ) is 0.269, meaning that if the CR (CR) increases by one unit, the stock price will increase by 0.269, assuming other variables are constant.
- d) The regression coefficient ( $X_3$ ) is -5.590, meaning that if Total Asset Turnover increases by one unit, it will reduce the stock price by 5.590, assuming other variables are constant.

*Coefficient of Determination ( $R^2$ )*

The coefficient of determination test aims to determine the independent variable's contribution to the dependent variable's rise and fall.

**Table 4. The coefficient of determination test result**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
	.702 <sup>a</sup>	.613	.607	1.532	1.874

Predictors: (Constant), DER, CR, TATO

Dependent Variable: Stock Price

Source: Processed data

$R^2$  (R Square) is 0.613, indicating the contribution of the independent variables, Debt to Equity Ratio, CR, and TATO to the dependent variable, namely Stock Prices. The R Square value or the coefficient of determination is 0.613. This indicates that DER, CR, and TATO can explain 61.3% of the variation in Stock Prices. While other variables outside of this study explain the remaining 38,7%.

*Partial Test (t-test)*

- a) Debt to Equity Variable T-test on Stock Prices

The DER(DER) significance value is  $0.012 < 0.050$ , so it can be interpreted that the DER(DER) has a significant effect on share prices in Property and Real Estate companies listed on the IDX in 2022.

- b) CR variable t-test on Stock Prices

The CR significance value is  $0.034 < 0.050$ , so it can be interpreted that the CR significantly affects share prices in property and real estate companies listed on the IDX in 2022.

- c) Total Asset Turnover Variable T-test on Stock Prices

The TATO significance value is  $0.474 > 0.050$ , so it can be interpreted that TATO has no significant effect on share prices in property and real estate companies listed on the IDX in 2022.



*Simultan Test (F-test)*

**Table 5. F test results (ANOVA<sup>a</sup>)**

	<b>Model</b>	<b>Sum of Squares</b>	<b>Mean Square</b>	<b>F</b>	<b>Sig.</b>
1	Regression	.825	.273	1.137	.000 <sup>b</sup>
	Residual	27.006	.213		
	Total	27.831			

a. Predictors: (Constant), DER, CR, TATO

b. Dependent Variable: Stock Prices

Source: SPSS Output Data, 2023

The significance value of the ANOVA test is  $0.000 < 0.05$ . This means a significant effect exists between DER, CR, and TATO on stock prices (Table 5). The DER significantly affects the partial test results with a significance value of  $0.012 < 0.050$  with a negative relationship. This shows that if the value of the DER decreases, the share price will increase (not in the same direction). This means that the lower the Debt to Equity Ratio value, the higher the company's share price. This research is in line with Riska Agustin's study (2021), which states that the DER has a significant and negative effect on stock prices.

The CR has a significant effect, as evidenced by the partial test results with a significance value of  $0.034 < 0.050$  with a positive relationship. This shows that the stock price will increase if the CR value increases (in the same direction). This means that the higher the CR, the higher the company's stock price. This research aligns with Rudolf Lumbant Obing's (2020), which states that CR significantly and positively affects stock prices.

TATO has no significant effect, as evidenced by the partial test results with a significance value of  $0.474 < 0.050$  with a negative relationship. This shows that if the value of Total Assets Turnover increases, the stock price will decrease (not in the same direction). This means that the higher the TATO value, the lower the company's share price. This research aligns with the study of Tobing (2020), which states that Total Assets Turnover does not significantly affect Stock Prices.

#### **4. Conclusions**

As Based on the results of collecting and processing research data relating to The determinants of stock prices on property and real estate companies listed in the Indonesia stock exchange, it can be concluded as follows: the highest share price in the property and real estate sub-sector company in 2022 is owned by MKPI, and the lowest share price is owned by BKSL, PPRO, RBMS, TARA, LAND, POSA, REAL, DADA, KBAG, and TRUE, DER the highest is owned by ATAP and the lowest DER is owned by BIKA, the highest CR is owned by LPLI and the lowest CR is owned by POSA, the highest TATO is owned by MPRO and the lowest Total



Assets Turn Over is owned by NIRO, LAND, REAL and INDO, the highest Earning Per Share is owned by BSDE and the lowest Earning Per Share value is owned by BIKA. DER has a significant and negative effect on stock prices, CR has a significant and positive effect on stock prices, and Total Aset Turnover has no significant impact on stock prices. DER, CR, and TATO significantly affect stock prices simultaneously.

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