JAFM: Journal of Accounting and Finance Management
E-ISSN: 2721-3013
P-ISSN: 2721-3005
https://dinastires.org/JAFM dinasti.info@gmail.com +62 811 7404 455
DOI: https://doi.org/10.38035/jafm.v6i1

The Effect of Profitability, Solvency and Market Ratio on Stock Returns (Empirical Study of Food and Beverage Sector Manufacturing Companies Listed on the IDX For the 2019-2023 Period)

Puspita Sari[1], Bakti Setyadi[2]
[1]Management Study Program – Master of Financial Management Concentration, Postgraduate Program, Bina Darma University, sarinande502@gmail.com
[2]Management Study Program – Master of Financial Management Concentration, Postgraduate Program, Bina Darma University, bakti.setyadi@bakerhughes.com

Corresponding Author: sarinande502@gmail.com[1]

Abstract: *One of the most often used financial market tools is stocks. One option available to the business when choosing how to raise money is to issue shares. Finding out how market ratios, profitability, and solvency affect stock returns is the aim of this study. This study employs a descriptive and quantitative research approach.The study's sample consists of 19 food and beverage manufacturing firms that were listed on the IDX between 2019 and 2023. The results of the study demonstrate that stock returns are influenced by market ratios, profitability, and solvency, and that these impacts happen concurrently.*

Keywords: *Profitability, Solvability, Market Ratio, Stock Returns*

INTRODUCTION

Food and beverage sector stocks are one of the stocks that attract investors. Investors believe that stocks in this sector will always grow, so that it can affect the stock price which also grows. In addition, the food and beverage sector is a category in primary needs where people will hunt even though prices increase or there is a financial crisis. Since this situation makes competition more fierce, business managers are vying for investors to put their money into enterprises in the food and beverage industry. Investors will be more likely to finance these food and beverage companies if they monitor the factors that influence generating high returns.

According to data from (bps.go.id, 2024), The food and beverage (mamin) industry GDP grew 4.62% (yoy) in Q2/2023. However, the growth slowed compared to the previous quarter. And in Q3 there was a decline again. Meanwhile, at the close of Q4, it managed to increase by growing 4.71%. This figure is still low compared to the growth figure at the opening of Q1. Even though Q3 saw a decrease, the food and beverage sector is a key driver of Indonesia's economic growth (mamin).

The subsector of the food and beverage industry was selected due to its rapid growth and consistent substantial contributions to the growth of the national economy. The food and beverage sector also contributes to a quicker recovery of the national economy. IDR 2,115 is the average price of a company's shares, according to statistics from idx.co.id. Nineteen companies' share prices are below average. We may draw the conclusion that firms in the food and beverage sector continue to have erratic share prices. In 2019, companies in the food and beverage sector had an average share price of IDR 2,244. In the years 2020–2023, the share price fell. This suggests that there is a problem with the share prices of the firms in the food and beverage subsector, namely how to increase the industry's share price to draw in investors and even help it stay in business (idx.co.id, 2025).

According to (Mutiara, Ramadhan, & Hamzah, 2022), Stock returns can change due to several factors, namely profitability, because profitability is considered the most capable of presenting the actual financial condition. Profitability provides a picture of efficacy and can be used to gauge how well a company uses its resources. According to (Butar, Sisilia, Purba, & Tarigan, 2021), The profitability ratio is a measure of a business's ability to make money.

Based on idx.co.id data, it is known that the profitability variable value fluctuates in food and beverage sector companies with an average of 2019-2023 decreasing from 2019 to 2023, where in 2019 it had an average value of 95.14%, in 2020 amounting to 44.92% in 2021 amounting to 60.92%, 2022 73.35% and 2023 62.93%. It is possible to conclude that the profitability characteristics of food and beverage businesses are suboptimal when it comes to leveraging assets to generate net profit.

Considering earlier studies carried out by (Pratiwi, Herlambang, & Nainggolan, 2023) explains that a key metric of a bank's financial performance is profitability. A rising profitability value for a business signifies successful outcomes and the possibility of raising earnings. Additionally, this supports the findings of Hutagaol & Hutabarat's (2021) study, which found that stock returns are influenced by profitability. Meanwhile, based on studies carried out by Tyas & Almurni (2020) which asserts that stock returns are unaffected by profitability.

In addition to profitability, solvency can also affect stock returns. According to(Nurdin, Dharmawat, & Fitriyani, 2023), The business can get more money by taking out debt loans, which it can then use to pay for its running expenses. This explains why this research is going in a positive way.

According to (Kasmir, Financial Statement Analysis, 2019), based on industry standards, a good solvency value is more than 80. It is known from the data (idx.co.id, 2025) shows the solvency ratio value ownedFood and beverage sector companies for the 2019-2023 period experienced an increase every year, where in 2019 it had an average value of 95.01%, which means that each equity is used to guarantee the entire debt of Rp. 0.9501,-. In 2020 it was 99.65%, which means that in 2020 each equity was used to guarantee the entire debt of Rp. 0.99.65,-. And since it kept rising from 2021 to 2023, it can be said that the business is doing well at using equity to guarantee all of its obligations because the ratio value is higher than the industry average. In theory, it is explained ifsolvencyincreases, the company will have greater opportunities and chances to gain profits because the company can maximize or manage its debts well.

Based on research conducted by (Nurdin, Dharmawat, & Fitriyani, 2023) claims that stock returns are impacted by insolvency. Additionally, this study is consistent with (Sari & Maryoso, 2022), stock returns are impacted by solvency. Meanwhile, studies carried out by (Rokhmah & Athori, 2020) which states thatsolvencyhas no effect on stock returns.

According to (Koeswara, Syaifuddin, Budi, Madi, & Oktaviani, 2023), in his research, stated that stock returns can also be influenced by the market ratio. The comparison of a company's stock price with other essential aspects of the business is known as a market ratio.

The market ratio serves as a summary of the company's stock value and aids analysts and investors in evaluating the performance and future prospects of the business (Ghifara & Henny, 2023).

Choosing to invest using this capital market, not only gives people the opportunity to gain profit. but actively contributes to bettering the economic circumstances at home as well. To determine the anticipated rate of return, investors must first evaluate the company's financial performance. The high price of shares on the capital market will be determined by financial performance. The price of the company's shares will rise if its financial performance indicates promising future possibilities. Naturally, stock returns will rise in tandem with rising stock prices (Koeswara, Syaifuddin, Budi, Madi, & Oktaviani, 2023).

The findings of studies carried out by (Koeswara, Syaifuddin, Budi, Madi, & Oktaviani, 2023) demonstrates how stock returns are impacted by the market ratio. Additionally, this is consistent with studies carried out by (Ghifara & Henny, 2023), The study's findings indicate that stock returns are impacted by the market ratio. Meanwhile, the research conducted by (Isabela, Asana, & Clarissa, 2024) it claims that stock returns are unaffected by the market ratio.

According to the context and conclusions of the earlier research described above, the author is eager to carry out additional research that will eventually yield more appropriate findings with pertinent data in the present circumstances. Therefore, in this thesis the author takes the title "The Effect of Profitability, Solvability, and Market Ratio on Stock Returns (Empirical Study on Manufacturing Companies in the Food and Beverage Sector Listed on the IDX for the 2019-2023 Period)”.

METHOD

This study's research design is both quantitative and descriptive. Secondary data sources were employed in this investigation. Secondary data is information obtained from previously available or second-hand sources prior to the study project. This means that it is obtained from outside the research object that is related to the problem to be raised. Field research and library research were the researcher's methods for gathering data for this research. The population of the study for the 2019–2023 period consists of the 19 food and beverage production enterprises registered on the IDX. In this study, the saturated sampling approach uses all population members as a sample. Since there are 19 companies in the population, there are 19 companies in the sample overall. In this study, quantitative analysis will be conducted using regression analysis, more especially multiple linear regression analysis.

RESULTS AND DISCUSSION

Results

Normality Test

Finding out if the dependent and independent variables in the regression model are regularly distributed is the goal of the normality test. A model with a normal data distribution is considered good. There are two methods for testing data normality using eViews: the Jarque-bera test and a histogram. A statistical test called Jarque-bera is used to assess whether or not data is regularly distributed. According to Ghozali (2019) detection by examining Jarque Bera, which is asymptotic (based on the residual Ordinary Least Square and has a big sample). This test examines the Jarque Bera (JB) probability in the manner described below: 1) The data is regularly distributed if the probability is greater than 0.05; dan 2) The data is not regularly distributed if the probability is less than 0.05.

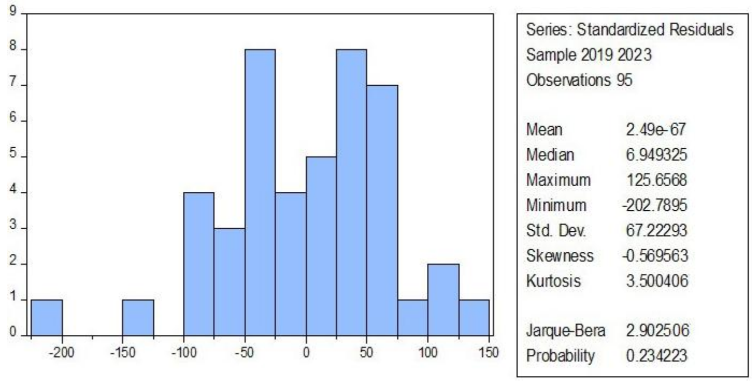

Figure 1. Normality Test

As illustrated in Figure 1, the Jarque-Bera value is 2.902506 and the probability value is 0.234223. Consequently, it may be claimed that the study's model. This is regularly distributed as the probability value of 0.234223 is higher than 0.05.

Partial Test (T-Test)

The t-test examines the correlation between three independent variables for food and beverage manufacturing companies listed on the IDX between 2019 and 2023: profitability, solvency, and market ratio and stock returns. The table below displays the t-test findings:

Table 1. Results of t-Test (Partial)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	4.313242	0.614012	6.456311	0.0000
X1	0.812355	0.253218	3.250653	0.0012
X4	-0.656321	0.264699	-2.456372	0.0109
X5	0.069876	0.024625	0.564321	0.5536
R-squared	0.275325	Mean dependent variable		4.563568
Adjusted R-squared	0.246410	SD dependent var		0.387659
SE of regression	0.335246	Akaike information criterion		0.728740
Sum squared residual	8.757163	Black criterion		0.888762
Log likelihood	-24.63424	Hannan-Quinn critter.		0.798053
F-statistic	6.674683	Durbin-Watson stat		2.200942
Prob(F-statistic)	0.000063			

Source: Data processed by Eviews 10, 2025

The aforementioned table indicates that:

1. The Influence of Profitability on Stock Returns

The profitability t-statistic value is3.250653, with levelα= 5%, df (nk) = 92, The obtained t table value is 1.66159. Profitability t-statistic 3.250653 >1.66159 and the likelihood value is 0.0012 < 0.05, it may be said that stock returns are influenced by profitability.

2. Influence of solvency Against Stock Returns

T-statistic valuesolvency as big as2.456372, with levelα= 5%, df (nk) = 92, The obtained t table value is 1.66159. The t-statistic solvency is thus 2.456372 >1.66159. and the likelihood value is 0.0109 < 0.05, it may be said that stock returns are impacted by insolvency.

3. Market Influence on Stock Returns

The market ratio t-statistic value is0.564321, with levelα= 5%, df (nk) = 79, 1.66159 is the obtained t table value. Since the probability value is 0.5536 > 0.05 and the t-statistic market ratio is 0.564321 <1.66159, it can be said that the market ratio has no bearing on stock returns.

Simultaneous Test (F Test)

The impact of independent factors acting concurrently on stock returns in food and beverage manufacturing companies listed on the IDX for the 2019–2023 timeframe is examined using the Simultaneous Test (F Test). The following table displays the F test results:

Table 2. F Test Results (Simultaneous)

F-statistic	6.165428
Prob (F-statistic)	0.000043

Source: Data processed by Eviews 10, 2025

It is evident from the preceding table that the F-statistic value is 6.165428., while F table with 95% confidence level significant α = 5%, (nk-1) or 84-5-1 = 91. The obtained F-table result is 2.83. The dependent variable is impacted by the independent factors taken together, as indicated by the F-statistic 6.165428 > Profitability, solvency, and market ratio all have an impact on stock returns in this study, as shown by the likelihood (F-statistic) value of 0.000043 < 0.05 in F table 2.70.

R Square (Coefficient of Determination)

Used to calculate the independent variable's (X) % influence on the dependent variable (Y). The results of this determination coefficient test are shown in the following table:

Table 3. Results of R Square Test of Determination Coefficient

R-squared	0.276584
Adjusted R-squared	0.238789

Source: Data processed by Eviews 10, 2025

The updated R-squared value in the preceding table is 0.238789, meaning that the independent variable can explain 23.88% of the variation in the dependent variable. This suggests that 23.88% of the variation in the rise and fall of stock returns may be explained by the market ratio, profitability, and solvency. Whereas the remaining 76.12% is due to other factors not covered in this study.

Discussion

The Influence of Profitability on Stock Returns

Results of the profitability variable test With levelα = 5%, df (nk) = 92, and t-statistic value profitability as much as 3.250653, the t table value obtained is 1.66159 for known stock returns. Profitability t-statistic 3.250653 > 1.66159 and the likelihood value is 0.0012 < 0.05, it may be said that stock returns are influenced by profitability.

The study's findings are in the right direction since rising profitability will have an impact on stock prices; the more profitable a firm is at making net profit from its current assets after taxes, the higher its stock prices will rise. So it is hoped that the company can obtain a large return. The company's ability is considered better by shareholders and the profit is greater if its profitability is high and vice versa (Kasmir, 2019). According to the study's findings, the business will be deemed capable of using its assets to produce net profit after taxes. Higher profitability will provide confidence to investors and shareholders because it can boost earnings or returns. Therefore, while making investments, investors need to consider profitability, especially when purchasing stock in food and beverage firms listed on the IDX. The great theory that serves as the study's reference, the signal theory, is consistent with the findings of this investigation. A high degree of profitability that keeps growing will encourage investors to consider funding the business and may have an impact on stock returns.

The findings of this investigation are similarly consistent with studies carried out by (Nurdin, Dharmawat, & Fitriyani, 2023) It claims that stock returns are impacted by profitability as assessed by profitability.

The Effect of Solvency on Stock Returns

Solvency of variable test findings Using level $\alpha = 5\%$, df (nk) = 92, and a t-statistic value of 1.66159 for known stock returns, the t-statistic value of solvency is as large as 2.456372. Thus, it can be concluded that solvency affects stock returns because the t-statistic solvency 2.456372 >1.66159 and the probability value is 0.0104 < 0.05.

Stock returns are impacted by the DER, which gauges solvency risks. The business can get more money by taking out debt loans, which it can then employ for operating expenses, this explains that there is a positive direction from this study. Effective use of funds by the company from borrowing debt can provide optimal benefits so that the company can be trusted by creditors when debt payments are completed quickly and the funds obtained to pay come from the profits obtained by the company. These findings suggest that investors' decisions to invest in the company are influenced by information about changes in solvency that is included in the financial statements. Signaling theory also supports this study that information about the company's debt needs to be known by investors through relevant signals given by the company. Companies are at high risk if they have a high amount of debt, in accordance with stock theory that high risk-high return indicates different considerations by some investors when looking at solvency. Some investors who like to take risks (seek seekers) will choose stocks with a high level of solvency. This demonstrates that the company's obligations reveal the magnitude of the return that investors would eventually receive. When internal funding is inadequate, third parties give the company more money to grow its operations. Due to the form of accountability for the substantial debt, the business must set a goal to improve profits, which in this case can raise stock returns.

The findings of this investigation are similarly consistent with studies carried out by (Nurdin, Dharmawat, & Fitriyani, 2023) It claims that stock returns are impacted by the solvency variable as assessed by solvency.

The Influence of Market Ratio on Stock Returns

It is known what happens when the market ratio variable is tested against stock returns. The obtained t table value is 1.66159 with level $\alpha = 5\%$, df (nk) = 92, and a market ratio t-statistic value of 0.564321. Therefore, since the probability value is 0.5536 > 0.05 and the t-statistic market ratio is 0.564321 < 1.66159, it can be said that market ratio has no bearing on stock returns.

The study's conclusions indicate that a slight rise in the market ratio will raise the stock return's worth. In other words, the stock return increases with the market ratio. An rise in the market ratio does not necessarily translate into an increase in the stock return that investors obtain. When purchasing or disposing of shares, investors do not give much thought to either a high or low market ratio because a high market ratio value does not always indicate that the company is performing well in terms of generating net profit from sales. This is because a rise in the market ratio value can be brought about by a percentage drop in sales that is larger than the percentage increase in net profit.

The market ratio variable has no bearing on stock returns since investors are negligent with financial reporting, and earnings per share is the first important consideration in company analysis. Data regarding a company's market ratio indicates how much of its net profit is available for distribution to shareholders. Information from financial reports can be used to determine a company's market ratio.

The findings of this investigation are consistent with studies carried by (Koeswara, Syaifuddin, Budi, Madi, & Oktaviani, 2023) it claims that stock returns are unaffected by market ratios.

CONCLUSION

Utilising information from an empirical research that examines the relationship between market ratio, profitability, and solveability and stock returns for food and beverage manufacturing businesses listed on the IDX for the years 2019–2023:

1. How profitability affects stock returns for companies that manufacture food and beverages and are listed on the IDX between 2019 and 2023.
2. The impact of solvency on stock returns for companies that manufacture food and beverages and are listed on the IDX from 2019 to 2023.
3. From 2019 to 2023, the Market Ratio (EPS) has little effect on stock returns for food and beverage manufacturing companies listed on the IDX.
4. Market ratios, profitability, and solvency all have an impact on stock returns for food and beverage manufacturing companies listed on the IDX for the 2019–2023 period.

REFERENCE

Ghifara, M., & Henny, D. (2023). The effect of cash flow, accounting profit, market ratio and solvency on stock returns in companies listed on the Jakarta Islamic Index in 2019-2021. Journal of Economics Research Cluster (JURRIE).

Isabela, FP, Asana, GH, & Clarissa, SV (2024). The Effect of Market Value and Market Capitalization on Jakarta Islamic Index (Jii) Stock Returns. Accounting and Finance Widya.

Kasmir. (2019). Financial Report Analysis. Jakarta: PT Raja Grafindo Persada.

Kasmir. (2019). Financial Statement Analysis. First Edition. Twelfth Printing. Jakarta: PT Raja Grafindo Persada.

Kasmir. (2019). Financial Statement Analysis. First Edition. Twelfth Printing. Jakarta: PT Raja Grafindo Persada.

Koeswara, D., Syaifuddin, D., Budi, N., Madi, RA, & Oktaviani, U. (2023). The Effect of Company Market Ratio on Stock Return (Study on Manufacturing Companies Listed in the Basic Industry & Chemical Sector of the Indonesia Stock Exchange in 2017-2021). Journal of Management and Entrepreneurship.

Mutiara, P., Ramadhan, S., & Hamzah, F. (2022). The Effect of Accounting Profit and Cash Flow on Stock Returns. Incentive Economics.

Nurdin, E., Dharmawat, T., & Fitriyani, A. (2023). The Effect of Profitability and Solvency Ratios on Stock Returns in Food and Beverages Companies Listed on the Indonesia Stock Exchange. Journal of Accounting and Finance.

Pratiwi, A., Herlambang, DR, & Nainggolan, F. (2023). The Effect of Profitability on Stock Prices. Journal of Management and Accounting.

Rokhmah, NL, & Athori, A. (2020). THE EFFECT OF PROFITABILITY RATIO AND SOLVENCY RATIO ON STOCK RETURN IN MANUFACTURING COMPANIES IN THE FOOD AND BEVERAGE SUB-SECTOR LISTED ON THE IDX IN THE 2014-2017 PERIOD. Cendekia Akuntansi Journal.

Sari, DI, & Maryoso, S. (2022). The Effect of QR, ROA, DAR and EPS on Stock Returns in Manufacturing Companies Listed on the Jakarta Islamic Index for the 2017-2020 Period. Proceedings of the 13th Industrial Research Workshop and National Seminar.