



STOCK PRICE DYNAMICS OF PALM OIL PLANTATION FIRMS: INSIGHTS FROM CURRENT RATIO, RETURN ON ASSET AND FIRM SIZE

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Abstract

This study aims to analyze the effect of current ratio, return on asset and firm size on the stock price. The data in this study uses secondary data in the form of financial statements that meet the criteria so that 70 observation of companies were obtained. Data was analyzed using the Multiple Regression Analysis method. The results show that current ratio, return on asset, and firm size positive affect changes in stock prices. The implications of this study are that companies need to manage working capital effectively to ensure adequate liquidity, consider stable or increased dividend policies to attract more investors, and pursue acquisition or expansion opportunities to increase the size of the company, which can overall have a positive impact on market perceptions and stock prices.

Keywords : *stock price, current ratio, return on asset, firm size.*

1. INTRODUCTION

The palm oil planting industry plays an important role in the economies of many developing countries, including Indonesia and Malaysia, which are the world's two major producers of palm oil. Palm coconut is one of the most valuable agricultural commodities, with wide applications ranging from food to non-food industries, such as cosmetics and biodiesel. In the context of the stock market, palm coconut planting companies have become a focus of investors because of their huge profit potential as well as their strategic role in international trade.

A company's stock's dynamic value is influenced by a number of internal and external factors. Investors typically utilize internal metrics like profitability, longevity, and firm size as ke indicators to evaluate the work and future prospects of the company. An indicator of a company's capacity to maintain its financial stability, liquidity usually aligns with jangka pendek criteria. Profitability gives information about an organization's operational efficiency and ability to make profit. It is quantified using a variety of financial ratios, including Return on Equity (ROE) and Return on Assets (ROA). The size of the business, which can be determined by market capitalization or total assets, is particularly crucial since larger businesses usually have greater access to daily operations and higher market capitalization.

Externally, global palm oil prices, government policies, environmental issues, and climate change also influence the stock prices of coconut planting companies. Global palm price fluctuations, for example, can directly affect the revenue and profitability of companies. Government policies related to exports, subsidies, or environmental regulations can create opportunities or challenges for companies. In addition, environmental and sustainability issues, such as deforestation and the social impact of palm oil cultivation, are increasingly gaining attention from investors who are more concerned about sustainable business practices.

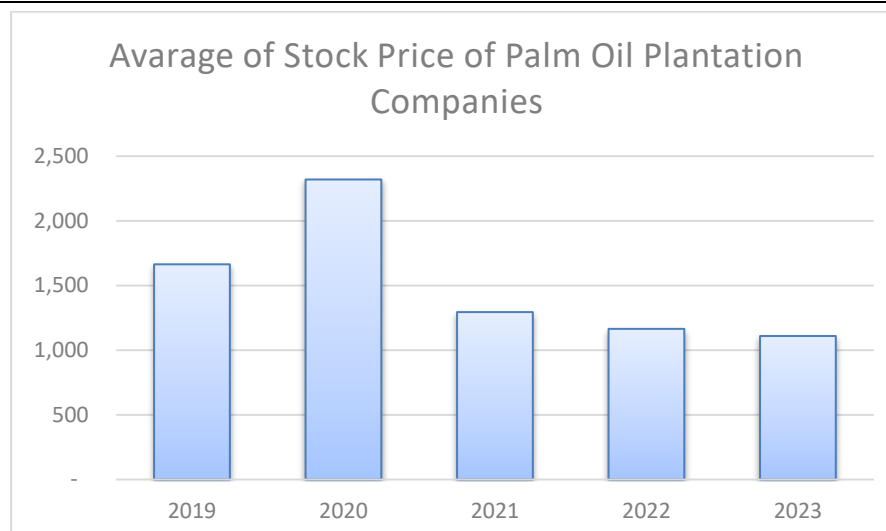
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Figure 1. Average of Stock Price of Palm Oil Plantation Companies

Figure 1 shows a bar chart showing the average share price of the Sawit Coconut Farm Company from 2019 to 2023. This chart shows the stock price fluctuations over five years, with the peak occurring in 2020. The decline that followed may be due to various economic, market, or industrial factors that influenced the performance of palm coconut planting companies. Stock price fluctuations are an interesting phenomenon to explore. The stock price is determined by demand and supply in the market. When the market demand for a stock rises, then the price of the stock tends to rise. On the contrary, if the demand of the market decreases, the stock price will also decrease (Khim et al., 2023).

In addition to the supply and demand considerations, some research demonstrate that the financial success of companies also affects the stock price (Khim et al., 2023; Salim & Susilowati, 2019; Sukesti et al., 2021). The liquidity ratio, which is often calculated using the current and quick ratios, is a crucial metric for assessing the performance of a business. The capacity of a business to fulfill short-term obligations without suffering losses is known as liquidity. A corporation with a high liquidity ratio is preferred by institutional investors as it indicates the company's capacity to meet its financial obligations and assume the risk of default. In 2023, Mushawir et al. Profitability is another aspect that affects the price of the stock in addition to liquidity. Measures like net profit margin (NPM), return on equity (ROE), and return on asset (ROA) are crucial in determining how profitable a base can be. (Fawzuna & Asakdiyah, 2020). The stock price will rise in response to higher corporate profits; conversely, a decline in profit will cause the share price to drop.

When making an investment, an investor also takes the firms' size into account. Large firms have stronger commercial prospects, easier access to capital sources, and a smaller chance of experiencing financial issues, which piques the interest of institutional investors. In 2023, (Mushawir et al., 2023) Market capitalization, total income, and total assets are frequently used to gauge a company's size. Bigger businesses typically have easier access to resources and are more resilient to changes in the market. The primary goal of this study is to examine the dynamics of coconut planting companies' stock prices by taking three key variables into account: the company's size, profitability, and liquidity. It is anticipated that the study will give further light on how these variables affect stock prices and can This study aims to fill this research gap by investigating the key factors that influence the stock prices of listed palm oil plantation companies in Indonesia. Specifically, the study examines the impact of liquidity, profitability, and firm size on the stock price movements of these firms.



2. IMPLEMENTATION METHOD

The study was carried out between 2019 and 2023 at Palm Oil Plantations Companies, which is listed on the Indonesian Stock Exchange (IDX). Purposive sampling, a test method that employs certain criteria to determine the unit of the sample to be tested, is the sample-taking procedure that is being used. Sample selection criteria:

1. Listed as Palm Oil Plantation company listed on the Indonesia Stock Exchange from 2020-2023 and continuously reporting its finances.
2. Companies that submit complete data in the year concerned to measure the variable.
3. Companies that submit stock price data available in the year concerned.
4. Companies that submit financial reports in the year concerned.

Based on these criteria, 14 companies met the sample determination criteria, resulting in a total of 70 observations in this study (14 companies multiplied by the 5-year observation period). The measurement of the research variables can be seen in Table 1.

Table 1 Variable Research Measurement

| Variable | Measurement |
|-----------------------|---|
| Stock Price | Stock Price measured with the stock price at the closing price at end year. |
| Current Ratio (CR) | Liquidity is measured by Current Ratio using the formula: $CR = (\text{Aset Lancar}) / (\text{Hutang Lancar}) \times 100\%$ |
| Return on Asset (ROA) | Profitability is measured by Return on Asset using the formula: $ROA = (\text{Laba Bersih}) / (\text{Total Asset}) \times 100\%$ |
| Firm Size | Company size is measured using the formula: $\text{Size} = \ln \text{Total Assets}$ |

3. RESULTS AND DISCUSSION

3.1 Descriptive Statistic

Descriptive statistics in this study can be seen in Table 2.

Table 2 Descriptive Statistics

| Variable | Min | Max | Mean | Std. Dev |
|---------------|-------|--------|----------|-----------|
| Stock Price | 50 | 14.500 | 1.336,57 | 2.669,641 |
| Liquidity | 0,06 | 467,51 | 10,3869 | 58,03364 |
| Profitability | -0,58 | 343,30 | 4,9427 | 41,02794 |
| Firm Size | 22,49 | 31,20 | 1.336,57 | 1.44450 |

Descriptive statistics for the four key study variables (stock price, current ratio, return on asset, and firm size) are shown in Table 2. For each variable, these descriptives give a broad summary of the data properties, such as the lowest, maximum, average (mean), and standard deviation. The stock price variable has a pretty high standard deviation of 2,669,641 and an average of 1,336,57, with values ranging from 50 to 14,500. This suggests that the share prices of the examined companies vary significantly. In the meantime, CR has a broad range of values as well, ranging from 0.06 to 467,51, with a standard deviation of 58,03364 and an average of 10,3869. A high level of liquidity suggests that the business can pay its short-term debts.

For the ROA variable, the values range from -0.58 to 343.30, with a mean of 4.9427 and a standard deviation of 41.02794. Negative profitability values indicate the presence of companies experiencing losses, while high positive values signify strong profitability levels. Finally, Firm Size has a narrower range, from 22.49 to 31.20, with a mean identical to Stock Price at 1,336.57, and a relatively low standard deviation of 1.44450.

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3.2 Result of Multiple Regression Analysis

Table 3 shows the results of the multiple linear regression analysis, which is used to determine the determination coefficient (R^2). The regression equation is tested using the F test, which is a simultaneous test, and the t test, which is a partial test.

Table 3 The Result of Multiple Regression Analysis

| Variable | Regression Coefficients (B) | t-test | Signification |
|-------------------|-----------------------------|--------|---------------|
| Constants | -26.956,427 | | |
| CR | 10,703 | 0,233 | 0,550 |
| ROA | 3,727 | 0,151 | 0,880 |
| Size | 958,083 | 3,692 | 0,001 |
| Adjusted R-Square | | | 0,134 |
| F-count | | | 4,562 |
| Sig. | | | 0,006 |

Based on Table 3, the regression coefficient of each variable can be inserted into a regression equation as follows:

$$\text{Stock Price} = -26.956,427 + 10,703 \text{ CR} + 3,727 \text{ ROA} + 958,083 \text{ Size} + e$$

3.2.1 Partial Test Results (t test)

Based on the regression equation, variable Current Ratio, ROA, dan firm size had a positive effect on stock price.

3.2.2 Simultaneous Test Result (F Test)

According to Table 3, the statistical value of the F-count is 4,562 > 3,134 (F-table) with a significance of 0,006 less than the significance rate of 5%, then H0 is rejected, which means that the regression equation is significant, so it can be concluded that the liquidity variable (CR), profitability (ROA) and the size of the company (Size) together have a significant impact on the share price of the Palm oil Plantation firm.

3.2.3 Coefficient of Determination

The Adjusted R-Square value is 0.134 according to Table 3. This indicates that the variation in a palm oil plantation firm's share price may be explained by 13.4% of the variables diversity of Current Ratio, ROA, and firm size. However, the diversification of other variables outside of this study model can account for the remaining 86.6%.

3.3 Discussion

3.3.1 Effect of Current Ratio on Stock Price

The results show that liquidity, as measured by the current ratio, has a positive effect on the stock prices of Indonesian oil palm plantation firms. This indicates that firms with higher liquidity are perceived by investors as being better able to meet their short-term obligations, which can increase investor confidence and drive up stock prices. Prices of stocks rise as a result of more demand brought on by greater liquidity (Nguyen & Puri, 2009). This is explained by the fact that, in exchange for larger profits, investors are more likely to retain non-liquid stocks (Zhang et al., 2021). Increased liquidity also lowers trading expenses, which may result in poorer returns and higher stock prices (Nguyen & Puri, 2009). The results of this study are contrast by (Christine & Apriliana, 2021; Fransisca & Herijawati, 2022; Kusnandar & Sari, 2020) has found no influence between the current ratio and the stock price.



3.3.2 Effect of Return on Asset on Stock Price

The study also found that profitability, as measured by the return on assets (ROA) ratio, has a positive and significant effect on stock prices. This suggests that investors view profitability as an important indicator of a company's financial health and growth potential, which can lead to higher stock valuations. The existing research suggests that higher levels of profitability are typically associated with higher stock prices, as investors view profitable companies as more attractive investment opportunities. When a company can generate consistent and stable profits, it is often seen as a sign of efficient and effective management, which can lead to increased investor confidence and a corresponding increase in the company's stock price. Numerous studies have investigated the impact of profitability on stock prices, and the findings generally suggest a positive effect (Alaagam, 2019; Ariesa et al., 2020; Diana, 2020; Elviana & Ali, 2021; Sukesti et al., 2021; Syahrizal et al., 2022; Zaman, 2021). However, other studies have found the opposite effect. There was no causal relationship between profitability and stock price (Alaagam, 2019) and negative effect on stock price (Prayogo & Lestari, 2018).

3.3.3 Effect of Firm Size on Stock Price

The findings showed that a company's size, as determined by its total assets, significantly and favorably affects stock prices. These findings imply that larger businesses typically have higher stock values, maybe as a result of their greater financial capacity, dominance in the market, and skill at risk management. Economies of scale are another advantage of larger businesses, which can result in increased profitability and, eventually, greater share prices. Furthermore, larger businesses might have greater access to capital markets, which would facilitate their ability to raise money for expansion and investment opportunities. The results of this study were supported by several researchers (Gharaibeh & Bani Khaled, 2020; Handayani & Purwanto, 2022; Salim & Susilowati, 2019), who found a positive relationship between the size of the company and the price of the stock. Prior studies have found conflicting results, with (Sukesti et al., 2021) suggesting a negative relationship between firm size. The study argues that smaller companies, which are usually associated with higher levels of risk, often produce greater returns for investors as a way to offset increased risk (Gharaibeh & Bani Khaled, 2020).

4. CONCLUSION

According to the result of hypothesis before that Partially the results of this study indicate that Current Ratio, Return on Asset and firm size have positive effects on stock prices. The findings of this study have important implications for the management of Indonesian oil palm plantation companies. They suggest that firms should focus on maintaining strong liquidity and profitability positions, as these factors can have a significant impact on their stock prices. To achieve this, companies may consider implementing strategies such as (1) Optimizing working capital management to improve liquidity and (2) Improving operational efficiency and cost control to enhance profitability.

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