

Effect of Current Ratio, Return on Assets, and Return on Equity, on Price Earnings Ratio in Hospital Companies Listed on Indonesia Stock Exchange (Bei) in 2016-2021

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Abstract

This study aims to analyze the Effect of Current Ratio, and Return On Assets, Return On Equity on the price Earning Ratio of Hospital Companies listed on the Indonesia Stock Exchange for the period 2016 - 2021. The samples used in this study were 5 Hospital Companies with the Purposive Sampling method. The analysis of this study used multiple linear regression analysis. The results showed that the Current Ratio partially had a significant effect on the Price Earning Ratio with the support of a positive direction. Return On Assets partially has a significant effect on the Price Earning Ratio with the support of the negative direction. The Return on Equity has a significant effect on the Price Earning Ratio with the support of the positive direction. variable CR, ROA and ROE simultaneously (together) have a significant effect on PER. The next suggestion for researchers is to add other variables that were not studied in this study and use companies in other industrial sectors to obtain more varied results that can describe the overall what can affect the Price Earning Ratio.

Keywords:

Current Ratio, Price Earnings Ratio, Return on Assets, Return on Equity.

1. Introduction

At this time, the public's need for hospitals is very high. As of July 15, Covid-19 cases in the country have reached around 80 thousand cases and daily cases continue to grow. This figure is close to catching up with the number of cases in China when it reached the peak of transmission (about 85,000 cases) and the figure there has continued to decline since last March. Therefore, the government, local governments, the hospital industry, hospital associations, and hospital managers must be prepared to respond to a series of waves of the Covid-19 pandemic that are and will hit.

From Tirto's search, several hospitals listed as issuers on the Indonesia Stock Exchange (IDX) increased profits drastically after the pandemic hit. For example, PT Siloam International Hospitals Tbk (SILO) or Siloam Hospitals Group in the first quarter of 2021 recorded revenue of IDR 1.91 trillion, an increase of 32.6 percent from revenue for the same period in 2020, based on its financial performance report accessed through the IDX website.

PER is very easy for investors to calculate and understand. By knowing the price in the market and net profit per share, investors are biased to calculate how much per share it is. the greater the Earning Per Share the lower the PER of the share and vice versa. Investment in stocks is more related to expectations so that the net profit used in the calculation is usually the projected net profit for the current year. If the issuer manages to post a big profit, then its shares will be poached by investors because the projected profit for the current year is likely to rise. The amount of PER will change following changes in prices in the market and the company's projected net profit. If the price rises but the projected profit is fixed, practically per will rise. Conversely, if the profit projection will rise but the market price does not move then PER will fall (Azizah & Ramadhani, 2011).

Based on the background above, the author is interested in conducting research on the factors that affect the Price Earnings Ratio in Hospital Companies listed on the Indonesia Stock Exchange (IDX) in 2017-2021. Therefore, a study will be conducted with the title "Effect of Current Ratio, Return on Assets, Return on Equity on Price Earnings Ratio in Hospital Companies listed on the Indonesia Stock Exchange in 2016-2021"

1.1. Conceptual framework and hypothesis building

According to Zarah Puspitaningtyas, (2015) Investment is essentially the activity of placing a certain amount of funds on one or more assets at the present moment in the hope of obtaining a return in the future. An investment decision is a financial decision, which is a decision on which assets should be purchased to obtain returns in the future. An investment decision is a financial decision, which is a decision on which assets should

be purchased to obtain returns in the future. Investment decisions will be reflected on the left side of the balance sheet or next to debit (assets). Investment activities are divided into two, namely investment in real assets, such as land, buildings, and machinery, as well as investment in financial assets, such as stocks, bonds, and derivative products.

1.2. Definition of Financial Ratio

According to A.Pearce et al., (2016) financial ratio analysis is the activity of comparing the figures in the financial statements by dividing one other number. (Sitanggang, 2014) there are 4 groups of financial ratios, namely:

1.2.1. Liquidity Ratio

Is a measure of the company's performance in the company's ability to fulfill financial obligations that must be repaid immediately, namely financial obligations that are due up to 1 year. There are three measures that can be used in measuring a company's liquidity, namely:

a. Current Ratio (Ratio Fluent)

The ratio of the ratio between current assets and current debt expressed in multiplication. The current ratio is very useful for measuring the company's ability to pay off its short-term obligations, where it can be known the extent of the company's fluent assets to guarantee its current debt. Quick Ratio

b. Cash Ratio

The ratio or ratio between current assets equivalent to cash plus securities with current debt expressed in multiplication. The Cash Ratio is used to measure a company's ability to pay short-term obligations with available and stored cash.

1.2.2. Solvability Ratio

Measuring company financing from sources of debt that will have an impact on fixed liabilities or expenses. Thus, the Solvency Ratio is a measure of how much a company is financed from the debt element.

a. Debt to Equity Ratio

The ratio between total debt and total equity in the company that gives an overview of the comparison between total debt and the company's own capital (equity). The greater the DER ratio, the greater the role of debt in financing company assets and vice versa.

b. Debt to Assets Ratio

The ratio between total debt and total assets gives an idea of how much the percentage of total assets is financed from debt. This measure is very useful for lenders to determine the level of costs or costs on additional new debts of the company in the form of debt. The greater this ratio means that the greater the role of debt in financing company assets and vice versa.

1.2.3. Activity Ratio

Measuring how effectively the company's management manages its assets. In the company's activities, all assets must be sought to provide benefits in order to achieve the company's goals. In order for these assets to benefit, they must be operated according to their respective goals as measured through their turnover.

c. Total Assets Turn Over

Ratio that measures how all assets owned by the company are operated in supporting the company's sales. The higher this ratio means the higher the productivity of the use of ratio assets.

d. Fixed Assets Turn Over

Ratio that measures how fixed assets are operated in support of the company's sales. The higher this ratio means the higher the productivity of using fixed assets.

e. Inventory Turn Over

Inventory turnover ratio measures the efficiency of merchandise inventory management. This means that the higher the inventory turnover ratio indicates the more efficient the investment in inventory.

f. Account Receivable Turn Over

The receivables turnover ratio measures the number of times accounts receivable have rotated (become cash) during the year. The higher the receivables turnover ratio, the faster the receivables are accumulated.

1.2.4. Profitability Ratio

The next suggestion for researchers is to add other variables that were not studied in this study and use companies in other industrial sectors to obtain more varied results that can describe the overall what can affect the Price Earnings Ratio.

a. Gross Profit Margin

A ratio that measures how much the company's gross profit rate is from each of its sales, means that here it has not taken into account operating costs and others. The higher this ratio, it indicates that the company has a high margin of each sale after taking into account the cost of goods sold.

b. Operating Profit Margin

A ratio that measures the extent of the company's operational or business profit from each of its sales, meaning that it has not taken into account interest costs and corporate taxes. The higher this ratio, it indicates that the company has a high margin of each sale after taking into account the company's operating costs.

c. Net Profit Margin

The ratio that measures how much the company's net profit rate is from each of its sales, means that here it has paid attention to operating costs, interest and taxes of the company. The higher this ratio, it indicates that the company has a high margin of each sale against all costs, interest and taxes that the company takes into account.

d. Return on Assets

A ratio that measures the company's ability to obtain a net profit from the amount of funds that the company invests in or the total assets of the company. The higher this ratio indicates that the company is able to take advantage of the assets owned to obtain the company's profit.

e. Return on Equity

This ratio measures the company's ability to provide a net reward for every rupiah of shareholders' capital. The higher this ratio indicates that the company is able to take advantage of its capital to obtain net profit to provide a level of return for shareholders.

2. Design, methods and approach

This research uses a quantitative approach. In this research, there are 4 variables, namely Current Ratio, Return on Assets, Return on Equity and Price Earnings ratio. The sample determination method used in this study is purposive sampling. Purposive sampling is a sample determination technique based on certain determinations (Sugiyono, 2013), with the following criteria:

- The company used in this study is a hospital company listed on the Indonesia Stock Exchange.
- Companies listed on the Indonesia Stock Exchange (IDX) in 2016-2021.
- The registered company publishes an annual report during the observation period and has complete data.

This method of analysis is used to measure the influence of the relationship of independent variables with dependent variables. Multiple linear regression analysis in this study was used to determine the effect of financial ratios related to CR, ROA, ROE on the Price Earnings Ratio. As for the models used in multiple linear regression:

$$PER = a + \beta_1 CR + \beta_2 ROA + \beta_3 ROE + \varepsilon$$

Information:

Y = Price Earnings Ratio

A = constant

X1' = Cr predictor regression equation coefficient

X2 = ROA predictor regression equalization coefficient

X3 = Coefficient of the ROE predictor equation

E = Error rate

3. Analysis result and discussion

Tabel 1 Analysis result and discussion
Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	
	B	Std. Error	Beta			
1	(Constant)	36,164	8,825		4,098	,000
	CR	,005	,002	,042	2,099	,046
	ROA	-1,965	,879	-,045	-2,237	,034
	ROE	,583	,010	,995	59,333	,000

- a. Dependent Variable: PER

Based on the spss output results above, the Multiple Linear Regression equation can be formulated as follows:

$$\text{PER} = 36,164 + 0,005 \text{ CR} - 1,965 \text{ ROA} + 0,583 \text{ ROE}$$

Based on the Multiple Linear Regression equation above, it can be explained that:

1. Constants
The magnitude of the constant value is 36.164, meaning That if the independent variable consists of current ratio (X1), return on assets (X2), and return on equity (X3) the value is 0 (zero), then the value of price earnings ratio (Y) is 36.164.
2. Current Ratio Regression Coefficient
The magnitude of the Current ratio value is 0.005, indicating the direction of a positive relationship (unidirectional) between CR and Price Earnings Ratio, this can be interpreted as if the CR variable increases by 1% then PER will increase by 0.005 assuming other independent variables are constant or fixed.
3. Regression Coefficient return on assets
The value of Return on Assets is -1,965, indicating the direction of the negative relationship (opposite) between ROA and Rattio's Price Earning, this can be interpreted as if the ROA variable increases by 1% then the PER price will experience a decrease of -1,965 assuming other independent variables are constant.
4. Coefficient of Return on Equity
The magnitude of the Return on equity value is 0.583, indicating the direction of a positive relationship (unidirectional) between ROE and PER, this can be interpreted as if the ROE variable rises by 1% then PER will increase by 0.585 assuming other independent variables are constant.

This hypothesis testing is carried out after testing research instruments, testing classical assumptions and multiple linear regression analysis according to the uraian in the previous chapter. This test uses Simultaneous Test (F) and Partial Test (t) as follows:

1. Uji t
 - a. Partial Test Between Current Ratio (X1) And Price Earnings Ratio (Y).
The results of the data using SPSS obtained a t-count value of the Current Ratio of 2.099 with a significance value of 0.046, meaning that the Current Ratio affects the Price Earnings Ratio, the significance value of 0.046 is smaller than 0.05 means that H_0 is rejected so that the Current Ratio has a significant effect on the Price Earnings Ratio with the support of a positive direction. Uji Parsial Antara Return on Assets (X2) Terhadap Price Earnings Ratio (Y).
 - b. Partial Test Between Return on Assets (X2) And Price Earnings Ratio (Y).
The results of the data using SPSS obtained a t-calculated value of Return on Assets of -2.237 with a significance value of 0.034, meaning that Return on Assets affects the Price Earnings Ratio, the significance value of 0.36 is smaller than 0.05 or $0.036 < 0.05$ means that H_0 is rejected so that Return On Assets has a significant effect on the Price Earnings Ratio with support in a negative direction.
 - c. Parsial Antara Return on Equity (X3) Terhadap Price Earnings Ratio (Y).
The results of the data using SPSS obtained a t-calculated value of Return on Equity of 59.333 with a significance value of 0.000, meaning that Return On equity affects the Price Earnings Ratio, a significance value of 0.0 is smaller than 0.05 or $0.000 > 0.05$ means that H_0 is rejected so that the Return on Equity has a significant effect on the Price Earnings Ratio with the support of a positive direction.

2. Uji F

Simultaneous tests are used to find out whether independent variables together or simultaneously affect dependent variables. This test is carried out at a confidence level of 95% with the following conditions:

If F is calculated $<$ F table, H_0 is accepted

If F is calculated $>$ F table, H_0 is rejected

Based on the table data above, it is known that the calculated F value obtained is 1195.539 with a significant value of 0.0, the calculated F value of $1195.539 >$ F of the table of 2.98 means that CR, ROA, and ROE have a significant effect on PER. Significance value of $0 < 0.05$. So, it can be concluded that the variables CR, ROA and ROE simultaneously (together) have a significant effect on PER

3.1. Analysis and Discussion of Research Results

- a. The Effect of Partial Current Ratio on Price Earning Ratio
The results of the data using SPSS obtained a t-count value of the Current Ratio of 2.099 with a significance value of 0.046 meaning that the Current Ratio has a significant effect on the Price Earning Ratio. Theoretically states that a high current ratio, indicates that the company is liquid. However, it is not good if the current ratio is too high. Generally a good smooth ratio is between 1% - 3%. The results of this study are contrary to Abdul Syukur, (2019) states that the Current Ratio variable

in the sig column was obtained by 0.90, a t-count value of $-1.772 > t\text{-table } 1.68975$ which means the Current Ratio is influential and insignificant..

b. Effect of Partial Return on Assets on Price Earnings Ratio

The results of the data using SPSS obtained a t-calculated value of Return on Assets of -2.237 with a significance value of 0.46 meaning that the Return on Assets had a significant effect on the Price Earnings Ratio with the support of a negative direction. The results of this study in accordance with (Aditya Irawan, 2018) stated that ROA had a negative and significant influence on PER by 49.72% and the remaining 50.28% was influenced by other variables

c. Effect of Partial Return on Equity on Price Earnings Ratio

The results of the data using SPSS obtained a t-calculated value of Return On Equity of 59.333 with a significance value of 0.000, meaning that Return On equity affects the Price Earnings Ratio, a significance value of 0.0 is smaller than 0.05 or $0.000 > 0.05$ means that H_0 is accepted so that return on equity has a significant effect on the Price Earnings Ratio with the support of a positive direction. The results of this study are contrary to Sudaryanti et al.,(2016) the Return On Equity variable in the sig column was obtained by 0.790 while the significance level was 5% or $\alpha = 0.05$. So that the sig $> \alpha$ or $0.790 > 0.05$ then H_0 was accepted and H_a was rejected which means that the Return on Equity has a partial insignificant effect on the Price Earnings Ratio in PT. Holcim Indonesia, Tbk. A small decrease in ROE or ROE value occurred in 2005. One of the causes of the decline in net profit was due to an increase in operating expenses that was not offset by an increase in revenue.

3.2. Limitation, suggestion and recommendation

The limitations on this study are only on hospital companies listed on the IDX for the 2016-2021 period, it is hoped that subsequent researchers can expand their research area like other companies. The next suggestion for researchers is to add other variables that were not studied in this study and use companies in other industrial sectors to obtain more varied results that can describe the overall what can affect the Price Earnings Ratio.

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