

RETURN ON ASSETS AND CURRENT RATIO AS DETERMINANTS OF PALM OIL PLANTATION STOCK PRICES IN ISSI 2013-2024

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Abstract

This study examines how Return on Assets (ROA) and Current Ratio (CR) influence stock prices among palm oil plantation companies listed on the Indonesian Sharia Stock Index (ISSI) from 2013 to 2024. The research was motivated by observed inconsistencies between theoretical predictions and actual market behavior, where improvements in financial ratios do not consistently correspond with rising share prices. A quantitative descriptive approach was employed, utilizing panel data from three corporations (PT Astra Agro Lestari Tbk, PT Austindo Nusantara Jaya Tbk, and PT Sampoerna Agro Tbk) selected through purposive sampling methodology. The analytical framework incorporated panel data regression using the Fixed Effect Model (FEM), processed through EViews 13 software. Individual variable analysis revealed that ROA demonstrates a statistically significant positive relationship with stock prices, with a coefficient of 38,821.72 (p-value 0.0116 < 0.05), suggesting that each 1% increment in ROA corresponds to a Rp388.22 increase in share value. Conversely, CR exhibits a statistically significant negative relationship, with a coefficient of -2,257.21 (p-value 0.0017 < 0.05), implying that excessive liquidity is interpreted by market participants as inefficient working capital management. Combined analysis demonstrates that ROA and CR jointly exert significant influence on stock prices, with an R^2 value of 85.50% (p-value 0.000000 < 0.05). These findings validate signaling theory in relation to ROA and trade-off theory concerning CR within the palm oil plantation industry operating in Indonesia's sharia-compliant capital market. This research contributes empirical evidence toward understanding the dynamics between financial performance metrics and market valuation within the sharia-compliant agribusiness sector.

Keywords: Return on Assets, Current Ratio, Stock Price, Palm Oil Plantations, Indonesian Sharia Stock Index

INTRODUCTION

Capital markets serve a vital function in channeling economic resources through the trading of financial instruments. When making investment decisions, financial data forms the primary foundation for investors to assess corporate performance and future potential. Financial metrics such as Return on Assets (ROA) and Current Ratio (CR) are theoretically considered capable of shaping investor perceptions regarding company value as reflected in share prices (Ross et al., 2016). ROA demonstrates how efficiently a company generates profits from its asset base, while CR reveals the company's capacity to satisfy short-term obligations (Brigham & Houston, 2018).

The signaling framework developed by Spence (1973) posits that companies can transmit signals to the marketplace through information disclosed in financial statements, thereby reducing information asymmetry (Spence, 1973). Within this theoretical construct, elevated ROA levels may convey positive signals about management quality and earning potential, whereas adequate CR levels indicate short-term financial stability (Sukesti et al., 2021). Investors are expected to respond to such favorable signals by increasing their demand for shares, subsequently driving upward price movements.

NO	PERUSAHAAN	TAHUN	X1 (ROA)	↑	X2 (CR)	↓	Y (HARGA SAHAM)	↑
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1	PT. Astra Agro Lestari Tbk (AALI)	2013	12,72%		45,00%		25100	
		2014	14,13%	↑	58,47%	↑	24250	↓
		2015	3,23%	↓	79,90%	↑	15850	↓
		2016	8,73%	↑	102,75%	↑	16775	↑
		2017	8,30%	↓	183,84%	↑	13150	↓
		2018	5,66%	↓	146,29%	↓	11825	↓
		2019	0,90%	↓	285,43%	↑	14575	↑
		2020	3,22%	↑	331,26%	↑	12325	↓
		2021	6,80%	↑	157,95%	↓	9500	↓
		2022	6,13%	↓	360,00%	↑	8025	↓
		2023	3,77%	↓	183,36%	↓	7025	↓
		2024	4,12%	↑	260,49%	↑	6200	↓
2	PT. Austindo Nusantara Jaya Tbk (ANJT)	2013	5,50%		340,55%		1490	
		2014	4,11%	↓	134,44%	↓	1325	↓
		2015	1,78%	↓	92,48%	↓	1610	↑
		2016	1,75%	↓	143,00%	↑	1990	↑
		2017	8,37%	↑	145,31%	↑	1200	↓
		2018	1,18%	↓	166,71%	↑	1150	↓
		2019	0,73%	↓	212,58%	↑	1000	↓
		2020	0,35%	↓	234,13%	↑	735	↓
		2021	5,66%	↑	160,38%	↓	990	↑
		2022	3,51%	↓	146,15%	↓	665	↓
		2023	0,31%	↓	104,20%	↓	745	↑
		2024	1,60%	↑	125,84%	↑	715	↓
3	PT. Sampoerna Agro Tbk (SGRO)	2013	2,67%		105,07%		2000	
		2014	6,40%	↑	80,15%	↓	2100	↑
		2015	3,51%	↓	127,00%	↑	1700	↓
		2016	5,52%	↑	127,66%	↑	1910	↑
		2017	2,99%	↓	120,24%	↓	2570	↑
		2018	0,71%	↓	91,85%	↓	2370	↓
		2019	0,42%	↓	41,57%	↓	2380	↑
		2020	-1,97%	↓	73,01%	↑	1655	↓
		2021	8,35%	↑	109,20%	↑	1995	↑

		2022	10,15%	↑	132,29%	↑	2100	↑
		2023	4,38%	↓	123,36%	↓	2010	↓
		2024	6,52%	↑	126,37%	↑	2140	↑

In practice, however, the relationship between financial indicators and stock prices does not always align with theoretical predictions. This inconsistency constitutes the primary problem motivating this research. Empirical evidence from palm oil plantation subsector companies listed on the Indonesian Sharia Stock Index (ISSI) during 2013-2024 reveals patterns that contradict theoretical expectations. For instance, PT Astra Agro Lestari Tbk (AALI) experienced ROA growth from 12.72% in 2013 to 14.13% in 2014, yet this was accompanied by a decline in share price from Rp25,100 to Rp24,250 in 2014. Similarly, the Current Ratio (CR) exhibited significant fluctuations that did not consistently correlate positively with stock price movements.

This inconsistency suggests a gap between theory and practice requiring further exploration. Several potential explanations for this phenomenon exist: First, investors may not evaluate profitability and liquidity indicators in isolation, but also consider asset management efficiency. Excessively high Current Ratios may be perceived as inefficient working capital utilization, thereby conveying negative signals to investors (Myers, 1984). Second, the palm oil plantation sector possesses unique characteristics including weather dependency, global commodity price volatility, and government regulations that may influence investor perceptions independently of internal financial ratios (Yuninda & Kusumawardhani, 2021). Third, the extended research period (2013-2024) encompasses various macroeconomic conditions that may alter investor sensitivity to specific financial signals.

This research warrants attention for three principal reasons. First, the palm oil plantation sector makes substantial contributions to Indonesia's economy as the world's largest palm oil producer, yet research examining stock price determinants in this sector, particularly within the sharia capital market framework, remains limited. Second, understanding the relationship between financial indicators and market valuation can provide practical guidance for investors conducting fundamental analysis of sharia-compliant stocks. Third, identifying inconsistencies between theory and practice can contribute theoretically to advancing signaling theory within emerging market contexts.

Accordingly, this study aims to analyze the influence of Return on Assets and Current Ratio on stock prices among palm oil plantation subsector companies listed on ISSI during 2013-2024, both individually and collectively. The research findings are expected to provide empirical contributions enriching Islamic finance literature while offering practical implications for capital market stakeholders.

METHODOLOGY

This study employs a descriptive method with a quantitative approach to examine the impact of Return on Assets (ROA) and Current Ratio (CR) on stock prices within palm oil plantation subsector companies registered on the Indonesian Sharia Stock Index (ISSI) from 2013-2024. The research utilizes secondary data in panel data format obtained from annual financial reports and the official website of the Indonesia Stock Exchange (www.idx.co.id).

Data analysis techniques involve panel data regression using EViews 13 software, encompassing optimal model selection through the Chow Test, Hausman Test, and Lagrange Multiplier Test. Prior to conducting regression analysis, classical assumption tests including multicollinearity and heteroscedasticity tests were performed to ensure the model satisfies Best Linear Unbiased Estimator (BLUE) criteria. Hypothesis testing was conducted through partial testing (T-test) to determine individual effects of each independent variable, and simultaneous testing (F-test) to assess the combined influence of both independent variables on stock prices, using a significance level of $\alpha = 0.05$. The regression model employed is $Y_{it} = \alpha + \beta_1(ROA)_{it} + \beta_2(CR)_{it} + u_{it}$, where Y represents stock price, ROA denotes Return on Assets calculated using the formula $(\text{Net Income} / \text{Total Assets}) \times 100\%$, and CR represents Current Ratio measured through the formula $(\text{Current Assets} / \text{Current Liabilities}) \times 100\%$.

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RESULT AND DISCUSSION

Result

Descriptive statistical analysis reveals an average ROA of 4.5% with a standard deviation of 3.6%, indicating moderate profitability with considerable variation across companies. The Current Ratio averaged 1.52, ranging from 0.42 to 3.60, reflecting substantial differences in liquidity strategies. Stock prices averaged Rp5,642.92 with a standard deviation of Rp6,748.12, demonstrating high market valuation heterogeneity among the three sample companies.

Panel data regression model selection through Chow and Hausman Tests identified the Fixed Effect Model (FEM) as optimal, with a probability value of $0.0000 < 0.05$. Classical assumption tests confirmed the model's freedom from multicollinearity (inter-variable correlation of $-0.147 < 0.80$) and heteroscedasticity (prob. ROA = 0.266 and CR = 0.324 > 0.05), thereby satisfying BLUE criteria.

The regression analysis produced the equation: $\text{Stock Price} = 7,316.05 + 38,821.72(\text{ROA}) - 2,257.21(\text{CR}) + \varepsilon$, with $R^2 = 0.8550$ (85.50%) and Adjusted $R^2 = 0.8363$ (83.63%). Individually, ROA exhibits a significant positive impact on stock prices with a coefficient of 38,821.72 and prob. $0.0116 < 0.05$, meaning each 1% increase in ROA corresponds to a Rp388.22 rise in stock price. Conversely, CR demonstrates a significant negative effect with a coefficient of -2,257.21 and prob. $0.0017 < 0.05$, indicating that CR increases actually reduce stock prices. Collectively, ROA and CR significantly influence stock prices with $\text{Prob}(F\text{-statistic}) = 0.000000 < 0.05$.

Discussion

1. Impact of Return on Assets on Stock Prices

Research findings demonstrate that Return on Assets (ROA) exerts a significant positive influence on stock prices with a regression coefficient of 38,821.72 and probability value of $0.0116 < 0.05$. This outcome confirms the first hypothesis (H_1) and aligns with signaling theory proposed by Spence (1973) and Ross (1977), wherein elevated ROA serves as a favorable signal to investors regarding management's efficiency and effectiveness in utilizing company assets.

Within the palm oil plantation industry context, ROA reflects a company's capability to generate profits from investments in productive assets including plantation land, processing facilities, and supporting infrastructure. Companies with high ROA demonstrate their ability to optimize plantation productivity, factory operational efficiency, and effective marketing strategies. Investors interpret high ROA as a robust fundamental indicator, which subsequently enhances confidence and demand for shares, thereby driving price appreciation. These results align with studies by (Putra & Kindangen, 2016)(Rahmadewi, 2018), which identified positive ROA effects on stock prices across various sectors.

2. Impact of Current Ratio on Stock Prices

This research discovers that Current Ratio (CR) exerts a significant negative influence on stock prices with a coefficient of -2,257.21 and probability value of $0.0017 < 0.05$. This finding confirms the second hypothesis (H_2) and provides intriguing empirical evidence regarding how markets interpret liquidity within the palm oil plantation industry context.

This negative relationship can be explained through trade-off theory (Myers, 1984) and working capital efficiency perspectives. Although theoretically high CR indicates strong short-term obligation fulfillment capacity, sharia stock market investors in practice tend to view excessively high CR as an inefficiency signal. Data reveals that several sample companies possess CR exceeding 300%, indicating accumulation of current assets not utilized productively. In capital-intensive industries like palm oil plantations, investors favor

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companies allocating funds toward productive investments such as land expansion, crop rejuvenation, or factory capacity enhancement, rather than maintaining excessive liquidity. These findings correspond with research by Yuniarti (2022) (Yuniarti, 2022) , which identified negative relationships between excessive liquidity and market valuation.

The negative CR effect on stock prices can also be explained through the idle fund concept—dormant funds failing to deliver optimal returns for shareholders. When companies maintain very high CR, this indicates funds 'parked' as cash or cash equivalents yielding only minimal returns from money market instruments or deposits, while the opportunity cost remains substantial given the palm oil plantation industry's characteristic offering higher investment returns through productive area expansion or operational efficiency improvements. Institutional investors and market analysts tend to evaluate management with excessive CR as insufficiently aggressive in capitalizing on growth opportunities, or even reflecting management's inability to identify profitable investment projects (Brigham & Houston, 2018). Within the sharia capital market context, where investors pursue not only returns but also blessings through productive investments, idle funds are viewed as resource waste that should create value for stakeholders. Consequently, markets respond negatively to high CR because it indicates inefficient capital allocation potentially reducing long-term profitability and diminishing company growth opportunities.

3. Simultaneous Impact of ROA and CR on Stock Prices

Simultaneous testing results demonstrate that ROA and CR jointly exert significant influence on stock prices with $\text{Prob}(F\text{-statistic}) = 0.000000$ and $R^2 = 0.8550$ (85.50%). This finding confirms the third hypothesis (H_3) and shows that investors conduct comprehensive analysis of profitability and liquidity aspects simultaneously when evaluating companies.

The high coefficient of determination (85.50%) indicates that the ROA and CR combination possesses excellent predictive power for stock prices in the palm oil plantation sector within Indonesia's sharia capital market. This demonstrates that investors consider not merely one financial aspect, but perform holistic evaluation of fundamental company performance. Although ROA provides positive signals and CR provides negative signals individually, their combination offers comprehensive information about financial health and operational efficiency. This finding aligns with research by (Wulandari & Lorensa, 2024), which identified simultaneous effects of financial ratios on stock prices in the agricultural sector.

4. Research Implications

These research findings carry important practical implications. For company management, this study emphasizes the importance of optimizing ROA through enhanced operational efficiency and asset productivity while maintaining CR at optimal levels without causing excessive current asset accumulation. For investors, ROA can serve as a primary indicator in fundamental analysis of sharia plantation sector stocks, while CR requires careful interpretation within the context of long-term business strategy. From an academic perspective, this research enriches literature by identifying theory-practice inconsistency phenomena in liquidity-stock price relationships within the specific context of palm oil plantation industry in Indonesia's sharia capital market.

CONCLUSION

This study examined the influence of Return on Assets (ROA) and Current Ratio (CR) on stock prices among palm oil plantation subsector companies listed on the Indonesian Sharia Stock Index (ISSI) during 2013-2024. Based on panel data regression analysis using the Fixed Effect Model, several key conclusions emerge.

First, ROA demonstrates a statistically significant positive relationship with stock prices, with each 1% increase in ROA corresponding to a Rp388.22 rise in share value. This finding validates signaling theory within the palm oil plantation industry context, confirming that profitability serves as a crucial indicator for investors in assessing management quality and operational efficiency. Companies demonstrating superior asset utilization capacity are rewarded with higher market valuations.

Second, contrary to conventional theoretical predictions, CR exhibits a statistically significant negative relationship with stock prices. This counterintuitive finding reveals that excessive liquidity is perceived by sharia capital market investors as inefficient capital allocation rather than financial strength. Excessively high CR signals the presence of idle funds that could otherwise be deployed in productive investments such as plantation expansion or operational improvements, particularly critical in capital-intensive industries like palm oil plantations.

Third, ROA and CR jointly account for 85.50% of stock price variation, demonstrating that investors conduct comprehensive fundamental analysis by simultaneously evaluating both profitability and liquidity dimensions. This substantial explanatory power confirms that financial ratio combinations provide more complete information than individual indicators for investment decision-making.

These findings contribute both theoretically and practically to Islamic finance literature. Theoretically, this research enriches signaling theory application by identifying context-specific patterns where liquidity signals may be interpreted negatively in capital-intensive sharia-compliant sectors. Practically, these results offer guidance for corporate management to optimize ROA while maintaining prudent liquidity levels, and assist investors in conducting more nuanced fundamental analysis that considers industry-specific characteristics when evaluating sharia-compliant stocks.

Future research should consider incorporating additional variables such as leverage ratios, market conditions, and commodity price volatility to provide more comprehensive explanations of stock price determinants in the palm oil plantation sector. Extended analysis periods and broader sample sizes would further strengthen the generalizability of these findings within Indonesia's sharia capital market.

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