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Total Asset Turnover Effect, Working Capital Turnover and Debt Ratio on Stock Price

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Abstract. Stocks are investment instruments that are in great demand today. Invest in shares with the expectation of obtaining higher returns from other investment objects so that the company must be able to attract potential investors.

Total Asset Turnover shows the level of efficiency of the overall use of the company's activities in generating a certain sales volume or a comparison between sales and total assets owned by the company. Capital Turnover is one of the ratios to measure or assess the effectiveness of the company's working capital during a certain period. If debt costs are smaller than equity funds, by adding debt to the balance sheet, the company can generally increase profitability, and increase its stock price.

This study was conducted to examine whether total asset turnover (TATO), working capital turnover (NWCTO) and debt ratio (DER) to stock prices (Closing Price). Research conducted on consumption sector companies listed on the Stock Exchange in 2007-2016.

This research method is carried out using samples from consumption sub-sector companies in 2007-2016. The analysis technique used is multiple regression analysis, hypothesis testing using t-statistics and f-statistics to test the regression coefficients simultaneously and partially with a significance level of 5%.

From the results of the analysis shows that the variable total asset turnover (TATO), working capital turnover (NWCTO) and debt ratio (DER) simultaneously have a significant effect on stock prices

Keywords: Total asset turnover, Capital Turnover, Debt to Equity Ratio Against Stock Price

INTRODUCTION

The capital market is one of the alternatives for investors (fund owners) in investing their funds, but investments in the form of shares are quite risky even though they have relatively greater profits. Therefore, investors need relevant information and also the right performance measurement tools, so that they can be used to determine investment choices on stock prices that have a positive return. For investors who want to invest or invest in a stock price securities of a company is very influential because investors invest in the capital market not only for the short term but for the long term to increase the expected profit and not just in terms of investors from the company side of the stock price is very influential on against continuity of the company. Alternative investment valuation consists of two basic approaches, namely technical analysis, and fundamental analysis. Technical analysis is a market analysis that focuses on the stock index, price, or other statistics in determining patterns that might predict the picture that has been made. In addition, technical analysis is an attempt to estimate stock prices by observing changes in stock prices in the past period and attempts to determine when investors must buy, sell or maintain their shares by using technical indicators or graph analysis. This analysis uses market data from stocks, such as prices and volume of stock sale transactions to determine the value of existing shares. Whereas fundamental analysis is an analysis that tries to estimate future stock prices by estimating the value of fundamental factors that affect stock prices in the future and applying the variable related to the estimated stock price. Fundamental analysis is called company analysis because it uses the company's financial data in calculating the intrinsic value of

shares. The analysis compares the intrinsic value to price market, to determine whether the stock price has reflected its intrinsic value.

Total Assets Turnover (TATO) shows the level of efficiency of the overall use of the company's activities in generating sales volume or is a comparison between sales and total assets owned by the company. The greater the asset turnover, the more effective the company manages the activity in generating sales (Sutrisno, 2009). The high and low stock prices of an industry can be caused by how much efficient use of all assets in generating *total Asset Turnover* sales. The higher the TATO ratio means the more efficient use of all assets in generating sales.

Working capital is regarded as the funds available for investment in non-current assets or non-current debt, working capital turnover can facilitate the operations of a company to obtain an optimal profit. Therefore, companies need funds to increase working capital, among others by selling shares to the public accordingly with existing financial position. If the company can generate net income continuously for the future, then a creditor can judge that the company's financial performance is good, naturally, the stock price will rise. Conversely, if the working capital turnover does not make a profit or if the company acquires money losses, can result in stock prices going down.

Debt to Equity Ratio (DER) is a balance between debt owned by a company and its own capital. The higher this ratio means less capital than its debt (Sutrisno, 2009). Debt costs are smaller than equity funds, by adding the debt into the balance sheet, the company is able to improve profitability, which may raise stock prices, thereby increasing the welfare of shareholders and building greater growth potential.

LITERATURE REVIEW

Stock price

The stock is as a sign of participation or ownership of a person or entity in a company or limited liability company, the information is in the form of a piece of paper explaining that the owner of the paper is the owner of the company that issued the securities. The amount of ownership is determined by the amount of investment invested in the company. Share prices experience changes up or down at certain times. These changes depend on the strength of demand and supply, if a stock experiences an increase in demand, then the stock price tends to rise. Conversely, if there is an increase in supply, the stock price will tend to fall.

Total Asset Turnover (TATO)

Total asset turnover (TATO) is a ratio that describes asset turnover as measured by sales volume, the greater this ratio, the better, meaning assets can spin faster and gain profit and show the more efficient use of overall assets in generating sales if TATO is increased or enlarged. TATO is important for the company, but it is important for creditors and company owners, including for company management because this shows the efficient use of all assets in the company.

Total asset turnover is a ratio used to measure the turnover of all assets owned by a company and measure how much sales are obtained from each rupiah produced.

The formula used to measure total asset turnover is:

$$\text{Total Assets Turnover} = \frac{\text{revenues (sales)}}{\text{total assets}}$$

Net Working Capital Turnover (NWCTO)

Net working-capital turnover or *net working capital turnover* ratio is one to measure or assess the effectiveness of its working capital during a certain period. This means how much working capital rotates during a period or in a period. To measure this ratio, we compare sales with working capital or with net working capital.

According to (Van Home & Wachowicz, 2009) net working-capital (NWCTO) is the difference in the value of money between current assets and long-term liabilities. From working-capital needs can be known whether the company works with high or low working capital.

The formula used to measure working capital turnover is as follows: Working-capital turnover =
$$\frac{\text{sales}}{\text{Net working-capital}}$$

Net working capital= current assets – current debt.

From these various understandings, it can be concluded that the ratio of working capital consumption (NWCTO) is a comparison between sales with net working capital. Working capital turnover is the ratio of measuring business activities.

Debt Ratio (DER)

Debt to Equity Ratio (DER) is a group in the leverage ratio. According to (Noor Achmad, 2007) This ratio shows the composition or capital structure of total loans (debt) to the total capital owned by the company in fulfilling long-term obligations. *Debt to Equity Ratio* (DER) is the ratio between total debt and total capital. *Debt to Equity Ratio* (DER) is used to measure the level of use of debt against the total *shareholder's equity* owned by the company.

According to (Horne and Wachoviz), "Debt to equity is computed by dividing the total debt of the firm (including current liabilities) by its shareholder's equity". *Debt to Equity Ratio* (DER) can provide an overview of the capital structure that is owned by the company so that it can be seen the level of risk of not paying a debt. *Debt to Equity Ratio* (DER) shows the level of debt, companies with large debt have large debt costs as well. This is a burden for companies that can reduce investor confidence. Investors tend to avoid stocks that have a high *Debt to Equity Ratio* (DER). When there is an increase in the number of debt in absolute terms it will reduce the level of solvency of the company, which in turn will have an impact on the decrease of the return value of the company. The formula used to measure is:

$$\text{Debt to Equity Ratio} = \frac{\text{Total debt}}{\text{equity}}$$

The definition of *debt to equity ratio* according to Agnes Sawir (2008) is the ratio that describes the ratio of debt and equity in company funding and shows the ability of the company's own capital to fulfill all of its obligations.

RESEARCH METHODS

The research method used in this study can be classified into quantitative research, namely research that is widely demanded to use numbers, ranging from data collection, interpretation of data, and displaying the results. This study compares the ratio variables TATO, WCTO, and DER to stock prices.

Population and Sample

The population is an area of generalization which consists of objects/subjects that have a certain quantity and characteristics that are set to be studied and then drawn conclusions (Sugiyono, 2011). In this study, the sample used was purposive sampling method. The purposive sampling method limits the sampling that will be examined based on certain criteria. The criteria for selecting samples in this study are:

1. Companies listed on the Indonesia Stock Exchange in 2006-2016
2. Companies that have published financial statements in full in the past 10 years
3. Companies that have stable stock prices

Statistic analysis

Because the dependent variable is influenced by independent variables, this study uses statistical analysis, including:

1. Multiple Linear Regression Analysis is used to predict how large the value of the dependent variable is if the value of the independent variable is changed. According to (Sugiyono, 2010) in this analysis used multiple regression formulas as follows:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e$$

Where:

Y	=	Share price variable
α	=	Constants
β_1	=	Regression coefficient for TATO
X_1	=	TATO
β_2	=	Regression coefficient for NWCTO
X_2	=	NWCTO
β_3	=	Regression coefficient for DER
X_3	=	DER
e	=	Error

2. The correlation coefficient is an analysis that measures whether or not the relationship between variable X and variable Y is measured by a value. The strong relationship between the variables X and Y is measured by a value called correlation.
3. The coefficient of determination.
The coefficient of determination, in essence, it measures how far the ability of the model in explaining the variation of the dependent variable. The coefficient of determination is between zero and one.
4. Testing of the *goodness of fit model* (Test F)
This test is used to find out whether all independent variables together can affect the dependent variable (*goodness of fit model*).
5. Testing of Partial Regression (T-Test)
This test is used to determine whether each independent variable individually affects the dependent variable.

RESULTS AND DISCUSSION

Effect of Total Asset Turnover (TATO) on Stock Prices in the Consumer Sector

Based on the results of the study, it can be seen that the total asset turnover (TATO) variable has a non-significant positive effect on the Closing Price in the consumption sector (PT Ultra Jaya Milk Industry & company Tbk, PT Indofood Sukses Makmur Tbk, PT Mayora Indah Tbk) has significance value (sig) of 0.219 in the table of coefficients with a value of α (significant degree) 0.05 meaning $0.0219 > 0.05$. So that it can be stated that there is an insignificant influence between the variables of total asset turnover (TATO) to the dependent variable of the Share Price (closing price). The significance value of TATO to Share Prices is greater than the level of error that can be tolerated, so the null hypothesis is accepted and the alternative hypothesis is rejected. Thus, it can be concluded that TATO is positive but not significant in influencing stock prices. This result is not in accordance with the first research hypothesis, namely "there is a TATO influence on stock prices" so that the proposed hypothesis is not proven. This indicates that the sample that the researcher chose in this study did not succeed in showing a strong significant effect on the Total Asset Turnover (TATO) on stock prices. Although in theory TATO has an influence on stock prices, which means that if TATO rises it will be followed by an increase in the stock price itself because investors tend to be interested in companies that have high TATO, because for investors there is hope that profits will be high, if the company is able to manage assets well. However, in this case, this was not proven because investors were more likely to pay attention to other factors not examined.

Effect of Working Capital Turnover (NWCTO) on Stock Prices in the Consumption Sector

Based on the results of the study it can be seen that the Working Capital Turnover variable (NWCTO) has a significant effect on the Closing Price in the Consumption sector (PT Ultra Jaya Milk Industry & company Tbk, PT Indofood Sukses Makmur Tbk, and PT Mayora Indah Tbk) have value significance (sig) of 0.009 in the table of coefficients with a value of α (significant degree) 0.05 meaning $0.009 < 0.05$. So that it can be stated that there is a significant influence between working capital turnover variables (NWCTO) on the stock price dependent variable (closing price). NWCTO significance value of the stock price is smaller than the level of error that can be tolerated, then the null hypothesis is rejected and the alternative hypothesis is accepted. It can be concluded that NWCTO has a significant effect on stock prices. The results of this study are in accordance with the first research hypothesis, namely "there is allegedly NWCTO influence on stock prices", so the proposed hypothesis is proven.

Effect of Debt Ratio (DER) on Stock Prices in the Consumer Sector

Based on the research results, it can be seen that the Debt Ratio (DER) variable has a significant influence on the Closing Price in the Consumer sector (PT Ultra Jaya Milk Industry & company Tbk, PT Indofood Sukses Makmur Tbk and PT Mayora Indah Tbk) have significant value (sig) of 0.002 in the table of coefficients with a value of α (significant degree) 0.05 meaning $0.002 < 0.05$. So that it can be stated that there is a significant influence between the variable debt ratio (DER) to the dependent variable of the Share Price (closing price). The significance value of DER to the Share Price is smaller than the level of error that can be tolerated, so the null hypothesis is rejected and the alternative hypothesis is accepted. It can be concluded that DER has a significant effect on influencing stock prices. The results of this study are in accordance with

the first research hypothesis, namely "there is a suspected influence of DER on stock prices", so the proposed hypothesis is proven

Effect of Total Asset Turnover (TATO), Working Capital Turnover (NWCTO), and Debt Ratio (DER) on Stock Prices in the Consumer Sector

Based on the research results, it can be seen that the Total Asset Turnover (TATO), Working Capital Turnover (NWCTO) and Debt Ratio (DER) variables have a significant positive effect on the Closing Price in the Consumer sector (PT Ultra Jaya Milk Industry & company Tbk, PT Indofood Sukses Makmur Tbk, PT Mayora Indah Tbk). Based on the F test shows that the calculated F value of 6.254 is greater than the F table value of ($df_1 = 24$; $df_2 = 3$; $\alpha = 5\%$) = 3.01 and the Total Asset Turnover (TATO) variable, Net Working Capital Turnover (NWCTO), and Debt to Equity Ratio (DER) has a significant value of 0.003 against the variable share price (Closing Price) which means it is accepted H_1 and H_0 are rejected due to significant values smaller than 0.05 (sig) or $0.003 < 0.05$. So that it can be stated that TATO, NWCTO, DER simultaneously affect the stock price.

It can be concluded that TATO, WCTO, and DER simultaneously have a significant effect on stock prices. The results of this study are in accordance with the research hypothesis that is "suspected Total Asset Turnover (TATO), Working Capital Turnover (NWCTO) and Debt Ratio (DER) affect the Share Price", thus the proposed research hypothesis is proven.

CONCLUSIONS AND SUGGESTIONS

Based on the results of the research that has been done, it can be concluded as follows:

1. There is an insignificant influence between the total asset turnover (TATO) variable on the stock price dependent variable (closing price).
2. There is a significant influence between working capital turnover variables (NWCTO) on the stock price dependent variable (closing price).
3. There is a significant influence between the variable debt ratio (DER) on the dependent variable of the stock price (closing price).
4. TATO, NWCTO, DER simultaneously affect the stock price.
5. Effect of total asset turnover (TATO), working capital turnover (NWCTO), and debt ratio (DER) on the strong closing price, because the R-value is close to 1.
6. The coefficient of determination in this study is 0.439 or 43.9%, meaning that it has a moderate/sufficient influence between X_1 , X_2 , X_3 on Y that is equal to 0.439 and the rest ($100\% - 43.9\%$) = 56.1% is influenced by other variables not examined

SUGGESTION

Based on the above conclusions, there are some suggestions for the results of this study, among others:

1. For the company
 - A. It is better for companies to increase sales so that their assets do not accumulate which results in not maximizing profits, which results in investors not being interested in investing. Conversely, if the sale is done maximally, then the profit obtained will be better and will attract investors to invest.
 - B. The use of working capital must be managed as effectively as possible so that not much working capital is stored because it has a less efficient impact on companies in utilizing working capital.
 - C. The company should be wise in making a decision regarding debt, in order to finance the company's operations, both internal and external sources of funds in order to gain profits that can attract investors to invest their capital, so as to prosper the shareholders and raise stock prices
2. For the next researcher

For the next researchers, it is recommended to add more data samples with various characteristics from various sectors and use other variables that are more diverse.

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