

Profitability Performance and Its Impact on Stock Prices in Indonesia's Food and Beverage Sector (2022–2024)

Jumriah Basri^{1*}, A. Kartini Sari Putri D², Muhammad G Try Heady S³, Auliyah Nurwafiyah⁴, Ari ayu⁵

¹Management Study Program, Faculty of Economics and Business, Ichsan University of Sidenreng Rappang, 91611, Indonesia

²Management Study Program, Faculty of Economics and Business, Ichsan University of Sidenreng Rappang, 91611, Indonesia

³Digital Business Study Program, Faculty of Economics and Business, Ichsan University of Sidenreng Rappang, 91611, Indonesia

⁴Management Study Program, Faculty of Economics and Business, Ichsan University of Sidenreng Rappang, 91611, Indonesia

⁵Accounting Study Program, Faculty of Economics and Business, Ichsan University of Sidenreng Rappang, 91611, Indonesia

Corresponding Author Email: jumriahbasri1@gmail.com

Abstract

This study aims to analyze the effect of profitability on stock prices of food and beverage companies listed on the Indonesia Stock Exchange during the 2022–2024 period. Profitability is measured using financial ratios such as Return on Assets (ROA), Return on Equity (ROE), and Net Profit Margin (NPM). The data were obtained from the annual financial reports of the companies included in the research sample. The analytical method employed is simple linear regression to examine the relationship between profitability variables and stock prices. The results of the study show that profitability has a significant effect on stock prices. The higher the level of a company's profitability, the higher the stock price recorded in the market. These findings reinforce the signaling theory, where good financial performance serves as a positive signal for investors and leads to increased demand for the company's shares in the capital market. This study is expected to provide contributions to both investors and company management in making investment decisions and strategies to improve financial performance.

Keywords: Profitability; Stock Prices; ROA; ROE; Indonesia Stock Exchange (IDX)

1. Introduction

In the investment world, stock prices reflect a company's performance in the capital market. Before investing, investors analyze stocks that may provide the best returns. Transparent financial reports are key to investment decisions, as lower-than-expected profits can cause significant stock price declines [1].

Profitability ratios illustrate a company's success in generating profits [2]. Investors evaluate ROA, ROE, and NPM to assess efficiency. High profitability boosts investor confidence, leading to rising stock prices. Signaling Theory explains that earnings reports and dividend announcements serve as positive signals for investors [3].

In the food and beverage sector, the contribution to GDP is 6.5% (BPS, 2022), showing relative stability, though profitability fluctuates due to production costs, consumer behavior, and policy changes. Several studies support the link between profitability and stock prices. For example, a studies ROA, ROE, and EPS significantly affect stock prices of food and beverage companies during 2019–2021 [4]. Conversely, the other research reported that ROA and ROE do not significantly affect stock prices.

This study aims to fill the research gap by focusing on the 2022–2024 period in the food and beverage sector, exploring how competitive dynamics influence profitability and stock prices. Based on this, the author is interested in conducting research entitled “The Effect of Profitability on Stock Prices of Food and Beverage Companies Listed on the Indonesia Stock Exchange in 2022–2024.”

2. Methodology

This study focuses on the Indonesia Stock Exchange (IDX), using data from the official IDX website, including stock prices, trading volume, and financial statements of food and beverage companies during 2022–2024. A quantitative approach is applied to analyze the effect of profitability measured by Return on Assets (ROA), Return on Equity (ROE), and Net Profit Margin (NPM) on stock prices. The population consists of 24 listed companies, with 15 selected as samples for consistently publishing financial reports over three years, resulting in 45 observations.

Secondary data were obtained from financial reports and stock prices on the IDX website, supported by literature studies. Classical assumption tests were conducted, including normality (Kolmogorov-Smirnov) and heteroscedasticity (scatterplot). Simple linear regression was used to test the effect of profitability on stock prices, with t-tests for partial significance and the coefficient of determination (R^2) to measure the contribution of profitability to stock price variation..

3. Result and Discussion

3.1. Result

The results of the classical assumption test indicate that the research data meet the requirements for regression analysis. The normality test using the Kolmogorov-Smirnov method produced an Asymp. Sig value of 0.880, which is greater than 0.05, indicating that the data are normally distributed. Furthermore, the Glejser test showed a significance value of 0.523, also greater than 0.05, meaning that the data are free from heteroscedasticity issues.

Based on the results of the simple linear regression, the constant value obtained was 3.195, which indicates that stock prices remain at this level when profitability is zero. The regression coefficient for profitability was 1.184, meaning that every 1% increase in profitability would raise stock prices by 1.184. Thus, there is a positive relationship between profitability and stock prices in food and beverage companies listed on the Indonesia Stock Exchange for the period 2022–2024.

Hypothesis testing using the t-test showed a t-value of 5.456, which is greater than the t-table value of 1.681. This means that the research hypothesis is accepted, namely that profitability has a significant effect on stock prices. Meanwhile, the coefficient of determination (R^2) test result was 0.409, indicating that profitability explains 40.9% of the variation in stock prices, while the remaining 59.1% is influenced by other factors outside this study..

3.2. Discussion

This study examines the effect of profitability (ROA, ROE, and NPM) on the stock prices of food and beverage companies listed on the Indonesia Stock Exchange (IDX) during the 2022–2024 period. The theoretical framework applied is the Signaling Theory, which views profitability as a positive signal for investors. The t-test results show $t\text{-value } 5.456 > t\text{-table } 1.681$ with a significance level of $0.000 < 0.05$, indicating that profitability has a significant effect on stock prices.

In 2022, the sector began to recover from the pandemic with improvements in ROA, ROE, and NPM, consistent with a research [5], who argue that profitability serves as a positive signal for investors. In 2022, despite inflation and rising raw material costs, the sector remained relatively stable due to the consistent demand for basic necessities, supporting a studies [3] view on the importance of profitability ratios. By 2024, increasing competition drove product innovation, another studies who state that financial performance, especially profitability, significantly influences stock prices [6].

This research provides novelty by: (1) using the most recent 2022–2024 data, reflecting post-pandemic recovery, (2) adopting a multi-ratio approach (ROA, ROE, and NPM) for a more comprehensive analysis, (3) focusing on the food and beverage sector, which is vital and relatively crisis-resistant, and (4) presenting quantitative analysis showing that a 1% increase in profitability raises stock prices by 1.184. However, profitability explains only 40.9% of stock price variation, while the remaining 59.1% is influenced by other factors such as economic growth, interest rates, regulations, trade policies, and corporate governance.

4. Conclusion

Based on the results of this study, profitability is proven to influence the stock prices of food and beverage companies listed on the Indonesia Stock Exchange during the 2022–2024 period. An increase in profitability reflects good company performance, thereby attracting investor interest and driving up stock prices.

This research provides two main suggestions. First, for future researchers, it is recommended to extend the observation period and include other variables beyond profitability, such as dividend policy or different company characteristics, to produce a more comprehensive analysis. Second, for investors, it is important to carefully analyze the financial statements of target companies and consider external factors such as economic, social, and political conditions before making investment decisions.

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