AN ASSESSMENT OF CURRENT RATIO, DEBT TO EQUITY RATIO, RETURN ON ASSET, RETURN ON EQUITY AND GROSS PROFIT MARGIN AS A PREDICTOR OF STOCK PRICE’S BEHAVIOUR IN CONSUMER GOODS COMPANY LISTED IN INDONESIA STOCK EXCHANGE

SKRIPSI

By

Ariana Widji Pangesty

008201200114

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PANEL OF EXAMINERS
APPROVAL SHEET

The Panel of Examiners declare that the skripsi entitled "AN ASSESSMENT OF CURRENT RATIO, DEBT TO EQUITY RATIO, RETURN ON ASSET, RETURN ON EQUITY AND GROSS PROFIT MARGIN AS A PREDICTOR OF STOCK PRICE’S BEHAVIOUR IN CONSUMER GOODS COMPANY LISTED IN INDONESIA STOCK EXCHANGE" that was submitted by Ariana Widji Pangesty majoring in Accounting from the Faculty of Business was assessed and approved to have passed the Oral Examinations on February 10th, 2016

Drs. Asep Supriatna, MBA.
Chair – Panel of Examiner

Misbahul Munir, Ak., MBA, CPMA, CA.
Examiner 1

Dr. Sumarno Zain, S.E., Ak., MBA.
Examiner 2
DECLARATION OF ORIGINALITY

I declare that this thesis, entitled “AN ASSESSMENT OF CURRENT RATIO, DEBT TO EQUITY RATIO, RETURN ON ASSET, RETURN ON EQUITY AND GROSS PROFIT MARGIN AS A PREDICTOR OF STOCK PRICE’S BEHAVIOUR IN CONSUMER GOODS COMPANY LISTED IN INDONESIA STOCK EXCHANGE” is, to the best of my knowledge and belief, an original piece of work that has not been submitted, either in whole or in part, to another university to obtain a degree.

Cikarang, Indonesia, January 18th 2016

__________________________
(Ariana Widji Pangesty)
The purpose of this research is to assess the effectiveness of financial ratios as tools to predict Consumer Goods Companies stock’s performance. The financial ratios used in this study were current ratio, debt to equity ratio, return on asset, return on equity, and gross profit margin.

A regression analysis tested the correlation between the average financial ratio and the average market capitalization for 3 years of the companies in the sample. The statistical test used was a multiple regression analysis.

The result shows that current ratio has positive and insignificant influence on the stock price. Debt to equity ratio has positive and significant influence on the stock price. Return on asset has positive and significant influence on the stock price. Return on equity has negative and insignificant influence on the stock. Gross profit margin has negative and insignificant influence on the stock price. Simultaneous current ratio, debt to equity ratio, return on asset, return on equity, and gross profit margin influence the stock prices significantly.

Keywords: Current Ratio, Debt to Equity Ratio, Gross Profit Margin, Return on Asset, Return on Equity, Stock Price.
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CHAPTER I
INTRODUCTION

1.1 Background of the Study

In the current era of globalization, economic development of a country needs big fund. The funds can be obtained from loan or their own capital, which later these funds can be used and allocated as an investment. What is meant by investment in the above statement is an investment in the form of capital markets which usually a long-term investment with expectation that in the future the gain will arise. Capital markets have become arena to bring together many parties, not only those who have excess money (investors) and those who need funds (company). For developing country like Indonesia, a capital markets is a facility that can support Indonesian economic development.

Through capital markets, those who have excess funds may invest those funds with the hope of gain (return on investment), while those who needs the funds (investee) may utilize these funds for investment purpose without waiting the availability of funds operation. Besides, capital markets gives possibility and opportunity to get gain from investment (return) for the owner of the funds (investor) according to the characteristic of the selected investments. The function of capital market is to increasing and connecting the flow of long term funds to "market
criteria" that will efficiently support real growth in the economy as a whole (Lloyd, 1977).

One of the functions of capital market is as flow of funds from anybody who wants to invest, so the societies can also taking role and taking part in the best interest of companies by having the company’s stock. Capital market can give opportunity to companies for getting external funds from public or societies by offering stocks to the public. It is characterized by the increasing number of companies that go public to get external funds.

Nowadays, information needed to investors make decisions such as estimate cash flow in which to come, and decide which securities to be bought and sold be the main focus in order to minimize the risk of investment. One of information that can be used to investors make decision is through financial statement of the company. By looking financial statement, financial information as well as stock price of companies can be drawn to show and reflect the value of capital and the changes in this value.

Companies engaged in the consumer goods industry is a company that is under the spotlight, due to the consumer goods industry is the largest component of the manufacturing sector (weight above 40 %) and is described as a price index booster. Strengthening consumer goods industry gave mixed signals to investors so that capital market activities are more
passionate. Below is the stock price of consumer goods industry from 2013 – 2014 (JKCONS index):

**Figure 1 JKCONS Stock Price Movement 2013-2014**

![JKCONS Stock Price Movement 2013-2014](image)

*Source: Yahoo! Finance*

Consumer goods industry is a sector that is important in the economy of Indonesia because of its contribution to economic growth is large enough. With above condition, required the review carried out through the financial statements that reflect the performance of the company.

To analyze the company's stock price, there are two ways, namely fundamental analysis and technical analysis. In this study, fundamental analysis will be implemented. Fundamental analysis is an analysis by economic factors affecting the company in an attempt to predict the future development of the company. Ratio analysis is one of the main tools that fundamental analysts use in achieving this objective (Mahmoud & Sakr, 2012).
Fundamental factors that have impact to stock price can be seen from the financial ratio consisting of liquidity ratio, leverage ratio, and profitability ratio. Liquidity ratio is the ability of the company to fulfill its financial obligation that must be settled immediately, or the company’s ability to fulfill obligations at maturity date.

Some researchers and analyst have tried to explain the motion of stock price with their computation. Many of them take information that has been offered in financial statement and seek it relation with the related stock price. Some of the result of similar research that has been done in Indonesia will be discussed in this paper, such as “Pengaruh EVA dan Rasio-Rasio Profitabilitas Terhadap Harga Saham” by Sasongko in 2002, “Analisis Pengaruh Rasio Profitabilitas Terhadap Harga Saham Emiten LQ45 yang Terdaftar di BEI Tahun 2005-2008” by Nurmalasari in 2005. Due to the inconsistency of result and different variable that researchers use, writer will conduct another research with variable that has been decided, to prove and gain more accuracy than the previous research.

Leverage ratio is the ability of company to funding the activity through liability. For example, debt to equity ratio, which is a measure of the relationship between the capital contributed by creditors and the capital contributed by shareholders. It also shows the extent to which shareholders' equity can fulfill a company's obligations to creditors in the event of liquidation.
Profitability ratio is the ability of the company to generate profits during the given period. For example, gross profit margin, operating profit margin, net profit margin, return on asset, and return on equity. Gross profit margin is Gross profit is the difference between revenue and cost of goods sold. Gross Margin is the ratio of gross profit to revenue. Return on asset is the ratio of annual net income to average total assets of a business during a financial year. It measures efficiency of the business in using its assets to generate net income. ROE tells what percentage of profit the company makes for every monetary unit of equity invested in the company. ROE is calculated as net profit after tax divided by the total shareholders’ equity.

It is an advantage for people to predict the behavior of capital market for our own interest. Thus, the researcher decided to take the investor point of view by analyzing some of the information from financial statement and its relationship to the value of a stock. Therefore, writer decided to make a research entitled “An Assessment of Current Ratio, Debt to Equity Ratio, Return on Asset, Return on Equity, and Gross Profit Margin as Predictors of Stock Price’s Behavior in Consumer Goods Companies Listed in Indonesia Stock Exchange.”

1.2 Problems Identification

Due lately many factors that affect company performance, such as inflation and the exchange rate, this can also affect the price of shares outstanding, particularly the consumer goods company that have enough
contribution in capital market in Indonesia. By examining the financial ratios of consumer goods companies, we can see things that need to be improved at the company to raise the stock price. The researcher decided to look at the relationship of the predetermined ratio toward stock price movement, such as current ratio, debt to equity ratio, return on asset, return on equity, and gross profit margin.

1.3 Statement of the Problem

Based on the identification above, there are six main problems in this research, those are:

1. Does the Current Ratio significantly influence towards stock price?
2. Does the Debt to Equity Ratio significantly influence towards stock price?
3. Does the Return on Asset significantly influence towards stock price?
4. Does the Return on Equity significantly influence towards stock price?
5. Does the Gross Profit Margin significantly influence towards stock price?
6. Do the Current Ratio, Debt to Equity Ratio, Return on Asset, Return on Equity, and Gross Profit Margin simultaneously give significant influence towards stock price?
1.4 Research Objectives

The objective in this research is to find out the relationship between Current Ratio, Debt to Equity Ratio (DER), Return on Asset (ROA), Return on Equity (ROE), and Gross Profit Margin (GPM) to stock price behavior on Consumer Goods Company that listed in Indonesian Stock Exchange.

1.5 Significance of the Study

After finishing and getting the result of the research, the researcher hope that the result will bring some benefits to all part of society that have interest with the research, such as investors, government, and other researchers.

1. Investors

Investors can take better decision after knowing various kind of information about current company’s performance that has impact to raise the stock price. In addition, the result of this research also can be used to drawn a big picture about stock behavior due to company’s behavior.

2. Companies

Company can find and implement better policy in management in order to reach annual target that impact to the company’s performance.

3. Government

Hopefully this research can give more understanding to government concerning which economic policy that could bring positive and negative effect to the performance of company.
4. Other researchers

This research hopefully can be used as one of reference to other researchers that have interest in finding out the impact of financial ratios towards stock price behavior.

5. The author

This research helps the researcher to apply and develop prior academic courses especially in accounting and financial statement analysis.

1.6 Scope and Limitation of the Study

In purpose of having fairly same perception between the researcher and the readers, there have been some points that will limit the scope of the discussion accordingly. The scope of this research is the information that is provided by Consumer Goods Company that listed in Indonesia Stock Exchange. The research limitation is only about the financial statement that released in 2012 to 2014.
CHAPTER II
LITERATURE REVIEW

2.1 Theories

2.1.1 Definition of Financial Statement

Definition of financial statement based on *Standar Akuntansi Keuangan* which is arranged by *Ikatan Akuntansi Indonesia* (2009:1) is:

“Laporan keuangan merupakan bagian dari proses pelaporan keuangan. Laporan keuangan yang lengkap biasanya meliputi neraca, laporan rugi laba, laporan posisi keuangan perusahaan (yang dapat disajikan dalam berbagai cara, misalnya sebagai laporan arus kas atau arus dana), catatan dari laporan lain, serta materi penjelasan yang merupakan bagian integral dari laporan keuangan. Disamping itu, juga termasuk skedul informasi tambahan yang berkaitan dengan laporan tersebut, misalnya informasi keuangan industry geografis, serta pengungkapan pengaruh perubahan harga”.

According to SAK No. 1, the purpose of the financial statement as follows:

“1) Tujuan laporan keuangan adalah menyediakan informasi yang menyangkut posisi keuangan, kinerja, serta perubahan posisi keuangan suatu perusahaan yang bermanfaat bagi sejumlah besar pemakai dalam pengambilan keputusan ekonomi.
2) Laporan keuangan yang disusun untuk tujuan ini memenuhi kebutuhan bersama sebagian besar pemakai. Namun demikian, laporan keuangan tidak menyediakan semua informasi yang mungkin dibutuhkan pemakai dalam pengambilan keputusan ekonomi karena secara umum menggambarkan pengaruh keuangan dari kejadian di masa lalu, dan tidak diwajibkan untuk menyediakan informasi nonkeuangan.

3) Laporan keuangan juga menunjukkan apa yang telah dilakukan manajemen (stewardship), atau Pertanggungjawaban manajemen atas sumber daya yang dipercayakan kepadanya”.

   Based on above definition, the financial statement is a form of information about the financial position, performance and changes in financial position of a company for external users of financial statements. The purpose of financial statement is to give information about financial position, performance and changes in cash flow which useful for the users of financial statement in making decision on economic things. Financial statement consist of five parts, there are statement of income, statement of owner’s equity, balance sheet, cash flow statement, and notes to financial statement. The users of this information can trust the credibility of financial statement issued, because it has been audited by public accounting firm before it can be approved and released.

2.1.2 Financial Ratio Analysis

A financial statement have not been able to provide information that is helpful if only cursory just seen. Financial statement can give useful
information regarding the position and condition of financial of an enterprise when such financial statement learned, compared and analyzed. In analyzing financial statement, financial statement analysis process is really needed. The analysis itself has four methods according to the purpose and output of research. One of four analysis method is financial ratio analysis. The purpose of ratio analysis is to evaluate relation between two or more economically important items. Mathematical expression of relation between two or more items is the output of the ratio analysis.

There are ratios that can describe the performance of the company, such as Earning per Share, Price Earnings Ratio, Price to Book Value, Debt to Equity Ratio, Return on Equity, Current Assets, Return on Assets, Net Profit Margin, Gross Profit Margin, etc. Out of those ratios that can be used to analyze financial statement, the researcher only take Current Ratio, Return On Assets, Return On Equity, Debt to Equity Ratio, and Gross Profit Margin as its tool to analyze.

There is some potential usefulness of financial ratio analysis. First, in bank loan process and credit decision, credit managers and bank loan officers may be able to use ratio analysis on the financial statement to gain insight into the past, present, and future prospects of the applicants (companies which need bank loan). Credit managers often assign credit limits on the basis of financial statement analysis, through financial accounting ratios, such as profit margin, current ratio, net worth to debt, etc. In addition, bankers also believe ratio analysis is important and useful
for similar bank loan decisions. Thus, ratio analysis seems to be directly useful for analysis transactions in markets that may not be efficient.

Second potential usefulness of financial ratio is even if securities markets are efficient, financial reports and accounting ratios can serve purposes other than providing external audiences with information useful for investment decisions. For example, business contracts may specify limits in terms of accounting ratios: debt is payable immediately if the current ratio falls below 2.0, or management bonuses will be increased if Net Income is greater than three percent of sales. Thus, ratio analysis-based incentive systems can be an important part of an external or internal control system. If an individual is trying to create or is subject to such a control system, he or she must understand how accounting rules and ratios will reflect various managerial actions so that incentives or actual managerial behaviors can be adjusted appropriately. For example, a manager may decide to delay certain capital investments if the new debt associated with the investment would create costly violations of outstanding loan covenants.

Third, ratio analysis may be useful for external investors even in an efficient market. Investors who wish to construct efficient portfolios must assess the contributory risk of the individual components of their potential portfolios. Although some have argued that it might be more efficient simply to report the market risk measures directly, they argue that beta is not an item of information; rather, beta "is [an] ex ante concept reflecting
an investor's probabilistic assessment of the systematic risk of a security."
Thus, estimating the future systematic risk of a company is an important part of portfolio analysis in an efficient market.

2.1.3 Security Analysis

There are many approaches to security analysis. However, most of them fall into two classifications, which are technical analysis and fundamental analysis (Alexander & Sharpe, 1989).

Technical analysis involves the study of stock market prices in an attempt to predict future price movements for the common stock of a particular firm. Initially, past prices are examined in order to identify recurring trends or patterns in price movements. Then, more recent stock prices are analyzed in order to identify emerging trends or patterns that are similar to past ones. This matching of emerging trends or patterns with past ones is done in the belief that these trends or patterns repeat themselves. Thus, by identifying an emerging trend or pattern, the analyst will (allegedly) be able to predict future price movements for that particular stock. Pring defines technical analysis as the art of identifying trend changes at an early stage and to maintain investment posture until the weight of the evidence indicates that the trend has reversed (Pring, 1991).

Fundamental analysis begins with the assertion that the true (or intrinsic) value of any financial asset is equal to the present value of all cash flows that the owner of the asset expects to receive. Fundamental
analysts believe that any notable cases of mispricing will be corrected in the future; meaning that prices of undervalued stocks will show unusual appreciation and prices of overvalued stocks will show unusual depreciation.

Even though the model presented in this research attempts to identify patterns in the stock prices’ response to the information contained in the financial statements, it does not attempt to establish a trend. Therefore, it does not fit the definition of technical analysis. The impact of percentage change of financial ratios on prices is more likely to be related to expectations of future cash flows than to the elements of technical analysis mentioned above. For this reason, this research will focus on the theory related to fundamental analysis.

2.1.4 Signaling Theory

Signaling theory is useful for describing behavior when two parties (individuals or organizations) have access to different information. Typically, one party, the signaling, must choose whether and how to communicate that information, and the other party, the receiver, must choose how to interpret the signal. Accordingly, signaling theory holds a prominent position in a variety of management literatures, including strategic management, entrepreneurship, and human resource management. While the use of signaling theory has gained momentum in recent years, its central tenets have become blurred as it has been applied to organizational concerns.
Signal means insiders obtain both positive and negative private information, and they must decide whether to communicate this information to outsiders. Signaling theory focuses primarily on the deliberate communication of positive information in an effort to convey positive organizational attributes. With that said, some scholars have examined actions taken by insiders that communicate negative information about organizational attributes. For instance, issuing new shares of a firm is generally considered a negative signal because executives may issue equity when they believe their company’s stock price is overvalued (Myerf & Majluf, 1984). It is important to note, however, that insiders generally do not send these negative signals to outsiders with a view toward reducing information asymmetry, but this is often an unintended consequence of the insider’s action.

Signaler means at the essence of signaling theory is that signalers are insiders who obtain information about an individual, product, or organization that is not available to outsiders. At a broad level, insiders obtain information, some of which is positive and some of which is negative, that outsiders would find useful. This information could include, for example, specifics about the organization’s products or services. Such information might include early stage research-and-development results or later stage news regarding preliminary sales results reported by sales agents. Insiders also obtain information about other aspects of the organization such as pending lawsuits or union negotiations. Simply
stated, this private information provides insiders with a privileged perspective regarding the underlying quality of some aspect of the individual, product, or organization.

Receivers in the management literature are generally individuals or groups of individuals. In entrepreneurship studies, the receiver is nearly always an existing or potential investor, with some distinction between private and public investors. Strategy researchers have also considered receivers that are existing shareholders, potential investors, or both, but they have also given attention to a broader array of stakeholders, such as consumers, competitors, and employees.

### 2.1.5 Capital Market Theory

Capital market theory is a general term of assumptions that is applied in capital market. These assumptions used to predict the movement of stocks based on mathematical process. It is based upon the Markowitz portfolio model. The assumptions are:

1. **All Investors are Efficient Investors** - All investor that is trading in capital market follow the efficient portfolio that was designed by Markowitz and combined the stock to have low risk portfolio, no investor that willingly to invest in high risk stock or project, they make their investment as efficient as possible.

2. **Investors Borrow/Lend Money at the Risk-Free Rate** - The rate which investor borrow/lend money remain constant until the maturity date, it always same for any amount of money.
3. The Time Horizon is equal for All Investors - Investors have relatively same estimation on when will the investment mature and ready to be sold.

4. All Assets are Infinitely Divisible - Asset/stocks is not a piece of thing, it can be divided or added at any time possible.

5. No Taxes and Transaction Costs - The investors does not include the tax and transaction cost into their decision on trading the shares.

6. All Investors Have the Same Probability for Outcomes - The expected return that is expected by the individual is roughly the same. They can have relatively equal percentage of return no matter how big the investment is.

7. No Inflation Exists - There is no inflation in capital market, the price increased if only it has big demand, the stock that has static demand will not go up even there is inflation outside capital market (Markowitz, 1952).

There is No Mispricing within the Capital Markets - The market is efficient and mispricing will be solved naturally by the market. The price is controlled only by the market supply and demand.

2.1.6 Efficient Market Hypothesis

The hypothesis states that every stocks is always traded equal to their fair value and relevant to the information and risk they are related to. In other words, the bigger return can only achieved by trading riskier
stock. There are no ways to always win in the capital market, even the trader is a professional who has much experiences.

An efficient market is a term to say that a market has a large numbers of people that compete to gain profit, with each trying to predict future market values with their rational thinking. These people are using the information available in the market to be their base of prediction. In the real efficient market, the information is freely available and can be found anytime. The information contains accurate data without manipulation for certain interest. It also states that the price that showed relevant to the intrinsic value that stocks have. In efficient market, there are no mispricing and also “secret” information that kept away from the investor. There are 3 types of efficient market:

**Strong-form EMH**

The strong form of Efficient Market Hypothesis shows that all public and private information is reflected on the price. This is the most compelling and ideal condition to trade in theory. In this condition, the” inside” information automatically reflected in the price, the change on private information will also change the price. The internal people on the company cannot retrieve excess return. However, this condition seems to be impossible to implement in the real world. It is a fact that private information is always keep by the management to give benefit for the company.
Semi-strong-form EMH

The semi-strong form of Efficient Market Hypothesis states that the price is always find a new equilibrium with information that is received by the market. The information itself will change the price according to how significant the information is. The more significant information is, the more significant also the change of price that occur. The market will always react to the publicly available information, but in this condition, internal information is kept hidden so it is not reflect by the price. In this condition, even the fundamental analysis and technical analysis cannot give constant excess return, because the market will always follow the development of information.

Weak-form EMH

When a market has a weak form of EMH, The only information available in the market is only about the historical price, the trail of price in the past. The other information is considered as unrelated to the current stock price. In this condition, stock price is having a random walk situation where nobody can predict whether it will going up or down. The prediction will only base on the trend that occurs at present.

2.2 Previous Research

1. Sasongko (2002), “Pengaruh EVA dan Rasio-Rasio Profitabilitas Terhadap Harga Saham”. The aim of this research is knowing the effect of EVA and profitability ratio to the stock’s price of
Manufacture Company that lists in IDX. The research objects is the manufactures company that lists in IDX for year 2001 – 2002. The method that used is multiple regression method. The result from this research is the Return on Assets (ROA), Return on Equity (ROE), Return on Stock (ROS), Break Even Point (BEP), and Earning Value Assets (EVA) are not giving any effect to the stocks’ price. While the EPS is influencing the stock’s price.

2. Antara and Lestari (2005), “Faktor- Faktor yang Mempengaruhi Kinerja Saham Perusahaan Agribisnis di BEJ”. The aim of this research is to knowing are the EPS, NPM, PER, ROI, and ROE giving any influences to the stock’s price. This research object is the agriculture companies in IDX year 2001 – 2004. The method that used is purposive method. The result from this research is the EPS, NPM, PER, ROI, and ROE are simultaneous influencing the stock’s price.

3. Nurmalasari (2005), “Analisis Pengaruh Rasio Profitabilitas Terhadap Harga Saham Emiten LQ45 yang Terdaftar di BEI Tahun 2005-2008. The aim of this research is to find out are the ROA, ROE, NPM, and EPS is influence to the stock’s price of the LQ45’s companies. The object of this research is the companies that listed in LQ45 of IDX year 2005-2008. The method that used is multiple linear method. The result of this research are:

- ROA, ROE, NPM, and EPS is influencing the stock’s price.
- ROA is influencing the stock’s price in partially.
4. Kuswanto (2011), “Pengaruh Rasio Likuiditas, Leverage, dan Profitabilitas Terhadap Harga Saham (Studi Pada Perusahaan LQ45 yang Terdaftar di Bursa Efek Indonesia). The aim of this research is to find out the influence from current ratio (CR), debt to equity ratio (DER), return on assets (ROA), return on equity (ROE), and net profit margin (NPM) to the stock price of the company that listed on the LQ45 board. The object of the research is the company that listed on LQ45 board in IDX. The analysis technique of this research is using the double linear regression method. The result of this research are:

- The CR, DER, ROE, and NPM is having influence to the stock’s price simultaneously.
- In partial, only CR and DER that influence the stock’s price. While the ROE and NPM is not having any influence to the stock’s price.

5. Amalia (2010), “Pengaruh Kinerja Keuangan Terhadap Harga Saham” (Studi Pada Perusahaan Properti dan Real Estate yang Terdaftar di Bursa Efek Indonesia 2006-2010). The aim of this research is to find out whether the Gross Profit Margin (GPM), Operating Profit Margin (OPM), and Basic Earning Power (BEP), is having influence to the stock’s price. The object of this research is the company that listing in IDX. The results of this research is Gross Profit Margin (GPM), Operating Profit Margin (OPM), and Basic Earning Power (BEP) simultaneously and significantly influence the stock price at the property and real estate company that listed in IDX in period 2006-2010.
2.3 Operational Definitions of Variables

This research examines one type of ratio from the main categories frequently mentioned above, which are liquidity, solvency, and profitability. Liquidity ratio measures the company's ability to meet short-term obligations. Solvency ratios indicate to which extent the company is financed by debt and can meet long term obligations. Profitability ratios indicate management’s effectiveness measured by return on sales and assets. In addition to those ratios, a cash flow and an activity ratio will be evaluated, for there is some evidence in the literature that these ratios may be correlated to prices. Cash flow ratios measure the capital available for internal reinvestment and for payments on existing debt. A financially strong company should be able to finance growth. High cash flow ratios indicate the company has enough funds to meet its capital investment, with some spare to meet debt requirements. Activity ratios show the ability to use property’s assets.

Current Ratio

Current Ratio is mainly used to give an idea of the company's ability to pay back its short-term liabilities (debt and payables) with its short-term assets (cash, inventory, receivables). The higher the current ratio, the more capable the company is of paying its obligations. A ratio under 1 suggests that the company would be unable to pay off its obligations if they came due at that point. While this shows the company is not in good financial health, it does not necessarily mean that it will go
bankrupt - as there are many ways to access financing - but it is definitely not a good sign (Gitman).

The Current ratio, the most commonly cited financial ratios, measures firm’s ability to meet its short-term obligations. It is expressed as follows:

\[
\text{Current ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}
\]

The current ratio can give a sense of the efficiency of a company's operating cycle or its ability to turn its product into cash. Companies that have trouble getting paid on their receivables or have long inventory turnover can run into liquidity problems because they are unable to alleviate their obligations. Because business operations differ in each industry, it is always more useful to compare companies within the same industry.

This ratio is similar to the acid-test ratio except that the acid-test ratio does not include inventory and prepaid as assets that can be liquidated. The components of current ratio (current assets and current liabilities) can be used to derive working capital (difference between current assets and current liabilities). Working capital is frequently used to derive the working capital ratio, which is working capital as a ratio of sales.
Debt to Equity Ratio

The Debt to Equity Ratio is a financial ratio indicating the relative proportion of shareholders’ equity and debt used to finance a company’s asset (Peterson, 1999). Debt to Equity Ratio (DER) measures how much money a company should safely be able to borrow over long periods of time. It does this by comparing the company’s total debt (including short term and long term obligations) and dividing it by the amount of total equity.

The ratio of debt to equity ratio is showing the percentage of the funding by shareholders against lenders. The higher of the ratio than the lower funding provided by the company shareholders. From the perspective of the ability to pay long-term obligations, the lower ratio would be better the ability of companies in the long-term pay. Debt to equity ratio used to measure the ability of companies in the closing part or all of loans with long-term and short-term with funds derived from the total capital than the size of the debt. Low-growing DER will be more high company ability to pay all its obligations. Increasingly large proportion of the debt used to structure a company capital, it will be the larger the number of their obligations.

\[
\text{Debt to Equity Ratio} = \frac{\text{Total Liabilities}}{\text{Shareholders' Equity}}
\]
Return on Asset

Return on assets is a ratio of profitability that is used to measure the effectiveness of corporate profits in producing and exploit available asset. The higher the firm’s return on total assets, the better the company is (Gitman). The return on total assets is calculated as follows:

\[
\text{Return on Assets} = \frac{\text{Earning available for common stockholder}}{\text{Total assets}}
\]

The bigger ROA of an enterprise, it means the better position of the company in terms of the use of assets. The achievement of profit with a high then investors can expect advantage of dividend because essentially noble in economically conversional, investment motive is to derive profit high and when a stock dividend which produces high interest investors will also rise so that these conditions will affect the increase stock prices.

The higher ROA means the better efficient operating the company, on the other hand the lower return on asset can be caused by the trading company who is unemployed, investment in a stock too much, excess of money paper, assets still continue to operate under normal and others.

Return on Equity

ROE tells what percentage of profit the company makes for every monetary unit of equity invested in the company. ROE doesn’t specify how much cash will be returned to the shareholders, since that depends on the company’s decision about dividend payments and on how much the
stock price appreciates. However, it’s a good indication of whether the company is even capable of generating a return that is worth whatever risk the investment may entail.

ROE is calculated as net profit after tax divided by the total shareholders’ equity. This ratio measures the return earned on the common stockholders’ investment in the firm (Gitman). It is expressed as follows:

\[
\text{Return on Equity} = \frac{\text{Earning available for common stockholders}}{\text{Common stock equity}}
\]

**Gross Profit Margin**

Gross profit is the difference between revenue and cost of goods sold. Gross Margin is the ratio of gross profit to revenue. Gross Margin management is one of the most important and one of the most complex areas in managing financial results of the companies. Companies which have higher gross margin tend to be more profitable and tend to have stronger free cash flow - high cash flow can be returned to shareholders or re-invested into the business, allowing the business to expand, without having to rely on debt.

Gross margin management is complex task especially because gross margin can’t be too high or too low in order to deliver maximum sales and profit and this is different comparing to management of operating expenses or cash flow where in many cases minimizing
expenses or inventory, accounts receivable etc. means maximizing profit and cash flow. Gross margin management is even more complex in companies with large assortment of products – customers’ behavior influenced by merchandising decisions of the company impact product mix, product mix impacts actual cost of merchandising decisions and actual gross margin and gross profit. The Gross profit margin is calculated as follows:

\[
Gross Profit Margin = \frac{Gross Profit}{Sales}
\]

### 2.4 Theoretical Framework

In this section, the researcher will find for the relation between each independent variable which are current ratio, return on asset, return on equity, debt to equity ratio, and gross profit margin to dependent variable which is stock price. This research assumed that the market is a strong-form efficient market hypothesis, which means that all the information is available and reflected on the market price. Nevertheless, the main relation between the independent variables which are Current Ratio, Debt to Equity Ratio, Return on Asset, Return on Equity, and Gross Profit Margin and dependent variable which is stock price is mainly covered in one stated theory written that stock price would likely high as it is estimated that if of the liquidity ratio, asset management, debt management and profitability ratio is good and this condition running stable (Brigham, 2006).
2.4.1 The Relation of Current Ratio to Stock price

Current ratio is one of ratios that measures level of corporate profits by comparing current assets and current liabilities. Moreover, it indicates the ability of the corporate how their short-term obligation covered by their assets that are expected to in its conversion into cash in the near future. Investors can use this ratio to measure the company in close their current debt with assets owned. The higher numbers of current ratio, investors are more attracted to the company, which in result the price of the company’s stock, will be valued higher.

Hypothesis: The current ratio has significant positive influence towards stock price

2.4.2 The Relation of Return on Assets to Stock Price

Return on Assets is a ratio which divides between net profits after tax and total assets at the period. The ratio is used for viewing the ability of company in managing any value of asset they have to produce its net profits after tax. The higher value of ROA that companies have, the better theirs ability in managing theirs assets. Investors will consider company which has higher ROA number as their place to invest their fund.

Hypothesis: Return on Asset has significant positive influence towards stock price
2.4.3 The Relation of Debt to Equity Ratio to Stock price

Debt to Equity is the ratio which compares the number of total debt to total equities. This ratio is used by analyst and investors to take a look on how big debts of the company compared equity owned by company or shareholders. The company is assumed has higher risk of liquidity when it has high number of Debt to Equity Ratio. Once company has high number of DER, it is not preferable by the investor as the place they inject their funds since the risk that the investor will face also higher.

Hypothesis: Debt to Equity Ratio has significant negative influence towards stock price

2.4.4 The Relation of Return on Equity to Stock price

Return on Equity defined as a profitability ratio describing the ability of the company in generating profits which can be collected by the shareholders. This ratio has become one of the important ratios for investors. This statement is based on understanding that investors invest to get back on their money and this ratio describes how well the company has doing this. Moreover, information on profits still becomes major consideration to assess the company’s performance.

Hypothesis: Return on Equity has significant positive influence towards stock price
2.4.5 The Relation of Gross Profit Margin to Stock price

Gross profit margin describes how profitable company sells its inventory. Once investors decide to invest, information that makes them interested is about the profitability of the company. Gross profit margin shows company’s profitability in selling their inventory. A company with high number of gross profit margin, indicate that the company will have more fund to pay their operating expenses. Moreover, this percentage of sales also can be used to help fund other parts of the business. If one company has high profit margin, automatically its stock price will increase.

Hypothesis: Gross Profit Margin has significant positive influence towards stock price
2.5 Hypothesis

Figure 2 Hypothesis Model

\[ \text{CURRENT RATIO} \]
\[ \text{DEBT TO EQUITY RATIO} \]
\[ \text{RETURN ON ASSET} \]
\[ \text{RETURN ON EQUITY} \]
\[ \text{GROSS PROFIT MARGIN} \]
\[ \text{STOCK'S PRICE} \]

**H_1:** The current ratio has significant positive influence towards stock price.

**H_2:** Debt to Equity Ratio has significant negative influence towards stock price.

**H_3:** Return on Asset has significant positive influence towards stock price.

**H_4:** Return on Equity has significant positive influence towards stock price.

**H_5:** Gross Profit Margin has significant positive influence towards stock price.

**H_6:** Current Ratio, Debt to Equity Ratio, Return on Assets, Return on Equity, and Gross Profit Margin simultaneously gives significant influence towards stock price.
CHAPTER III
RESEARCH METHODOLOGY

3.1 Research Method

Quantitative research model is used in this study by the researcher. To see the relation between the independent variables (variables that affect) and the dependent variable (variable that is affected), the data was gathered by the researcher. SPSS (Statistical Packages for the Social Sciences) application will be used as a tool to make conclusion based on statistic.

3.2 Research Instrument

The researcher use secondary data in this study. Secondary data is data which is published to community (public user) and already collected by agency collecting data before it was published. The data used in this study is in the form of financial statement of consumer goods companies which is obtained from the official website of Indonesia Stock Exchange, [www.idx.co.id](http://www.idx.co.id).

In this research, there are two kinds of variable being used:

a) Independent Variable

Independent Variable influences dependent variable. It is determined by the researcher to measure its influence to the observed variable. In this research the independent variables are Current Ratio, Debt to Equity Ratio, Return on Asset, Return on Equity, Gross Profit Margin.

b) Dependent Variable
Dependent Variable is variable that is influenced by independent variable.

In this research, the dependent variable is stock price.

3.2.1 Definition of Operational Variable

1. Current Ratio

A Current Ratio is a comparison of your current assets (what you have like your Cash, Accounts Receivable and Inventory) to your current liabilities (what you owe). The term current is used to describe the easy conversion of cash to relieve your incurred debt within a 12-month period. This is also referred to as your “liquidity” factor (or how liquid your business is). The Current Ratio formula is:

\[
Current Ratio = \frac{Current\ Assets}{Current\ Liability}
\]

2. Debt to Equity Ratio

The debt-to-equity ratio is a financial ratio that indicates the relative proportion of equity and debt used to finance a company's asset. The formula for Debt to Equity Ratio is expressed as below:

\[
Debt\ to\ Equity = \frac{Total\ Debt}{Total\ Equity}
\]

3. Return on Asset

Return on Asset is one of profitability indicator. It shows the ability of the company to generate profit within all the assets effectively. Usually, a company’s financial performance is highly influenced on how the company uses their resource to operate. Return on Assets is expressed as follows:
4. **Return on Equity**

ROE is calculated as net profit after tax divided by the total shareholders’ equity. This ratio measures the shareholders’ rate of return on their investment in the company. It is formulated as below:

\[
Return \ on \ Equity = \frac{Net \ Profit \ After \ Tax}{Total \ Shareholders \ equity}
\]

5. **Gross Profit Margin**

Gross profit is the difference between revenue and cost of goods sold. Gross Margin is the ratio of gross profit to revenue. Gross Margin management is one of the most important and one of the most complex areas in managing financial results of the companies.

\[
Gross \ Profit \ Margin = \frac{Revenue - Cost \ of \ Goods \ Sold}{Revenue}
\]

6. **Stock Price**

Stock price is price of stocks occurring in financial market at some point determined by demand and a supply of stocks concerned in capital market. Stock price changes everyday as a result of market forces. Stock price used in this research is the closing price of the company in sample at the end of the year.
3.3 Sampling Design

Population is an entire group of person, people, events or interest that wants to be investigated by the researcher. The population in this study is all consumer goods company, which consist of five sub-sectors (Tobacco, Pharmaceuticals, Food and Beverages, Household and Cosmetics, Housewares), listed in Indonesia Stock Exchange from 2012 to 2014, as many as 35 companies.

The sample is part of the number and characteristics possessed by the population. The sampling technique used in this study is Slovin’s formula sampling techniques, sampling technique with consideration of margin error. Formula for Slovin’s sampling techniques is as mentioned below:

\[ n = \frac{N}{1 + Ne^2} \]

Where:  
\( n \) = Sample Size  
\( N \) = Total Population  
\( e \) = Error tolerance (1- confidence level)

From the formula above, the sample size used in this research is 33 companies with confidence level of 95%.
3.4 Classic Assumption Test

3.4.1 Normality Test

The normality test is focused to see if the independent variable and the dependent variable has distributed normally in the regression model, good regression model have data that is distributed normally or near normal. If the data have not distributed normally, then it has to get treatment before continue to further research like transform the data using arithmetic function. The tools that used for calculating all the test in this research is IBM SPSS. The criteria of normality test is, the value of Kolmogorov-Smirnov test must be more than 0.05 (>0.05), if the data has fulfill the criteria, then the data has distributed normally. If the significance value is less than 0.05 (<0.05) then the residuals do not have normal distribution. The normality also can be seen by looking at the P-plot in the SPSS, the data must spread at the normal line or near normal line.

3.4.2 Multicollinearity Test

Multicollinearity test is a test to see if the independent variables have relation and affect each other in multiple regressions model. This test criteria is if the variable has tolerance value is less than 0.1 (<0.1) and Variance Inflation Factor is more than 10 (>10) then it indicated that the variables are multicollinear. The ideal data must not have multicollinearity, that because one independent variable would affect other
variables. This incident would give false treatment for the next step of research.

3.4.3 Autocorrelation Test

The autocorrelation is the test to see if there is repetition of patterns in the linear regression model. This test can found if there is a repetition of mistake that is in the t-period and the t-1 period. If there is a repetition, then it is positive autocorrelation. This test can be solved by doing Durbin-Watson test and match the result to the table below:

<table>
<thead>
<tr>
<th>$Durbin$-$Watson$</th>
<th>Result</th>
<th>$Durbin$-$Watson$</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;1.10</td>
<td>Autocorrelation</td>
<td>2.47-2.90</td>
<td>No conclusion</td>
</tr>
<tr>
<td>1.11-1.54</td>
<td>No conclusion</td>
<td>&gt;2.90</td>
<td>Autocorrelation</td>
</tr>
<tr>
<td>1.55-2.46</td>
<td>No Autocorrelation</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

This table is a summary of Durbin-Watson table. To get more specific result, the Durbin-Watson value from SPSS must be compared to the dL and dU value from the Durbin-Watson table. dL is the lower limit for the Durbin-Watson, and dU is the upper limit. The criteria of data that have no autocorrelation is, it must be higher than the dU, but lower than 4-dU.
3.4.4 Heteroscedasticity Test

Heteroscedasticity test can be performed by analyzing the scatterplot image of the regression model, if the distribution of data is cone-shaped, or like funnel, then it is more likely that heteroscedasticity is happened. There are two images to differ between heteroscedasticity data and not:

Figure 3 Heteroscedastic Distribution

It can be seen from the image, data that is heterosedastic is spread at funnel-shape. It has narrow spread on the early phase, and then widen on the later phase. On the other side, the data that is non-heterosedastic is spread at random model, it is not wide on one side and narrow on narrow on the other.

3.5 Significant Test

3.5.1 Coefficient of Determination (R²)

The coefficient of determination is computed to see the proportion of dependent variable that is explained by the independent variable. The range of R² test result is from 0 to 1. If the value is near 0, the independent
variable could not explain the dependent variable, or it has a weak power to explain the variation of dependent variable. While if the value is near to 1, it means that the independent variable can explain the dependent variable well. The value of R squared can be found at the model summary of regression in the SPSS.

3.5.2 F-Statistic Test

The F-stat is done to see if the independent variable has significant effect to the dependent variable simultaneously.

H0: β1 = β2 = β3 = β4 = β5 = 0

If the result of the test is like above, means that there is no simultaneous effect on the independent variable.

H1: β1 ≠ β2 ≠ β3 ≠ β4 ≠ β5 ≠ 0

If the result of test is as illustrated above, then the conclusion is there is simultaneous effect between independent variables. The criteria are:

1. If Probability <0.5 there is no simultaneous effect

2. If Probability >0.5 there is simultaneous effect

Or the test can be performed by comparing the f-value from the statistic computation to the f-value in the table. If the f-value from the computation is greater than the value in the table, then it is positive that the independent variables give positive effect simultaneously to the dependent variable.
3.5.3 T-Statistic Test

The T-stat is done to see if the independent variable has significant effect to the dependent variable individually.

The model of the test:

First Hypothesis:
H0: $\beta_i \leq 0$, The conclusion is Current Ratio does not have significant positive effect to the stock price.
H1: $\beta_i > 0$, The conclusion is Current Ratio has significant positive effect to the stock price.

Second Hypothesis:
H0: $\beta_i \geq 0$, The conclusion is Debt to Equity Ratio does not have significant negative effect to the stock price.
H1: $\beta_i < 0$, The conclusion is Debt to Equity Ratio has significant negative effect to the stock price.

Third Hypothesis:
H0: $\beta_i \leq 0$, The conclusion is Return on Asset does not have significant positive effect to the stock price.
H1: $\beta_i > 0$, The conclusion is Return on Asset has significant positive effect to the stock price.

Fourth Hypothesis:
H0: $\beta_i \leq 0$, The conclusion is Return on Equity does not have significant positive effect to the stock price.
H1: $\beta_i > 0$, The conclusion is Return on Equity has significant positive effect to the stock price.
Fifth Hypothesis:

H0: $\beta_i \leq 0$, The conclusion is Gross profit margin does not have significant positive effect to the stock price.

H1: $\beta_i > 0$, The conclusion is Gross profit margin has significant positive effect to the stock price.

The test is conducted by comparing the t-value from the computation to t-value on the table based on the number of sample and the variable. If the t value from the computation is greater than the one on the table, that variable has significant effect to the dependent variable individually.

3.5.4 The Multiple Regression Model

The multiple regressions model will be used in this research to analyze the effect of independent variable to the dependent variable. The model is:

$$ Y = a + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + b_5X_5 + e $$

- $Y$ = Stock Price
- $a$ = Constants
- $b_1$ = Current Ratio
- $b_2$ = Return on Equity (ROE)
- $b_3$ = Debt to Equity Ratio (DER)
- $b_4$ = Return on Assets (ROA)
- $b_5$ = Gross Profit Margin (GPM)
- $X_{1,2,3,4,5}$ = Regression Coefficient from Independent Variable
- $e$ = Standard Error
CHAPTER IV
ANALYSIS OF DATA AND INTERPRETATION OF RESULTS

4.1 Descriptive Statistics

The descriptive analysis shows the statistical data which will be used in the research such as minimum value, maximum value, mean, and standard deviation from each variable.

Table 2 Descriptive Statistic

<table>
<thead>
<tr>
<th>Variable</th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>CurrentRatio</td>
<td>33</td>
<td>.68</td>
<td>6.45</td>
<td>2.6810</td>
<td>1.61754</td>
</tr>
<tr>
<td>DER</td>
<td>33</td>
<td>.21</td>
<td>21.01</td>
<td>1.4254</td>
<td>3.55180</td>
</tr>
<tr>
<td>ROA</td>
<td>33</td>
<td>-.13</td>
<td>.47</td>
<td>.1125</td>
<td>.13339</td>
</tr>
<tr>
<td>ROE</td>
<td>33</td>
<td>-.18</td>
<td>1.33</td>
<td>.2194</td>
<td>.31740</td>
</tr>
<tr>
<td>GPM</td>
<td>33</td>
<td>.10</td>
<td>.66</td>
<td>.3483</td>
<td>.16854</td>
</tr>
<tr>
<td>LnSharePrice1</td>
<td>33</td>
<td>1.62</td>
<td>2.54</td>
<td>2.0265</td>
<td>.26281</td>
</tr>
<tr>
<td>Valid N (listwise)</td>
<td>33</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source SPSS

Based on the table above, there are five independent variables which are used in this research. The independent variables are Current Ratio, Debt to Equity Ratio (DER), Return on Asset (ROA), Return on Equity (ROE), and Gross Profit Margin (GPM), with the dependent variable that is used in this research is Stock price. There are 33 data for each variable which are tested in this research.
a) Stock price as dependent variable, has minimum value of 1.62 which is happened to PT. Pyridam Farma Tbk, maximum value of 2.54 which is happened to PT. Delta Djakarta Tbk, and standard deviation of 0.26281 with 33 numbers of data.

b) Current Ratio as independent variable has minimum value of 0.68 which is happened to PT Unilever Indonesia Tbk, maximum value of 6.54 which is happened to PT Mustika Ratu Tbk, and standard deviation of 1.61754 with 33 numbers of data.

c) Debt to Equity Ratio (DER) as independent variable has minimum value of 0.21 which is happened to PT Kalbe Farma Tbk, maximum value of 21.01 which is happened to PT Merck Sharp Dohme Pharma Tbk, and standard deviation of 3.55180 with 33 numbers of data.

d) Return on Asset (ROA) as independent variable, has minimum value of -0.13 which is happened to PT Bentoel International Inverstama Tbk, maximum value of 0.47 which is happened to PT Multi Bintang Indonesia Tbk, and standard deviation of 0.13339 with 33 numbers of data.

e) Return on Equity (ROE) as independent variable, has minimum value of -0.18 which is happened to PT Merck Sharp Dohme Pharma Tbk, maximum value of 1.33 which is happened to PT Multi Bintang Indonesia Tbk, and standard deviation of 0.31740 with 33 numbers of data.

f) Gross Profit Margin (GPM) as independent variable, has minimum value of 0.10 which is happened to PT Wilmar Cahaya Indonesia Tbk, maximum value of 0.66 which is happened to PT Pyridam Farma Tbk, and standard deviation of 0.16854 with 33 numbers of data.
4.2 Normality Test

The purpose of doing normality test is to determine whether the residual value of dependent variable and independent variable in the multiple linear regressions’ equation has a normal distribution. A good regression model has a normal regression model, which means that there is no residual value differs too high or too low from the other residual value. In this research, the researcher used three ways to test the normality test, and the results as the follow:

**Figure 5 Histogram Graphic**

![Histogram Graphic](image)

Based on the histogram graphic above, the distribution of data is normal. Since the line is following the graphic near to the center. Another method
that could be used is looking at the normal probability plot. Criteria that is fulfilling the normality assumption through normal p-plot graphic is when the data is following a diagonal line from the bottom left to the top right. If the plots are following the line means that the residual value is normal.

Figure 6 P-Plot Graphic

Based on the graphic above, it shows that the distribution of the data is normal, since the plots are about to follow the diagonal line. The last method that researcher used to determine the normality is Kolmogorov-Smirnov method and here is the result:

Source: SPSS
Table 3 Kolmogorov-Smirnov Test

One-Sample Kolmogorov-Smirnov Test

<table>
<thead>
<tr>
<th></th>
<th>Unstandardized Residual</th>
</tr>
</thead>
<tbody>
<tr>
<td>N</td>
<td>33</td>
</tr>
<tr>
<td>Normal Parameters&lt;sup&gt;ab&lt;/sup&gt;</td>
<td></td>
</tr>
<tr>
<td>Mean</td>
<td>.0000000</td>
</tr>
<tr>
<td>Std. Deviation</td>
<td>.17336958</td>
</tr>
<tr>
<td>Most Extreme Differences</td>
<td></td>
</tr>
<tr>
<td>Absolute</td>
<td>.097</td>
</tr>
<tr>
<td>Positive</td>
<td>.093</td>
</tr>
<tr>
<td>Negative</td>
<td>-.097</td>
</tr>
<tr>
<td>Test Statistic</td>
<td>.097</td>
</tr>
<tr>
<td>Asymp. Sig. (2-tailed)</td>
<td>.200&lt;sup&gt;d&lt;/sup&gt;</td>
</tr>
</tbody>
</table>

a. Test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

d. This is a lower bound of the true significance.

Source: SPSS

From the result of Kolmogorov-Smirnov Test, it shows that the distribution of the data is normal since the significance value is higher than 0.05. In the result it shows that the significance value is approaching 0.200% which means that the distribution of the data is normal so the data can be used for further analysis.
4.3 Classical Assumption Test

4.3.1 Multicollinearity Test

Multicollinearity test is performed to examine whether there is correlation among independent variables or not, which can result infinite regression coefficient. According to Gujarati, multicollinearity occurs when VIF>10. The good regression model results no linear correlation among independent variables or can be said no resulted multicollinearity problems.

Table 4 Multicollinearity Test

<table>
<thead>
<tr>
<th>Model</th>
<th>Collinearity Statistics</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Tolerance</td>
</tr>
<tr>
<td>1 (Constant)</td>
<td></td>
<td>0.524</td>
</tr>
<tr>
<td>CurrentRatio</td>
<td></td>
<td>0.914</td>
</tr>
<tr>
<td>DER</td>
<td></td>
<td>0.149</td>
</tr>
<tr>
<td>ROA</td>
<td></td>
<td>0.144</td>
</tr>
<tr>
<td>ROE</td>
<td></td>
<td>0.553</td>
</tr>
</tbody>
</table>

From the output above, it can be seen that the variance inflation factor (VIF) of all variables is less than 10 and tolerance value is more than 0.1. VIF value of Current Ratio is 1.908 and tolerance value is 0.524; VIF value of DER is 1.094 and tolerance value is 0.914; VIF value of ROA is 6.704; and tolerance value is 0.149; VIF value ROE is 6.961 and tolerance...
value is 0.144; VIF value of GPM is 1.807 and tolerance value is 0.553; so it can be concluded that there is no problem of multicollinearity in this regression model.

4.3.2 Autocorrelation Test

Autocorrelation test is conducted to know whether there is any correlation of the residual error in one period to the residual error in other period. To test whether there is any autocorrelation in one regression model, this research uses the Durbin Watson Test. If the value of Durbin Watson located from 0 until dL, means there is a positive autocorrelation. If the value of Durbin Watson located from dL to dU means that there is no conclusion that could be taken. If the value of Durbin Watson located from dU to 4-dU means that there is no autocorrelation. If the value of Durbin Watson located from 4-dU to 4 means that there is negative autocorrelation. Here is the result of Durbin Watson test.

<table>
<thead>
<tr>
<th>Model</th>
<th>Durbin-Watson</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1.984</td>
</tr>
</tbody>
</table>

Source: SPSS
From the output above, Durbin-Watson value resulted from regression model is 1.984. According to Durbin-Watson table with significance level 0.05, number of data amounted 33 and 5 independent variables obtained dL value is 1.1270 and dU value is 1.8128 (Appendix). The Durbin-Watson value which is 1.984 does exist between the value of dU (1.8128) and (4-1.8128 (dU value) = 2.1872), which means there is no autocorrelation problem.

4.3.3 Heteroscedasticity Test

Figure 7 Scatterplot
Based on the scatterplot graph above, there is no heteroscedasticity exist since the plots are spread randomly and the plots are also spread above and below 0 on the Y axis.

4.3.4 Multiple Regression Analysis

Based on SPSS result, the influences of the independent variables which are Current Ratio, Debt to Equity Ratio, Return on Asset, Return on Equity, and Gross Profit Margin toward the dependent variable which is stock price are shown on the table below.

Table 6 Multiple Linear Regressions

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>1.885</td>
<td>.088</td>
<td>21.474</td>
</tr>
<tr>
<td></td>
<td>CurrentRatio</td>
<td>.026</td>
<td>.028</td>
<td>.160</td>
</tr>
<tr>
<td></td>
<td>DER</td>
<td>.028</td>
<td>.010</td>
<td>.372</td>
</tr>
<tr>
<td></td>
<td>ROA</td>
<td>2.169</td>
<td>.648</td>
<td>1.101</td>
</tr>
<tr>
<td></td>
<td>ROE</td>
<td>-.264</td>
<td>.277</td>
<td>-.319</td>
</tr>
<tr>
<td></td>
<td>GPM</td>
<td>-.441</td>
<td>.266</td>
<td>-.283</td>
</tr>
</tbody>
</table>

Source: SPSS

Based on the table above, the equation for the multiple regressions in this model as follow:

\[
\text{Stock price} = 1.885 + 0.026 \times \text{CR} + 0.028 \times \text{DER} + 2.169 \times \text{ROA} - 0.264 \times \text{ROE} - 0.441 \times \text{GPM}
\]
Based on the result of the table above, there are two independent variables that partially have significant influence toward the dependent variable which are Debt to Equity Ratio (DER), and Return on Assets (ROA). The Sig value of DER and ROA is 0.009 and 0.002 which are less than the alpha value of 0.05. The numbers indicates that DER and ROA has significant influence. There are three independent variables that partially have no significant influence toward the dependent variable which are Current Ratio, Return on Equity (ROE), and Gross Profit Margin (GPM). The Sig value of those three variables respectively is 0.369, 0.349, and 0.109 which is more than the alpha value of 0.05. The numbers indicates that Current Ratio, ROE, and GPM have no significant influence.

4.4 Hypothesis Test

4.4.1 Coefficient of Determination Test (R² Test)

The coefficient of Determination Test (R² Test) is used in order to know the degree of the independent variables is influencing the dependent variable. The result of the R² test is shown on the table below:
Table 7 Coefficient of Determination

Model Summary\(^a\)

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Durbin-Watson</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.752*</td>
<td>.565</td>
<td>.484</td>
<td>1.984</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), GPM, DER, ROE, CurrentRatio, ROA

b. Dependent Variable: LnSharePrice1

Source: SPSS

The regression with more than two independent variables could use the adjusted R square as the indicator of this Coefficient of Determination Test. The result of adjusted R square in this regression is 0.484 or equal to 48.4% which means that the four independent variables could define the dependent variable 48.4%. The rest percentage of 51.6% could be explained by other variables outside from this research independent variables. The closer adjusted R square to 1, the bigger influence that the independent variables could define the dependent variable in one regression model.

4.4.2 T-Test

t-Test is conducted in order to analyze whether the independent variables in this research which are Current Ratio, Debt to Equity Ratio, Return on Asset, Return on Equity, and Gross Profit Margin are giving significant influence partially to the dependent variable which is Stock price. If the significance value is greater than 0.05, it means that the
independent variable is partially not giving significant influence toward
the dependent variable.

Other thing that could be seen to assess whether the independent
variables are giving partial influence to the dependent variable, is by
comparing the t-count and the t-table. If t-count is lower than the t-table,
means that the independent variable in partial is not giving significant
influence to the dependent variable. If t-count is greater than t-table,
means that the independent variable in partial is giving significant
influence to the dependent variable.

The positive or negative sign could be seen from the coefficient
regression. The result of t-Test could be seen on the table below:

<table>
<thead>
<tr>
<th>Table 8 t-Test</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model</td>
</tr>
<tr>
<td>-------</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>1</td>
</tr>
<tr>
<td>(Constant)</td>
</tr>
<tr>
<td>CurrentRatio</td>
</tr>
<tr>
<td>DER</td>
</tr>
<tr>
<td>ROA</td>
</tr>
<tr>
<td>ROE</td>
</tr>
<tr>
<td>GPM</td>
</tr>
</tbody>
</table>

Source: SPSS
From table above, the value of p-value respectively for all the independent variables is Current Ratio = 0.369; DER = 0.009; ROA = 0.002; ROE = 0.349; GPM = 0.109.

The positive or negative sign could be seen from the coefficient regression. The result of t-Test could be seen on table.10. From that table, the recalculated p-value for one tailed hypotheses in this table below:

Table 9. T-Test Sig One-Tail

<table>
<thead>
<tr>
<th>Independent Variables</th>
<th>T</th>
<th>Sig. (1-Tailed)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Ratio</td>
<td>0.914</td>
<td>0.1845</td>
</tr>
<tr>
<td>DER</td>
<td>2.804</td>
<td>0.0045</td>
</tr>
<tr>
<td>ROA</td>
<td>3.350</td>
<td>0.001</td>
</tr>
<tr>
<td>ROE</td>
<td>-0.953</td>
<td>0.1745</td>
</tr>
<tr>
<td>GPM</td>
<td>-1.656</td>
<td>0.0545</td>
</tr>
</tbody>
</table>

From table above, the value of p-value respectively for all the independent variables is Current Ratio = 0.1845; DER = 0.0045; ROA = 0.001; ROE = 0.1745; GPM = 0.0545.
The first hypothesis tested within this study is stated as follows:

H\textsubscript{1} : The current ratio has significant positive influence towards stock price.

H\textsubscript{0} : The current ratio does not have significant positive influence towards stock price.

The Table from t-Test yields 0.026 as result of current ratio variable with the significance of 0.1845 which is higher than \( \alpha = 0.05 \), and the comparison between t-count which is 0.914 is lower than the t-table that equal to 1.703. That shows that H\textsubscript{1} is not significant at \( \alpha = 5\% \). Therefore the first hypothesis is rejected since it indicates that current ratio has a positive and not significant impact on stock price.

The second hypothesis tested within this study is stated as follows:

H\textsubscript{2} : Debt to Equity Ratio has significant negative influence towards stock price.

H\textsubscript{0} : Debt to Equity Ratio does not have significant negative influence towards stock price.

The table form t-Test yields 0.028 as result of Debt to Equity Ratio Variable with the significance of 0.0045 which is lower than \( \alpha = 0.05 \), and the comparison between t-count which is 2.804 is higher than the t-table that equal to 1.703. That shows that H\textsubscript{2} is significant at \( \alpha = 5\% \). Therefore
the second hypothesis is rejected since it indicates that Debt to Equity Ratio has a positive and significant impact on stock price.

The third hypothesis tested within this study is stated as follows:

\( H_3 : \) Return on Asset has significant positive influence towards stock price.

\( H_0 : \) Return on Asset does not have significant positive influence towards stock price.

The table form t-Test yields 2.169 as result of Return on Asset variable with the significance of 0.001 which is lower than \( \alpha=0.05 \), and the comparison between t-count which is 3.350 is higher than the t-table that equal to 1.703. That shows that \( H_3 \) is significant at \( \alpha=5\% \). Therefore the third hypothesis is accepted since it indicates that Return on Asset has a positive and significant impact on stock price.

The fourth hypothesis tested within this study is stated as follows:

\( H_4 : \) Return on Equity has significant positive influence towards stock price.

\( H_0 : \) Return on Equity does not have significant positive influence towards stock price.

The table form t-Test yields -0.264 as result of Return on Equity variable with the significance of 0.1745 which is higher than \( \alpha=0.05 \), and the comparison between t-count which is -0.953 is lower than the t-table
that equal to 1.703. That shows that $H_4$ is not significant at $\alpha=5\%$. Therefore the fourth hypothesis is rejected since it indicates that Return on Equity has a negative and non-significant impact on stock price.

The fifth hypothesis tested within this study is stated as follows:

$H_5$ : Gross Profit Margin has significant positive influence towards stock price.

$H_0$ : Gross Profit Margin does not have significant positive influence towards stock price.

The table form t-Test yields -0.441 as result of Gross Profit Margin variable with the significance of 0.0545 which is higher than $\alpha=0.05$, and the comparison between t-count which is -1.656 is lower than the t-table that equal to 1.703. That shows that $H_5$ is not significant at $\alpha=5\%$. Therefore the fifth hypothesis is rejected since it indicates that Gross Profit Margin has a negative and non-significant impact on stock price.

4.4.3 F-Test

The F-Test is used to determine whether independent variables which are Current Ratio, Debt to Equity Ratio, Return on Asset, Return on Equity, and Gross Profit Margin are giving significant impact to the dependent variable which is Stock price. The result of the F-Test is shown on the table below.
Table 10 F-Test

ANOVA

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>1.248</td>
<td>5</td>
<td>.250</td>
<td>7.009</td>
<td>.000</td>
</tr>
<tr>
<td>Residual</td>
<td>.962</td>
<td>27</td>
<td>.036</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>2.210</td>
<td>32</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: LnSharePrice

b. Predictors: (Constant), GPM, DER, ROE, CurrentRatio, ROA

The result of F-Test is significant when the significance value is lower than 0.05. Other thing that could be seen to assess whether the result is significant, is by comparing the F count to the F table. If the F count is lower than the F table, means that the independent variables are not giving significant influence to dependent variable simultaneously.

Vice versa, if F count is greater than F table, means that the independent variables are giving significant influence to the dependent variable.

The result of F-Test shows that the independent variables which are: Current Ratio, Debt to Equity Ratio, Return on Asset, Return on Equity, and Gross Profit Margin are giving significant influence simultaneously to the dependent variable which is Stock price. Since the significance value is 0.000 which is lower than 0.05 and F count is equal to 7.009 is greater
than F table which is equal to 2.57, means that the independent variables are simultaneously giving influence to the dependent variable.

The sixth hypothesis tested within this study is stated as follows:

\[ H_6 : \text{Current Ratio, Debt to Equity Ratio, Return on Assets, Return on Equity, and Gross Profit Margin simultaneously gives significant influence towards stock price.} \]

\[ H_0 : \text{Current Ratio, Debt to Equity Ratio, Return on Assets, Return on Equity, and Gross Profit Margin simultaneously does not give significant influence towards stock price.} \]

So of it, the hypothesis stated as “Current Ratio, Debt to Equity Ratio, Return on Assets, Return on Equity, and Gross Profit Margin simultaneously gives significant influence towards stock price.” is tested and accepted since the result of F-test shows that the sig-value is higher than the alpha and the F count is greater than F-table.

### 4.5 Interpretation of Results

#### 4.5.1 The Influence of Current Ratio toward Stock price

Based on the result of t-Test, Current Ratio variable has a positive and non-significant impact on stock price. Result of this analysis does not align with the hypothesis that is already constructed by the researcher based on the previous research and theory.
Length of period that is used in the research might be the caused of why the result of this research yields different result with the hypothesis. In this research, 3-years are the length of period that used to analysis the influence of current ratio towards stock price. Moreover, different way applied to calculate the stock price also influence why this analysis yields different result. The researcher used closing price to determine the stock price of the company.

This result of research also does not align with the theory stated that stock price would likely high as it is estimated that if of the liquidity ratio, asset management, debt management and profitability ratio is good and this condition running stable (Brigham, 2006). Current ratio is one of liquidity ratio which is calculated by dividing the company’s current assets by its current liabilities. Generally, the higher the current ratio, the more liquid the company is considered. So if of it, the investor will likely more interested with company’s that has good current ratio, and it caused to the increasing of stock price.

4.5.2 The Influence of Debt to Equity Ratio toward Stock price

Based on the result of t-Test, Debt to Equity Ratio variable has a positive and significant impact on stock price. Result of this analysis partially aligns with the hypothesis that is already constructed by the researcher based on the previous research and theory.

This result of research does align with the theory stated that stock price would likely high as it is estimated that if of the liquidity ratio, asset
management, debt management and profitability ratio is good and this condition running stable (Brigham, 2006). The ratio of debt to equity ratio is showing the percentage of the funding by shareholders against lenders. The higher of the ratio than the lower funding provided by the company shareholders. From the perspective of the ability to pay long-term obligations, the lower ratio would be better the ability of companies in the long-term pay.

The company is assumed has higher risk of liquidity when it has high number of Debt to Equity Ratio. Once company has high number of DER, it is not preferable by the investor as the place they inject their funds since the risk that the investor will face also higher. It indicates that the Debt to Equity Ratio has negative impact toward stock price.

The result of this research about Debt to Equity ratio toward stock price is able to prove that Debt to Equity ratio has significant impact on stock price, yet it fail to prove the negative relation between debt to equity ratio and stock price. Positive result of DER means that the investors prefer company that finances its operation by its debt. Because when we take a deeper look, higher proportion of debt makes lower proportion of equity. It leads to a higher number of ROE, as we know that investor injects their fund to get high return, it means higher ROE higher return that the investor will get.
4.5.3 The Influence of Return on Asset toward Stock price

Based on the result of t-Test, Return on Asset variable has a positive and significant impact on stock price. Result of this analysis aligns with the hypothesis that is already constructed by the researcher based on the previous research and theory.

This result of research does align with the theory stated that stock price would likely high as it is estimated that if of the liquidity ratio, asset management, debt management and profitability ratio is good and this condition running stable (Brigham, 2006). Return on Asset is one of profitability ratio.

The Return on Asset, often called the Return on Investment (ROI), measures the overall effectiveness of management in generating profits with its available assets. Without good indication in profit, the company could not attract the outside capital. That’s why, the higher the ROA, the better. This research proves that the ROA give positive and significant effect toward stock price.

4.5.4 The Influence of Return on Equity toward Stock price

Based on the result of t-Test, Return on Equity variable has a negative and non-significant impact on stock price. Result of this analysis does not align with the hypothesis that is already constructed by the researcher based on the previous research and theory.
The result from the hypothesis testing does not support the previous research of Indra Setiyawan (Setiyawan, 2014) who finds a positive and significant relationship between Return on Equity ratio and stock price.

This result of research does not align with the theory stated that stock price would likely high as it is estimated that if of the liquidity ratio, asset management, debt management and profitability ratio is good and this condition running stable (Brigham, 2006). Return on Equity shows the rate of return. When investors invest, they would expect return for what invested. This ratio describes how good the company in returning what already invested. So of it, the higher the ROE the more attracted the investor and it will lead to the increasing of stock price.

Unfortunately, this research fails to find that relation. It is because return on equity ratio does not account for dividends and capital gains to shareholders. Some investors do not really care about the stock price itself, but they more interested to their income from dividend. Beside, this insignificant result of return on equity towards stock price is align with the research conducted by Ahmed Imran Hunjra in 2014.

4.5.5 The Influence of Gross Profit Margin toward Stock price

Based on the result of t-Test, Gross Profit Margin variable has a negative and non-significant impact on stock price. Result of this analysis does not align with the hypothesis that is already constructed by the researcher based on the previous research and theory.
This result of research does not align with the theory stated that stock price would likely high as it is estimated that if of the liquidity ratio, asset management, debt management and profitability ratio is good and this condition running stable (Brigham, 2006). The Gross Profit Margin measures the percentage of each sales dollar remaining after the firm has paid for its goods. The higher the gross profit margin, the better, that is the lower the relative cost of merchandise sold.

Up to this point, the investors tend to choose the company which has good Gross profit margin. This is a very significant ratio, especially during times of inflationary prices. If the owner of the company does not rise the price when the cost of sales or cost of good sold is rising, the gross profit margin will erode. This result of research is unable to prove the existence of Gross Profit Margin (GPM) effects on stock price.
CHAPTER V
CONCLUSION AND RECOMMENDATION

5.1 Conclusion

Based on the test results, analysis, and discussion of prior chapters, the conclusion of An Assessment of Current Ratio, Debt to Equity Ratio, Return on Asset, Return on Equity, and Gross Profit Margin as Predictors of Stocks’ Behavior of Consumer Goods Companies Listed in Indonesia Stock Exchange Year 2012 – 2014 can be summarized as follows:

1. The Current Ratio, Debt to Equity Ratio, Return on Asset, Return on Equity, and Gross Profit Margin have been empirically proved giving significant impact towards stock price simultaneously;

2. The Debt to Equity Ratio, and Return on Asset of listed Consumer Goods Companies in Indonesia Stock Exchange (IDX) have significant influence toward stock price;

3. On the other hand, another three independent variables, which are Current Ratio, Return on Equity, and Gross Profit Margin of listed Consumer Goods Companies in IDX do not show significant influence toward stock price;

4. Overall, Current Ratio, Debt to Equity Ratio, Return on Asset, Return on Equity, and Gross Profit Margin as independent variables are able to depict the stock price’s behavior up to 48.4%. The rest of 51.6% is
determined by other variables outside of the variables used within this research;

5. Through this research, Return on Equity and Gross Profit Margin are statistically proved to bring about negative and insignificant influence upon stock price’s behavior as many as 0.264 and 0.441 for every 1 increase of their measurement unit respectively;

6. Despite of the insignificance, Current Ratio is statistically proved to have positive but insignificant impact towards stock price. Every 1 increase of current ratio, it will cause 0.026 increases in stock price;

7. On the other hand, Debt to Equity Ratio, and Return on Asset is statistically proved to bring about positive and significant influence upon stock price’s behavior as many as 0.028 and 2.169 for every 1 increase of their measurement unit respectively;

5.2 Recommendation

As a consideration for party namely the next researchers who will have similar study in the future, there are some recommendations in order to yield more accurate result. They are as follows:

For the Next Researchers

a. Taking more companies to be observed as the sample in order to represent broader and better conclusion of the impact upon stock price, not only Consumer goods Companies listed in IDX;
b. Adding more relevant independent variables in order to get better picture of stock price’s behavior. For example using market ratio such as price to book value and dividend payout ratio.

c. Studying the financial ratios impact toward stock price’s behavior in longer period of time horizon, for instance five-year time series, so that the impact of financial ratio can be thoroughly observed.

d. Involving more corporate governance instruments and macroeconomics instrument as independent variables thus general conclusion of corporate governance and macroeconomics towards stock price’s behavior can be derived from; and

e. Developing and modifying better operationalization and measurement of variables involved in the research as different point of views may come up in distinct results.

**For The Companies**

a. Considering the current ratio, debt to equity ratio, return on assets, return on equity, gross profit margin and all of financial ratios that all of these ratios have good values. It is important that has been proven when a company has good financial ratio, it will have an influence to the stock prices and will attract the investors.

b. Always notice the current asset and current liability so that the liquidity company measured by current ratio always in good circumstances.
c. Maintaining debt to equity ratio so that the ratio is not too high. When
debt to equity ratio is high, it increase the likelihood that the company
defaults and is liquidated as result.

d. Constantly find ways to reduce asset cost, increase income, and reduce
expense to keep return on asset of the company as high as possible. As
we know that return on asset has significant positive effect to stock
price. By doing so, it will lead to the increase of stock price

e. Setting the proportion of debt so that interest expense is not too
burdensome, perform operation by utilizing existing equity as
efficiently as possible so that always generate higher profits that result
the value of return on equity would also be nice.

f. Maintaining gross profit margin by generating a healthy sales volume
while also keeping the costs of materials and labor to a minimum
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Barang-Konsumsi/

Terhadap Harga Saham (Studi Pada Perusahaan LQ45 yang Terdaftar di
Bursa Efek Indonesia).


in Terms of Stock Return and Future Profitability Performance.


decisions when firms have information that investors do not have. Journal


International Editions.


## APPENDICES

### Variables Data

<table>
<thead>
<tr>
<th>COMPANY'S CODE</th>
<th>Stock price</th>
<th>Current Ratio</th>
<th>DER</th>
<th>ROA</th>
<th>ROE</th>
<th>GPM</th>
</tr>
</thead>
<tbody>
<tr>
<td>ADES</td>
<td>1765</td>
<td>5.798717</td>
<td>0.744393</td>
<td>0.133971</td>
<td>0.237922</td>
<td>0.549059</td>
</tr>
<tr>
<td>AISA</td>
<td>1535</td>
<td>1.894334</td>
<td>1.028023</td>
<td>0.061957</td>
<td>0.125651</td>
<td>0.215977</td>
</tr>
<tr>
<td>ALTO</td>
<td>408</td>
<td>2.140905</td>
<td>1.284742</td>
<td>0.006046</td>
<td>0.017149</td>
<td>0.306625</td>
</tr>
<tr>
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Durbin-Watson Table

Durbin-Watson Statistics: A Test for Heteroscedasticity in Regression Analysis

k is the number of regressors excluding the intercept.