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The Effect of Return on Asset, Current Ratio, and Debt to Equity Ratio on Stock Return of Energy Companies Listed on The Indonesia Stock Exchange for The 2021 - 2024 Period

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Abstract

This study aims to examine the effect of Return on Asset (ROA), Current Ratio (CR), and Debt to Equity Ratio (DER) on Stock Return in energy sector companies listed on the Indonesia Stock Exchange for the 2021 - 2024 period. The data used in this study is secondary data obtained from the official website of the Indonesia Stock Exchange and Stockbit securities. This study uses a purposive sampling method, resulting in a total of 96 samples. Data analysis was performed using multiple linear regression methods with the help of the IBM SPSS version 25 application. The results of this study indicate that Return on Asset has a significant positive effect on Stock Return, while Current Ratio and Debt to Equity Ratio have no effect on Stock Return. The findings suggest that profitability remains a primary consideration for investors in the energy sector, whereas liquidity and solvency ratios do not significantly influence short-term stock price fluctuations during the observed period. This research provides insights for investors to prioritize profitability indicators when making investment decisions in the energy industry and serves as a reference for future studies to incorporate additional variables or expand the scope of the analysis to capture a broader understanding of market behavior.

Keywords: ***Return On Asset, Current Ratio, Debt to Equity Ratio, Stock Return***

INTRODUCTION

The Indonesian capital market has developed rapidly into a primary pillar of the national financial system, supporting economic development through the issuance of shares, bonds, and derivative instruments. As a central element of the modern economic and business system, a robust capital market is essential for companies seeking to develop their businesses and for investors looking to allocate their capital. Generally, investors prioritize purchasing shares that are highly valued and profitable, while carefully considering the risk-return trade-offs inherent in capital market securities. In this context,

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return on stock serves as a fundamental measure of investment performance, significantly influenced by a company's fundamental factors, particularly financial ratios.

According to signaling theory, as introduced by Michael Spence (1973) and further developed by Brigham & Houston (2021), corporate management actions serve as indicators to investors regarding the company's prospects. This theory arises from information asymmetry, where managers possess more comprehensive internal information than external parties like investors. Financial reports containing liquidity, profitability, and solvency ratios act as signaling tools. If management effectively conveys positive information through these ratios, investor confidence increases, which can subsequently drive up stock prices and enhance stock returns.

Return on Assets (ROA) reflects management's efficiency in generating profit from its assets and is theoretically positively correlated with stock returns as it mirrors profitability. Previous empirical research by Prastyawan et al. (2022) and Veronika et al. (2022) confirms that ROA has a positive and significant effect on stock returns, although this contrasts with findings by Rahman T & AB (2025), who found a positive but insignificant influence. Current Ratio (CR), representing short-term liquidity, indicates a company's ability to meet its current obligations. While some studies, such as Adinda et al. (2025) and Sinaga et al. (2020), suggest a positive and significant influence on stock returns, others like Prastyawan et al. (2022) found a negative and significant effect. Furthermore, the Debt to Equity Ratio (DER) represents capital structure and financial risk, where high debt levels may pressure stock returns due to interest burdens and default risks. While Veronika et al. (2022) and Adinda et al. (2025) found a positive impact, others such as Lestari et al. (2025) and Rahman T & AB (2025) identified a negative and significant influence on stock returns.

Given the fluctuating stock returns in the energy sector during the 2021–2024 period, coupled with the rising BI Rate—which shifted from 3.50% in 2021 to 6.00% in 2024 (Bank Indonesia, 2024)—investors require precise and relevant information for decision-making. Information regarding financial performance, obtained through income statements, balance sheets, and cash flow reports, remains the gold standard for assessing a company's financial health and future prospects. As performance fluctuations in the energy sector present specific risks, analyzing these fundamental financial ratios through the lens of signaling theory becomes critical for both current and prospective investors in evaluating whether to continue or initiate their investments.

METHOD

This study employs a quantitative research method using numeric data to test hypotheses and generate measurable generalizations from a population. Data is collected by handling secondary data which is then examined statistically. The population

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in this study comprises all energy sector companies listed on the Indonesia Stock Exchange (IDX) during the 2021–2024 period, totaling 91 companies.

The sampling technique used is non-probability sampling via purposive sampling, which is a technique for determining samples with specific considerations. Based on criteria that include energy sector companies listed on the IDX from 2021 to 2024, companies that did not experience losses during this period, and companies with complete data and information, a total of 96 final samples were obtained after eliminating 16 outlier data points and transforming the current ratio variable.

The data used is secondary data in the form of quantitative data obtained from the official IDX website (idx.co.id) and Stockbit securities, specifically sourced from company annual financial reports. The variables investigated include Return Saham as the dependent variable, alongside independent variables consisting of Return On Assets (ROA), Current Ratio (CR), and Debt to Equity Ratio (DER). Data measurement utilizes a ratio scale to allow precise and proportional comparisons between variables.

Data analysis is performed using multiple linear regression with the assistance of the IBM SPSS version 25 application, preceded by descriptive statistical analysis and classical assumption tests including normality, multicollinearity, autocorrelation, and heteroscedasticity tests. Hypothesis testing is conducted using the t-test for partial effects and the adjusted coefficient of determination (Adjusted R Square) to measure the regression model's ability to explain the dependent variable.

RESULTS AND DISCUSSIONS

Research Results

The study utilized multiple linear regression analysis on 96 samples from energy sector companies listed on the Indonesia Stock Exchange (IDX) between 2021 and 2024. The descriptive statistical analysis reveals the following profile for the observed variables:

Table 1. Descriptive Statistics After Outlier Removal

Variable	N	Minimum	Maximum	Mean	Std. Deviation
ROA	96	0.02	43.37	8.8680	8.77982
CR2	96	-0.73	1.86	0.4567	0.46730
DER	96	0.02	2.80	0.6206	0.55189
Stock Return	96	-12.44	11.66	0.3829	4.33889

Source: Data Processed (2026), SPSS 25.0 output

The classical assumption tests were conducted to ensure the validity and reliability of the regression model. The normality test using Kolmogorov-Smirnov resulted in an

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Asymp. Sig. (2-tailed) value of 0.072. Since this value is greater than 0.05, the data is confirmed to be normally distributed. Additionally, the multicollinearity test results are presented below:

Table 2. Collinearity Statistics

Variable	Tolerance	VIF
Return On Asset	0.753	1.328
Current Ratio 2	0.835	1.198
Debt to Equity Ratio	0.759	1.318

Source: Data Processed (2026), SPSS 25.0 output

As shown in Table 2, all independent variables exhibit tolerance values > 0.1 and VIF values < 10, confirming the absence of multicollinearity. Furthermore, the Durbin-Watson value of 2.086 falls within the acceptable range (dU < d < 4-dU), indicating no autocorrelation. The Glejser test for heteroscedasticity also revealed no significant influence of independent variables on the absolute residual, with all significance values > 0.05.

The results of the multiple linear regression and hypothesis testing (t-test) are summarized in the following table:

Table 3. Results of Multiple Linear Regression and t-Test

Variable	B	t-count	Sig.	Conclusion
(Constant)	0.291	0.270	0.788	-
ROA	0.124	2.200	0.030	H1 Accepted
CR2	-0.630	-0.628	0.531	H2 Rejected
DER	-1.155	-1.296	0.198	H3 Rejected

Source: Data Processed (2026), SPSS 25.0 output

Finally, the coefficient of determination (Adjusted R Square) analysis shows a value of 0.074, implying that 7.4% of the variations in stock return can be explained by ROA, CR, and DER, while the remaining 92.6% is influenced by other factors beyond this research model.

DISCUSSION

The empirical analysis demonstrates that Return On Asset (ROA) has a significant positive effect on Stock Return (Sig. 0.030 < 0.05). Under Signaling Theory, a high ROA serves as a strong positive signal to the market, indicating that management is successfully maximizing asset utilization to produce profit. This performance boosts investor confidence, leading to increased demand for shares and subsequently higher

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stock returns. This finding is consistent with the research by Prastyawan et al. (2022) and Veronika et al. (2022), which also identifies profitability as a key driver for stock returns.

Conversely, the Current Ratio (CR) shows no significant effect on Stock Return (Sig. 0.531 > 0.05). Although liquidity is theoretically vital, the results suggest that for energy sector companies, short-term liquidity ratios may not be the primary benchmark for investors during the 2021–2024 period. This may be due to the sector's capital-intensive nature, where investors prioritize long-term asset productivity over short-term current asset management. This result is in line with the study by Nur Aini et al. (2020).

Similarly, the Debt to Equity Ratio (DER) does not significantly affect Stock Return (Sig. 0.198 > 0.05). While high debt levels generally signal financial risk, the non-significant result implies that investors may consider the debt levels in these energy companies to be within acceptable operational thresholds or that the market perceives other macroeconomic factors as more influential than the capital structure during the observed timeframe. This finding corroborates the results of Sinaga et al. (2020) and Prastyawan et al. (2022).

CONCLUSION

Based on the findings of this study, Return On Asset (ROA) has a significant positive effect on the stock returns of energy sector companies listed on the Indonesia Stock Exchange for the 2021–2024 period, indicating that higher profitability directly contributes to increased stock returns. Conversely, neither the Current Ratio (CR) nor the Debt to Equity Ratio (DER) shows a significant impact on stock returns during this timeframe, suggesting that short-term liquidity and capital structure do not directly dictate share price movements for these firms.

Despite providing valuable insights into fundamental financial performance, this research is limited by an Adjusted R Square value of 0.074, meaning that only 7.4% of the stock return variance is explained by ROA, CR, and DER, while the remaining 92.6% is influenced by external factors. Consequently, future research is recommended to incorporate additional independent variables—such as Return On Equity, Net Profit Margin, or Earnings Per Share—expand the study across different industry sectors, or utilize advanced analytical methods like moderation or mediation testing.

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