The Effect of Debt to Assets Ratio, Debt to Equity Ratio, and Current Ratio on the Stock Price of PT Polychem Indonesia Tbk During the Period 2010-2024

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Abstract: This study aims to analyze the impact of Debt to Assets Ratio (DAR), Debt to Equity Ratio (DER), and Current Ratio (CR) on the stock price of PT Polychem Indonesia Tbk during the period 2010–2024. The Debt to Assets Ratio is used to measure the extent to which the company finances its assets with debt, providing an insight into the company's credit risk. The Debt to Equity Ratio, on the other hand, measures the company's ability to repay its debts using its own capital. The Current Ratio is used to assess the company's ability to meet its short-term liabilities. This research employs a quantitative approach using multiple linear regression analysis, processed using SPSS version 27. The sample consists of 15 years of the company's annual reports, with purposive sampling technique. The results of the analysis show that, partially, none of the three ratios—Debt to Assets Ratio, Debt to Equity Ratio, and Current Ratio—significantly affect the stock price of PT Polychem Indonesia Tbk. The t-values for each variable are 0.806 (DAR), -0.169 (DER), and 0.464 (CR), with significance values greater than 0.05 (0.437, 0.869, and 0.651). These findings indicate that these financial ratios are not sufficient to explain the stock price fluctuations of the company during the period under study, which is likely influenced by other factors beyond these ratios.

Keywords: Debt to Assets Ratio, Debt to Equity Ratio, Current Ratio, Stock Price

INTRODUCTION

The capital market plays a vital role in supporting sustainable economic growth and serves as one of the key pillars of a country's financial system. In the capital market, businesses can raise capital by offering shares to investors (Setyawan et al., 2022). According to Kasmir (as cited in Sitompul, 2024), the Debt to Assets Ratio (DAR) is used to assess financial reports by indicating the extent of collateral available to creditors. A higher DAR implies a greater risk faced by the company. Meanwhile, the Debt to Equity Ratio (DER) measures a company's ability to pay its debts with its own capital. A higher DER indicates that more capital is used for company operations (Jeshika, 2023). As stated by Kasmir in his study (Alamsyah et al., 2021), the Current Ratio (CR) is a measure of a company's ability to settle short-term obligations or debts that are due for payment in full.

Stock price is one of the most sought-after instruments in the capital market, as it offers attractive returns. It represents a document that shows the nominal value, the company's name, and the clear rights and obligations for each shareholder (Salsabila & Fadli, 2024).

PT Polychem Indonesia Tbk is a publicly listed Indonesian company engaged in the manufacturing of petrochemical and polyester products. It operates in two main divisions: the Polyester Division and the Chemical Division. The products produced include pre-oriented polyester yarn (POY), spun polyester yarn (SDY), polyester staple fiber (PSF), polyester chips,

and chemicals such as monoethylene glycol (MEG), diethylene glycol (DEG), and triethylene glycol (TEG).

Previous research has shown varied results regarding the impact of the Debt to Assets Ratio, Debt to Equity Ratio, and Current Ratio on stock prices, depending on the industry and external factors. For example, Samara Aldi (2020) found that the Debt to Assets Ratio has a significant impact on stock prices, while the Debt to Equity Ratio does not. On the other hand, E. R. Sari et al. (2024) concluded that the Current Ratio has a significant effect on stock prices.

Given the inconsistencies in previous research findings regarding the influence of the Debt to Assets Ratio, Debt to Equity Ratio, and Current Ratio on stock prices, this study seeks to re-examine this topic using data from PT Polychem Indonesia Tbk, which is listed on the Indonesia Stock Exchange (IDX). This research highlights the importance of testing the effects of these financial ratios on stock prices, thus justifying the need for this study, titled "The Effect of Debt to Assets Ratio, Debt to Equity Ratio, and Current Ratio on the Stock Price of PT Polychem Indonesia Tbk During the Period 2010-2024."

LITERATURE REVIEW

The literature review aims to summarize and compare previous research that is relevant to this study. It discusses various theoretical frameworks, findings, and methodologies related to the impact of financial ratios, specifically Debt to Assets Ratio, Debt to Equity Ratio, and Current Ratio, on stock prices. This section provides insight into the research gaps and how the current study builds on existing literature.

Debt to Assets Ratio (DAR)

The Debt to Assets Ratio (DAR) measures the proportion of a company's assets that are financed through debt. It provides insight into the financial leverage of a company and the potential risks faced by creditors (Andhani, 2023). According to Kasmir (as cited in Sekarfitri, 2023), DAR reflects the level of debt used to finance assets, indicating the risk level of the company. A higher DAR indicates higher financial risk as the company relies more on debt to finance its operations.

Previous research has shown mixed results regarding the impact of DAR on stock prices. For instance, Tarigan and Herlina (2022) assert that a higher DAR implies greater exposure to debt, which might affect asset management. Hery (as cited in Santosa & Aprilyanti, 2020) also argues that DAR is an important ratio for assessing how well a company is managing its debt relative to its total assets. However, some studies have suggested that a high DAR could negatively impact investor perception, leading to a decrease in stock price, particularly in industries with high volatility.

Debt to Equity Ratio (DER)

The Debt to Equity Ratio (DER) is another key financial ratio used to assess a company's leverage by comparing its total debt to shareholders' equity. This ratio helps in determining how much debt is used in relation to equity for funding the company's activities (Koeshardjono et al., 2024). Mia (as cited in Yunus & Simamora, 2021) suggests that a higher DER indicates a higher reliance on debt, which could signal higher risk to investors, especially during times of financial instability.

Several studies have examined the impact of DER on stock prices, with varying conclusions. Sulistyani and Harianja (2022) argue that a high DER might signal financial distress, leading to lower stock prices, as creditors may perceive the company as more risky. In contrast, Yunus and Simamora (2021) found that a lower DER is generally favorable for investors, as it indicates a more conservative financial structure with less dependency on debt.

Current Ratio (CR)

The Current Ratio (CR) is a liquidity ratio that measures a company's ability to pay off its short-term liabilities with its short-term assets. A higher CR indicates that a company is more capable of meeting its short-term obligations, thus enhancing its financial stability (Wurdianto et al., 2022). According to Pratiwi et al. (2020), the Current Ratio is an important indicator of a company's short-term financial health and operational efficiency.

Research on the impact of the CR on stock prices has also been diverse. Martono and Harjito (as cited in Pratiwi et al., 2020) note that a higher CR typically results in more investor confidence, as it shows that the company can easily cover its short-term debts. However, an excessively high CR may indicate inefficiency, as it suggests that the company is holding onto excess liquidity that could be better utilized for investments or business expansion (Yusuf et al., 2022).

Stock Price as a Financial Indicator

Stock price serves as a key indicator of a company's performance and market value. It reflects the market's perception of the company's future growth prospects and profitability. According to Tamba Eppian (2022), a company's success in generating profits and managing its risks effectively will likely result in higher stock prices, thus attracting investors. The price of a stock is primarily driven by the forces of supply and demand, where a higher demand for shares leads to an increase in stock prices, while oversupply can lead to a price drop (Sulistiawati & Rosmanidar, 2023).

Relevant Studies

A number of studies have explored the relationship between financial ratios and stock prices, offering insights into how various ratios impact investor behavior and stock performance. For example, Fiqih & Merdiana (2020) investigated the impact of the Current Ratio, Return on Equity, and Debt to Equity Ratio on stock prices in the construction sector. They found that the Debt to Equity Ratio and Return on Equity significantly influenced stock prices, while the Current Ratio did not.

Similarly, Rifaldhy & Laksana (2022) examined the relationship between the Debt to Assets Ratio, Return on Equity, and stock prices in the mining sector. They found that the Debt to Assets Ratio negatively impacted stock prices, while Return on Equity had a positive effect. In contrast, P.Y. (2022) found no significant impact of the Debt to Assets Ratio or Debt to Equity Ratio on stock prices in the consumer goods sector.

Murti & Kharisma (2020) studied the impact of the Debt to Equity Ratio and Debt to Assets Ratio on stock prices in the consumer goods sector. Their findings suggested that while the Debt to Equity Ratio did not significantly affect stock prices, the Debt to Assets Ratio did.

These studies, among others, provide valuable context and a foundation for the current study, which seeks to explore the effects of Debt to Assets Ratio, Debt to Equity Ratio, and Current Ratio on the stock price of PT Polychem Indonesia Tbk.

Conceptual Framework

Based on the reviewed literature, the conceptual framework for this study illustrates the expected relationships between the independent variables (Debt to Assets Ratio, Debt to Equity Ratio, and Current Ratio) and the dependent variable (Stock Price) as follows:
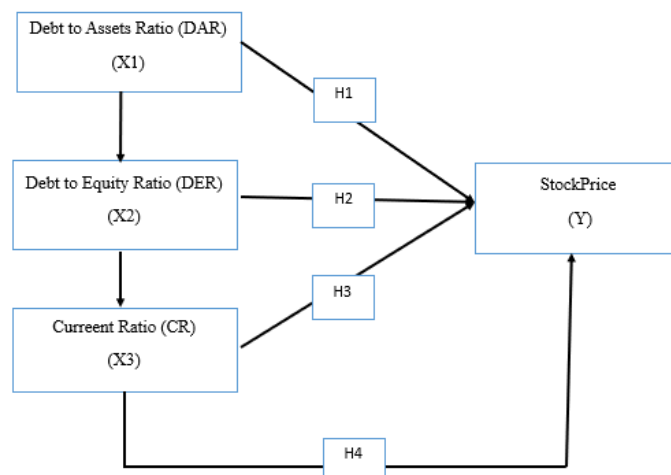
Figure 1. Conceptual Framework

RESEARCH METHOD

This study employs a causal-comparative approach, which is a type of quantitative research. According to Yuniar & Djawoto (2023), the causal-comparative or quantitative research approach aims to examine the causal relationships between two or more variables, determining how each variable is related to others. The research will utilize secondary data sourced from PT Polychem Indonesia Tbk's financial statements and stock price reports over the period from 2010 to 2024. The study will apply multiple regression analysis, specifically multiple linear regression models, to explore the relationships between the variables.
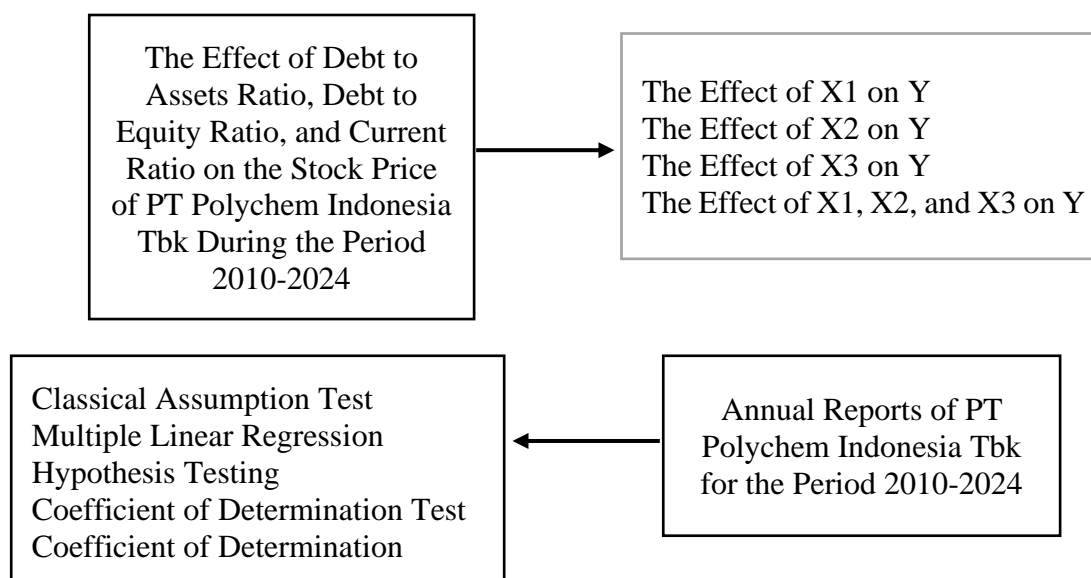

Figure 2. Research Design

RESULTS AND DISCUSSION
Description of Research Data

This study aims to examine the influence of Debt to Assets Ratio (DAR), Debt to Equity Ratio (DER), and Current Ratio (CR) on the stock price of PT Polychem Indonesia Tbk during the period 2010-2024. The data used in this research consists of secondary data,

which was obtained from the financial reports and stock price data of PT Polychem Indonesia Tbk for the period 2010 to 2024.

Classical Assumption Test
Normality Test
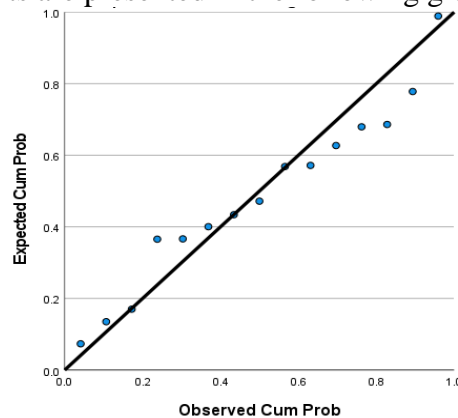The normality test results are presented in the following graphs:

Figure 3. Normal P-P Plot of Regression Standardized Residual

From Figure 3, it can be seen that the plot points are dispersed close to the diagonal line and follow its direction, indicating that the regression model satisfies the normality assumption.
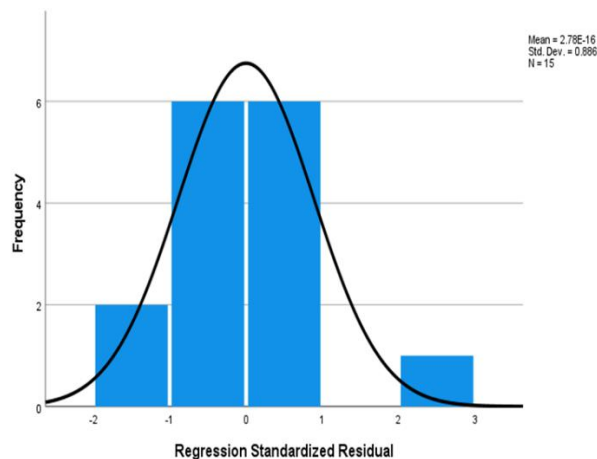
Figure 4. Histogram

Based on Figure 4, the histogram shows a right-skewed distribution, but the data still appears to be normally distributed.

Table 1. Results of Normality Test (One-Sample Kolmogorov-Smirnov Test)

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		15
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	.45622084
Most Extreme Differences	Absolute	.159
	Positive	.159

Negative		-.149
Test Statistic		.159
Asymp. Sig. (2-tailed)^c		.200^d
Monte Carlo Sig. (2-tailed)^e	Sig.	.379
	99% Confidence Interval	Lower Bound	.367
		Upper Bound	.392

a. Test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

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

e. Lilliefors' method based on 10000 Monte Carlo samples with starting seed 926214481.

The significance value (Asymp. Sig. 2-tailed) is 0.200, which is greater than 0.05, indicating that the data is normally distributed.

Heteroskedasticity Test

The results of the heteroskedasticity test can be seen in Table 2. The significance values for Debt to Assets Ratio (0.437), Debt to Equity Ratio (0.869), and Current Ratio (0.651) are all greater than 0.05, indicating that there is no heteroskedasticity present in the data.

Table 2. Heteroscedasticity Test Results

Coefficients^a

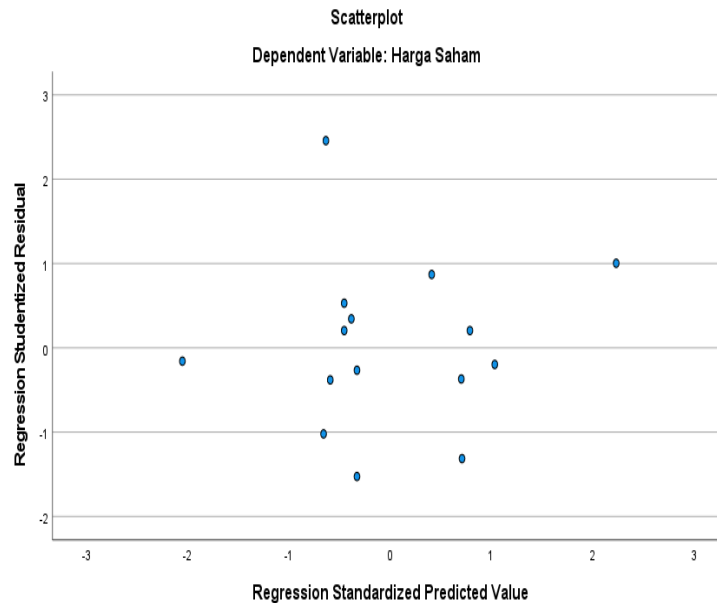| Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.	Collinearity Statistics Tolerance	Collinearity Statistics VIF
1	(Constant)	5.046	.574		8.788	<,001		
	DAR	.116	.144	.355	.806	.437	.416	2.404
	DER	-.031	.186	-.074	-.169	.869	.414	2.415
	CR	.086	.185	.132	.464	.651	.992	1.008

Figure 5. Heteroskedasticity Test with Scatterplot

The scatterplot shows no clear pattern of residuals, which further confirms the absence of heteroskedasticity.

Multicollinearity Test

The results of the multicollinearity test are shown in Table 3. The Tolerance values for all variables (DAR: 0.416, DER: 0.414, CR: 0.992) are greater than 0.1, and the VIF values (DAR: 2.404, DER: 2.415, CR: 1.008) are less than 10, indicating that there is no multicollinearity present.

Table 3. Multicollinearity Test Results

Coefficients[a]

Model		Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	t	Sig.	Collinearity Statistics Tolerance	VIF
1	(Constant)	5.046	.574		8.788	<,001		
	DAR	.116	.144	.355	.806	.437	.416	2.404
	DER	-.031	.186	-.074	-.169	.869	.414	2.415
	CR	.086	.185	.132	.464	.651	.992	1.008

Autocorrelation Test

The Durbin-Watson statistic is 1.478, as shown in Table 4, which falls within the acceptable range (between 1.5 and 2.5), indicating the absence of autocorrelation in the residuals.

Table 4. Autocorrelation Test Results

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.335[a]	.112	-.130	.51469	1.478

a. Predictors: (Constant), CR, DAR, DER

b. Dependent Variable: Stock price

Multiple Linear Regression Analysis

The results of the multiple linear regression analysis are presented in Table 5. The regression equation derived from the analysis is as follows:

Table 5. Multiple linear regression test

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	5.046	.574		8.788	.000		
	DAR	.116	.144	.355	.806	.437	.416	2.404
	DER	-.031	.186	-.074	-.169	.869	.414	2.415
	CR	.086	.185	.132	.464	.651	.992	1.008

a. Dependent Variable: Harga Saham

$$Y = 5.046 + (0.116)\ X1 + (-0.031)\ X2 + (0.086)\ X3$$

Where:
Y = Stock Price
$X1$ = Debt to Assets Ratio
$X2$ = Debt to Equity Ratio
$X3$ = Current Ratio

The interpretation of the coefficients is as follows:
- The constant term (α) is 5.046, meaning that when all independent variables are zero, the stock price is 5.046.
- The coefficient for DAR is 0.116, indicating that a 1% increase in DAR leads to a 0.116 increase in the stock price, assuming other variables are constant.
- The coefficient for DER is -0.031, suggesting that a 1% increase in DER results in a 0.031 decrease in stock price, with other variables held constant.
- The coefficient for CR is 0.086, indicating that a 1% increase in CR leads to a 0.086 increase in stock price, assuming other variables remain constant.

Hypothesis Testing
t-Test

The partial t-tests for each independent variable show the following:
- H_1: Debt to Assets Ratio significantly affects stock price:
  The significance value for DAR is 0.437, which is greater than 0.05, and the t-value of 0.806 is smaller than the t-table value of 2.201. Therefore, H_1 is rejected, indicating that DAR does not have a significant partial effect on stock price.
- H_2: Debt to Equity Ratio significantly affects stock price:
  The significance value for DER is 0.869, which is greater than 0.05, and the t-value of -0.169 is smaller than the t-table value of 2.201. Therefore, H_2 is rejected, meaning that DER does not have a significant partial effect on stock price.
- H_3: Current Ratio significantly affects stock price:

The significance value for CR is 0.651, which is greater than 0.05, and the t-value of 0.464 is smaller than the t-table value of 2.201. Therefore, H_3 is rejected, indicating that CR does not have a significant partial effect on stock price.

F-Test

The F-test results show that the overall model is not significant, with a significance value of 0.714, which is greater than 0.05, as shown in Table IV.7. Therefore, H_4 is rejected, meaning that the independent variables (DAR, DER, and CR) do not significantly affect stock price simultaneously.

Coefficient of Determination (R²)

The coefficient of determination (R^2) is 0.112, indicating that only 11.2% of the variation in stock price can be explained by the independent variables (DAR, DER, and CR). The remaining 88.8% is explained by other factors not included in the model, as shown in Table IV.8.

Discussion of Research Results

This study aims to examine the impact of Debt to Assets Ratio (DAR), Debt to Equity Ratio (DER), and Current Ratio (CR) on the stock price of PT Polychem Indonesia Tbk. Based on the results of the hypothesis testing, the following conclusions can be drawn:

Impact of Debt to Assets Ratio on Stock Price

The results of the t-test show that the Debt to Assets Ratio does not significantly affect stock price, as the significance value is greater than 0.05. This finding is consistent with the study by Mardiati (2024), which also concluded that DAR did not have a significant impact on stock price.

Impact of Debt to Equity Ratio on Stock Price

Similarly, the t-test results indicate that the Debt to Equity Ratio does not significantly affect stock price. This finding aligns with the research by Macintyre (2020), which also found no significant effect of DER on stock price.

Impact of Current Ratio on Stock Price

The Current Ratio also did not have a significant effect on stock price, as shown by the t-test results. This finding is consistent with the study by D. I. Sari (2020), which concluded that CR does not significantly affect stock price.

Impact of Debt to Assets Ratio, Debt to Equity Ratio, and Current Ratio on Stock Price

The results of the F-test indicate that the combined effect of DAR, DER, and CR on stock price is not significant. This finding is in line with the study by Aldi (2020), which found that the combined effect of these ratios on stock price was insignificant.

Implications of the Research

The results of this study suggest that neither Debt to Assets Ratio, Debt to Equity Ratio, nor Current Ratio has a significant partial effect on the stock price of PT Polychem Indonesia Tbk. This implies that investors should consider other factors beyond these financial ratios when making investment decisions. The findings also suggest that

improving the management of these ratios may not significantly impact stock price in the short term.

CONCLUSIONS

This study aimed to examine the impact of Debt to Assets Ratio (DAR), Debt to Equity Ratio (DER), and Current Ratio (CR) on the stock price of PT Polychem Indonesia Tbk. Based on the data analysis and discussion of the findings, the following conclusions can be drawn:

1. Debt to Assets Ratio does not have a significant partial effect on stock price. This is evident from the t-value of 0.806, which is less than the critical value of 2.201, and the significance value (Sig.) of 0.437, which is greater than 0.05. Hence, H_1 is rejected.

2. Debt to Equity Ratio does not significantly affect stock price. This conclusion is supported by the t-value of -0.169, which is less than 2.201, and the significance value (Sig.) of 0.869, which is greater than 0.05. Thus, H_2 is rejected.

3. Current Ratio does not have a significant partial effect on stock price. This is confirmed by the t-value of 0.464, which is smaller than the critical t-value of 2.201, and the significance value (Sig.) of 0.651, which is greater than 0.05. Therefore, H_3 is rejected.

4. The overall model, based on the F-test, indicates that Debt to Assets Ratio, Debt to Equity Ratio, and Current Ratio do not have a simultaneous impact on stock price, as the significance value (0.714) is greater than 0.05. Hence, H_4 is rejected.

5. The Coefficient of Determination (R^2) is adjusted to 0%, indicating that the independent variables (DAR, DER, and CR) explain none of the variation in the dependent variable, stock price. This implies that 100% of the variation in stock price is influenced by factors not included in the regression model.

In summary, the findings of this research suggest that the financial ratios considered—Debt to Assets Ratio, Debt to Equity Ratio, and Current Ratio—do not significantly influence the stock price of PT Polychem Indonesia Tbk. Investors and decision-makers should consider additional factors beyond these ratios when making investment decisions. Future research could explore other financial and macroeconomic variables that might better explain stock price movements.

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