The Impact of Current Ratio, Total Asset Turnover, Debt-Equity Ratio, Return on Equity, and Price Earning Ratio Toward Stock Return
(Study in Sub Sector Pharmacy Company at IDX 2015-2020 Period)

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Abstract

This study aims to examine the effect of Current ratio (CR), Total asset turnover (TATO), Debt equity ratio (DER), Return on equity (ROE), and Price earning ratio (PER) on stock returns in pharmaceutical sub-sector companies listed in Indonesia Stock Exchange (IDX). The population of this research is 10 pharmaceutical companies that publish annual reports on the websites of each company in 2015 – 2020 and the sampling method of pharmaceutical companies use the purposive sampling method and based on predetermined criteria, a sample of 7 companies is obtained. In this study, the analytical method used is the panel data regression analysis method. The results showed that the Current ratio (CR), Total asset turnover (TATO) and Debt equity ratio (DER) had no effect while Return on equity (ROE) and Price earning ratio (PER had an effect on Stock Return in Pharmaceutical Sub-Sector Companies listed in IDX Period 2015 – 2020.

INTRODUCTION

Pharmacy is a basic need of human that develops along with human civilization. Pharmacy in the beginning is just a service to protect human from suffering, but nowadays, it has developed into a promising profession along with the advancement of technology and information.

Besides that the development of business requires every people to adapt on every single change in the business world today. In running their business, the company not only improves the welfare of their stock holder, but also accommodates other. Besides that, the company must also suffice people demand that become more and more complex. Moreover, the bad economic condition that is always hitting insists the company to adapt in this condition by improving company value.

In January 2021, there was a massive change in the healthcare sector in Indonesia. The mandate of the Law on the Social Security System and the Law on the Social Security Administrative Body (BPJS) began to be implemented. The law mandates the implementation of the National Health Insurance (JKN) program for all Indonesian citizens. The JKN program is expected to increase the profits of pharmaceutical companies as generic drug producers. In fact, the company's performance results in margins that are too small. As happened to PT Indofarma Tbk. who received a loss of 17.36 billion rupiah. Profits decreased by 364% from 2021. In fact, sales increased, albeit slightly, from 1.62 trillion rupiah to 1.67 trillion. This was due to a significant decrease due to an increase in distribution expenses and financial expenses. The minus growth is because companies have to operate at low prices and low margins, and 90% of raw materials have to be imported. (Zuhra, 2017)

According to Samsul (2006: 43), the capital market is a place or means of meeting demand and supply for long-term financial instruments, generally for more than one year. The law

defines the capital market as activities related to public offerings and securities trading, public companies related to securities issued, as well as institutions and professions related to securities. Financial instruments traded on the capital market are long-term instruments (with a term of more than 1 year) such as stocks, bonds, warrants, rights, mutual funds, and various derivative instruments such as options, futures, and others. In the capital market, the return to be received by an investor is uncertain. Uncertainty makes an investor must choose very carefully which investment alternative to choose.

Stock return data can be seen in Table 1 below:

Table 1 Stock Return of Sub Pharmaceutical Companies 2015-2020 period

No	Company Name	*Return* of Shares					
		2015	2016	2017	2018	2019	2020
1	Industri Jamu & Farmasi Sido Muncul Tbk	0,0984	0,0545	0,0481	0,3372	1,3394	0,3686
2	Kalbe Farma Tbk	0,2787	0,1477	0,1155	0,1006	0,0658	0,0864
3	Kimia Farma (Persero) Tbk	0,4061	2,1609	0,2291	0,5385	0,5192	2,4000
4	PT Millennium Pharmacon International Tbk	0,2159	0,3623	0,1702	0,1364	0,3579	0,0947
5	PT Pyridam Farma	0,1704	0,7857	0,0850	0,0328	0,0476	3,9242
6	Tempo Scan Pasific Tbk	0,3892	0,1257	0,0863	0,2278	0,0036	0,0036

Sources: OK Stock, Yahoo Finance and IDX.com

Based on the data above, it can be seen that the phenomenon of stock returns in pharmaceutical sub-sector companies have experienced ups and downs, and many factors influence the movement of stock returns. Investors need to conduct an in-depth analysis of these changes. In this case, investors can perform ratio-based fundamental analysis. In practice, there are several types of financial ratios that can be used to measure the performance of a company. The ratios used in this study are Current ratio (CR), Total asset turnover (TATO), Debt equity ratio (DER), Return on equity ,(ROE) and Price earning ratio (PER).

Based on the explanation of the background study above and the results of previous research, the authors are interested in conducting research and taking the title "The Influence of Current Ratio, Total Asset Turnover, Debt Equity Ratio, Return On Equity and Price Earning Ratio on Stock Returns in Pharmaceutical Sub-Sector Companies Registered on the BEI" Period 2015-2020". This study aims to examine the effect of Current ratio (CR), Total asset turnover (TATO), Debt equity ratio (DER), Return on equity (ROE), and Price earning ratio (PER) on stock returns in pharmaceutical sub-sector companies listed on Indonesia Stock Exchange (IDX).

LITERATURE REVIEW

According to Samsul (2006: 291) stock return is income expressed as a percentage of the initial investment capital. Investment income in this stock includes profits from buying and selling shares, where the profit is called capital gain and if loss is called capital loss. Meanwhile, according to Tandelilin (2010: 47) stock return is one of the factors that motivates investors to invest and is also a reward for the courage of investors to take risks on the investments they make.

Return is one of the factors that motivates investors to invest and is also a reward for investors' courage to bear the risk of the investment made. Return on investment consists of two main components namely, yield and capital gain (loss). Yield is a return component that reflects the cash flow or income required periodically from an investment. Meanwhile, capital gains

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(losses) are increases (decreases) in the price of securities (stocks, long-term securities) that provide benefits to investors.

Financial Ratios

According to Harahap (2007: 297) financial ratios are numbers obtained from the results of comparisons of one financial statement post with another post that has a relevant and significant relationship. For example, between debt and capital, between cash and total assets, between production costs and total sales, and so on. This technique is very commonly used by financial analysts. Financial ratios are very important in analyzing the company's financial condition. Financial ratios are used to evaluate the company's financial condition and performance.

Signaling Theory

Signaling theory or signaling theory explains why companies have the urge to provide financial report information to external parties. The company's motivation to provide information is because there is information asymmetry between the company and outsiders because the company knows more about the company and prospects than outsiders (investors, creditors). One way to reduce information asymmetry is to provide signals to outsiders, one of which is in the form of reliable financial information and will reduce uncertainty regarding future company prospects.

According to Brigham and Houston (2001) a signal or signal is an action taken by company management that gives instructions to investors about how management views the company's prospects. Furthermore, companies with profitable prospects will try to avoid selling shares and seek new capital in other ways, such as using debt. Companies with unfavorable prospects will tend to sell their shares. Signal theory explains why managers of an entity have incentives to voluntarily report information to the capital market even though there is no such requirement.

Capital Structure Theory

Capital structure can be defined as the composition or arrangement of various sources of capital with different proportions. Meanwhile, capital structure decisions (capital structure policies) are policies that must be made by company managers regarding the selection of company funding sources to support their operational processes. The capital structure needs to be managed properly by the company because the funding decisions made by a manager will affect the company's valuation which is reflected in the stock price. Therefore, companies need to find efficient funding alternatives. In studying capital structure, there are several theories that can be used, namely the Traditional Approach Theory and the Modigliani and Miller (MM) Approach.

According to I Made Sudana (2015: 180), financial leverage is divided into financial structure and capital structure. Capital structure (capital structure) is part of the financial structure that only concerns expenditures that are permanent or long-term. The statement that capital structure is part of a company's financial structure is based on a broader scope of financial structure than capital structure. The financial structure reviews how the company funds its assets, whether short-term debt, long-term debt or shareholder capital. While the capital structure reviews how the company finances its assets, either with long-term debt or shareholder capital.

Asymmetric InformationTheoryy

The theory of asymmetric information says that parties related to the company do not have the same information about the prospects and risks of the company. One particular party has better information than outsiders, namely investors. Due to mispriced in the primary market as a result of an imbalance of information between the underwriter and the company (issuer), in

the financial literature this problem is called asymmetric information (Trisnaningsih, 2005). This will lead to higher-value companies using underpricing as a signal.

Companies that need funds can issue securities such as stocks, bonds, and other securities. Securities that have just been sold can be in the form of an initial public offering or known as an IPO, which is an activity carried out by a company in the context of a public offering of initial stock sales (Ang, 1997). After the shares are sold on the primary market then these shares are registered on the secondary market (Listing). By registering these shares on the stock exchange, these shares can begin to be traded on the stock exchange along with other securities.

Effect of Current Ratio (CR) on Stock Returns

According to Fahmi (2013) the condition of a company that has a good current ratio is considered a good company, if it is too high it is also considered bad. However, for shareholders, this is considered bad, in the sense that company managers do not utilize current assets properly and effectively. Conversely, a low current ratio is relatively risky but shows that management has operated current assets effectively. Thus the high or low current ratio will affect the views of investors in investing, this will affect stock prices which will affect stock returns. Then the current ratio has an effect on stock returns.

H1: Current ratio has a positive effect on stock returns

Effect of Total Asset Turnover (TATO) on Stock Returns

Total assets turnover is a ratio that shows the level of efficiency in using the company's overall assets in producing a certain sales volume. So the greater this ratio, the better, which means that assets can rotate faster and earn profits and show more efficient use of overall assets in generating sales. In other words, the same number of assets can increase sales volume if asset turnover is increased or enlarged. Total asset turnover affects stock returns.

H2: Total asset turnover has a positive effect on stock returns

Effect of Debt Equity ratio (DER) on Stock Returns

Thus, if the company's Debt to equity ratio is high, there is a possibility that the company's stock price will be low because if the company earns profits, the company tends to use these profits to pay its debts compared to paying dividends (Tandelilin, 2015). The above statement is corroborated by previous research conducted by Raningsih and Putra (2015), Khan, Madiha, Waseem, and Shabeer (2013), Raningsih and Putra (2015), Kefin Stefano (2015) and Anita Erari (2014).

H3: Debt equity ratio has a positive effect on stock returns.

The Effect of Return on Equity (ROE) on Stock Returns

According to Mardiyanto (2009:63) return on equity is a ratio that measures a company's success in generating profits for shareholders. Therefore, return on equity is considered as a representation of shareholder wealth or company value. Return on equity measures the company's success in generating profits for shareholders. Therefore, return on equity is considered as a representation of shareholder wealth or company value. If the company can generate high profits, then the demand for shares will increase and will have an impact on increasing share prices. When stock prices increase, stock returns will also increase. Then return equity affects stock returns.

H4: Return on equity has a positive effect on stock returns

Effect of Price Earning Ratio (PER) on Stock Return

According to Mardiyanto (2009: 63) price earning ratio is a comparison of common stock prices to earnings per share. the higher the Price earning ratio the more expensive the stock price of a company. The price-earnings ratio shows how much investors are willing to pay for each rupiah of reported profits. Investors use this ratio to predict the company's ability to generate profits in the future.

The higher the Price earning ratio the more expensive the stock price of a company. The price-earnings ratio shows how much investors are willing to pay for each rupiah of reported profits. Investors use this ratio to predict the company's ability to generate profits in the future. So the Price earning ratio has a negative effect on stock returns.

H5: Price earning ratio has a negative effect on stock returns
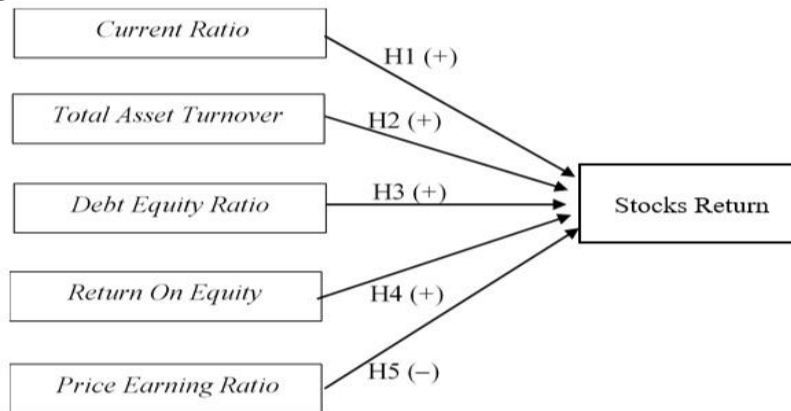
METHOD
Research Design

Figure 1. Conceptual Models

The research design used is causal associative. Causal associative is research that looks for causal influences, namely the independent/free variable (X) on the dependent/dependent variable (Y). In this study the independent variables, namely Current ratio (CR), Total asset turnover (TATO), Debt equity ratio (DER), Return on equity (ROE), and Price earning ratio (PER). Meanwhile, the dependent variable is stock returns. In this study the authors used a ratio scale to measure the variables used. The ratio scale has an initial value that cannot be changed (absolute), because ratio data has a zero value so that it has a definite distance between values. The ratio scale is suitable for this study because researchers use financial ratios as proxies for each research variable.

Measurement

Table 2. Variables and Measurement Scales

No	Variable	Calculation Method	Measurement Scale
1	Current ratio	$CR = \dfrac{Current\ Asset}{Current\ Debt}$	Ratio
2	Total asset turnover	$TATO = \dfrac{Sales}{Total\ Asset}$	Ratio
3	Debt Equity Ratio	$DER = \dfrac{Total\ Debt}{Total\ Equity}$	Ratio
4	Return on equity	$ROE = \dfrac{Net\ Profit}{Total\ Equity}$	Ratio
5	Price earning ratio	$PER = \dfrac{Common\ Share\ Price/Sheet}{Profit/Sheet}$	Ratio
6	Return Share	$Rt = \dfrac{Pt - Pt-1}{Pt-1} + Yield$	Ratio

Population & Sample

The population to be used are pharmaceutical companies that have published financial reports on the Indonesia Stock Exchange and annual reports on the websites of each company. The population of this study is 10 pharmaceutical companies which publish annual reports on the websites of each company. The sampling method for pharmaceutical companies uses a purposive sampling method.

RESULTS AND DISCUSSION
Selection Model Regression Panel data
Table 3/9. Panel Data Regression Selection Test Results

No	Testing	Probability	Conclusion
1	Uji Chow	$0.0049 < 0{,}05$	The best Fixed Effect model
2	Hausman	$0.0111 > 0{,}05$	The best Fixed Effect model

Based on table 3, it can be concluded that the fixed effect model is better used in this study.
Panel Data Regression Analysis
Based on the 2 safety tests in table 2, the selected model is the Fixed Effect Model. The estimated regression model is as follows:

Table 4. Panel Data Regression

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.030868	1.688999	-0.018276	0.9856
CR	-0.687130	0.519854	-1.321774	0.1982
TATO	-0.658634	0.756709	-0.870392	0.3924
DER	-0.421677	0.719305	-0.586229	0.5630
ROE	11.51248	3.156820	3.646859	0.0012
PER	0.399525	0.130436	3.063009	0.0052
R-squared	0.541230	Mean dependent var		0.458728
Adjusted R-squared	0.357722	S.D. dependent var		0.801253
F-statistic	2.949352	Durbin-Watson stat		2.629435
Prob(F-statistic)	0.013703			

Source : *Output Eviews 9*

The regression equation model that is formed based on table 10 research results are as follows:

$Y = -0.0308681201821 - 0.687130207995*LNX1 - 0.65863357639*X2 - 0.421677181363*X3 + 11.5124764783*X4 + 0.399525162338*LNX5$

From the regression equation model it can be explained as follows:
1. The value of the regression direction coefficient is -0.0308681201821 meaning that if the independent variables, namely CR, TATO, DER, ROE, and PER are considered constant (value 0), then the dependent variable, namely the Stock Return variable, will have a value of -0.0308681201821.
2. The regression coefficient value of the CR variable is -0.687130207995, meaning that if the CR variable has increased by (one) unit, while the other independent variables, namely the TATO, DER, ROE, and PER variables are considered constant (value 0), then the dependent variable is the Stock Return variable, the value will decrease by -0.687130207995.
3. The regression coefficient value of the TATO variable is -0.65863357639, meaning that if the TATO variable has increased by (one) unit, while the other independent variables, namely the CR, DER, ROE, AND PER variables are considered constant (value 0), then the dependent variable is the Stock Return variable , the value will decrease by -0.65863357639.
4. The regression coefficient value of the DER variable is -0.421677181363, meaning that if the DER variable increases by (one) unit, while the other independent variables namely CR, TATO, ROE, and PER are considered constant (value 0), then the dependent variable is the Stock Return variable , the value will decrease by -0.421677181363.

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5. The value of the regression coefficient of the ROE variable is 11.5124764783, meaning that if the ROE variable has increased by (one) unit, while the other independent variables namely CR, TATO, DER, and PER are considered constant (value 0), then the dependent variable is the Stock Return variable, the value will increase by 11.5124764783.

6. The value of the regression coefficient of the PER variable is 0.399525162338, meaning that if the PER variable increases by (one) unit, while the other independent variables, namely CR, TATO, DER, and ROE are considered constant (value 0), then the dependent variable is the Stock Return variable, the value will increase by 0.399525162338

Normality Test Result
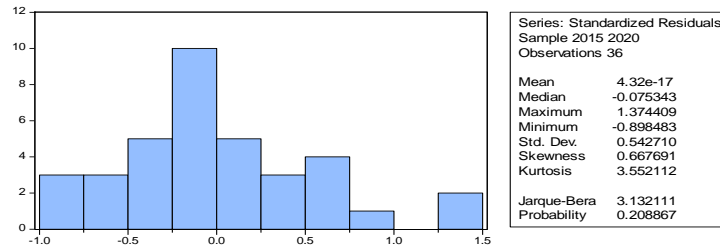
Source: *Output Eviews 9* Result
Figure 2. Normality Test Result

Based on Figure 2 above, the results of the Jarque-Bera test show a probability of 0.208867, which means it is greater than 0.05. It can be concluded that the data used in this study are normally distributed.

Multicollinearity Test Results

Table 5. Multicollinearity Test Results

	CR	TATO	DER	ROE	PER
CR	1.000000	-0.470371	-0.754928	0.690141	-0.267240
TATO	-0.470371	1.000000	0.783554	-0.370055	-0.095385
DER	-0.754928	0.783554	1.000000	-0.544403	0.052797
ROE	0.690141	-0.370055	-0.544403	1.000000	-0.440859
PER	-0.267240	-0.095385	0.052797	-0.440859	1.000000

Source : Output Eviews 9 Result

Multicollinearity test results are in table 5 The results obtained from the multicollinearity test show that the correlation value between the independent variables ROE is less than 0.90, so H0 is accepted. Thus, it can be concluded that there is no multicollinearity problem between the independent variables in the regression model.

Heteroscedasticity Test Results

Table 6. Heteroscedacity Test Result

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.671572	0.385656	1.741375	0.0919
CR	-0.272908	0.181016	-1.507649	0.1421
TATO	-0.181804	0.190980	-0.951953	0.3487
DER	0.002797	0.100474	0.027837	0.9780
ROE	1.611488	1.344184	1.198860	0.2400
PER	0.013912	0.058794	0.236615	0.8146

Source : Output Eviews 9 Result

From table 6 the results obtained from the heteroscedasticity test using the Glejser test show that the probability CR variable is 0.1421, the TATO probability is 0.3487, the probability

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DER is 0.9780 and ROE is 0.2400 and the PER probability is 0.8146 where heteroscedasticity does not occur, this is proven to have a greater value than 0 ,05. Thus, it can be concluded that the regression model does not have heteroscedasticity.

Autocorrelation Test Results

A good regression model is a regression that is free from autocorrelation. To detect the presence or absence of autocorrelation, we use the Durbin-Watson test (DW test).

Table 7. Autocorrelation Test Results

R-squared	0.541230	Mean dependent var	0.458728
Adjusted R-squared	0.357722	S.D. dependent var	0.801253
S.E. of regression	0.642143	Akaike info criterion	2.198456
Sum squared resid	10.30868	Schwarz criterion	2.682309
Log likelihood	-28.57220	Hannan-Quinn criter.	2.367333
F-statistic	2.949352	Durbin-Watson stat	2.629435
Prob(F-statistic)	0.013703		

Source : Output Eviews 9 Result

Based on the results of the correlation test in table 7, it is known that the Durbin-Watson (DW) is 2.629435. In order to be able to compare these DW values, then look for the Durbin-Watson able value at a significant 5% with the formula (k,n). The "k" meant the number of ablendents and the number of ablendents in this study was 5 so k=5, while the "n" meant the number of samples studied, namely as many as 36 so n=36. Then (k,n) = (5.36). This number can be seen in the Durbin-Watson Able distribution to find the value of Dl and Du. Then the Dl value is 1.1755 while Du is 1.7987. It can be seen that DW is between Du (1.7987) < DW (2.629435) < 4-Du (4-1.7264). So it can be concluded that in this study there was no autocorrelation. This means that the independent variables of this study are not disturbed or affected by the confounding variables.

Hypothesis Test

Based on table 10 the results of the individual parameter significance test (t statistical test) can be explained as follows:

1. The table above shows that the significance value of the CR variable (X1) is 0.1982 > 0.05 (significance level). Besides that, it can also be seen from the results of the comparison between tcount of 0.1982 while the table of 2.04227 means tcount < ttable, -1.321774 < 2.04227. Thus H0 is accepted and H1 is rejected, it can be concluded that CR has no effect on stock returns.

2. The table above shows that the significance value of the TATO variable (X2) is 0.3924 > 0.05 (significance level). Besides that, it can also be seen from the results of the comparison between tcount of -0.870392 while the table is 2.04227 meaning tcount < table, -0.870392 < 2.04227. Thus H0 is accepted and H2 is rejected, it can be concluded that TATO has no effect on stock returns.

3. The table above shows that the significance value of the DER variable (X3) is 0.5630 > 0.05 (significance level). Besides that, it can also be seen from the results of the comparison between tcount of -0.586229 while the table is 2.04227 meaning tcount < table, -0.586229 < 2.04227. Thus H0 is accepted and H3 is rejected, it can be concluded that DER has no effect on stock returns.

4. The table above shows that the significance value of the ROE variable (X4) is 0.0012 <0.05 (significance level). In addition, it can also be seen from the results of the comparison between the tcount of 3.646859 while the table of 2.04227 means that tcount < table, 3.646859 > 2.04227. Thus H0 is rejected and H4 is accepted. So it can be concluded that ROE has an effect on stock returns.

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5. The table above shows that the significance value of the PER variable (X5) is 0.0052 <0.05 (significance level). Besides that, it can also be seen from the results of the comparison between tcount of 3.063009 while the table is 2.04227 meaning tcount <table, 3.063009> 2.04227. Thus H0 is rejected and H5 is accepted. So it can be concluded that PER has an effect on stock returns.

Discussion
The Effect of Current Ratio on Stock Returns

Based on the results of the research above, Current Ratio (CR) has no effect on stock returns. The condition of a company that has a good current ratio is considered a good company, if it is too high it is also considered bad. However, for shareholders, this is considered bad, in the sense that company managers do not utilize current assets properly and effectively. Conversely, a low current ratio is relatively risky but shows that management has operated current assets effectively. Thus the high or low current ratio will affect the views of investors in investing, this will affect stock prices which will affect stock returns.

These findings do not support signaling theory, the relationship between signaling theory and activity is that if a company can produce high activity, then the company can be said to have good performance. High activity indicates the higher the company's effectiveness in using assets to obtain sales, where it is expected that the company's profit will be greater, this will show the company's performance is getting better. The better the company's performance, the higher the company's stock price will be, and the higher the stock price, the greater the expectation of return. This can be used as a signal to investors in making decisions.

The results of this study are in line with research according to Basalama et al. (2017). It turns out that a high CR value does not affect investor interest in investing their capital, because a high CR means that the management of current assets is not running well. well, so that many current assets are unemployed and not optimized by the company resulting in decreased investor interest in investing their capital. This can give investors confidence to own the company's shares so that they can provide stock returns.

The Effect of TATO on Stock Returns

Based on the results of the research above, TATO has no effect on stock returns. The high TATO of the sample companies was actually accompanied by a decrease in the company's stock returns. The company's ability to optimize its assets effectively and efficiently did not affect investors' interest in buying the company's shares. The same price is not followed by a larger net profit which makes investors not interested in buying the company's shares, causing the company's stock price to decrease which results in a decrease in stock returns. The results of this study are in line with Nugroho (2013).

The findings above support the results of previous studies including research conducted by Asmi (2014), Stefano (2015), Widiana and Yustrianthe (2016), and Indrayenti (2021). The findings above do not support the results of previous studies including research conducted by Martani et al. (2009), Hanifah and Wijaya (2018), Khotimah and Murtaqi (2015), Asri and Suwarta (2014) and Ratna et al. (2018).

The Effect of DER on Stock Returns

Based on the results of the research above, DER has no effect on stock returns. The absence of a significant effect of DER on stock returns may mean that there are different assessments by investors of the importance of debt for companies. Some investors may think that a large DER will become a burden for the company because of the company's obligation to pay debts

and the risk of bankruptcy that will be borne by the investor. On the other hand, some investors also argue that debt is needed by companies for company operations. Debt is needed by companies to increase company capital because having large debt can be used to increase company capital so that companies can develop their business and by doing business development, investors are more interested in buying the company's shares so that the company's stock price will rise and its stock returns will also go up.

This finding does not support the MM theory which states that increasing debt will increase firm value due to tax savings. MM (1958) in Wokas (2012) suggest that the value of a company will increase as the DER increases due to the influence of the corporate tax rate shield. However, the weakness of this theory does not consider the costs incurred due to debt.

The results of this study are in line with the research of Nugroho (2013), Verawaty et al. (2015), Widiana and Yustrianthe (2016), and Indrayenti (2021) that DER has no significant effect on stock returns. However, these findings do not support the results of previous research, including research conducted by Raningsih and Putra (2015), Khan, Madiha, Waseem, and Shabeer (2013), Raningsih and Putra (2015), Kefin Stefano (2015) and Anita Erari (2014).

The Effect of ROE on Stock Returns

Based on the results of the research above, ROE has an effect on stock returns. Return on equity measures the company's success in generating profits for shareholders. Therefore, return on equity is considered as a representation of shareholder wealth or company value. If the company can generate high profits, then the demand for shares will increase and will have an impact on increasing share prices. When stock prices increase, stock returns will also increase. Then return equity has a positive effect on stock returns.

These findings support signaling theory. The relationship between signaling theory and ROE is that companies with high ROE will show a good performance picture and show the company's ability to generate profits. Companies that are increasing will have an impact on stock prices which will ultimately have an effect on increasing stock returns. Signal theory plays a very important role for shareholders because it provides the right information about the company.

The findings above support the results of previous studies including research conducted by Gunawan and Rizki (2014), Aditya and Isnurhadi (2013), Syafitri and Hakim (2020), Gunawan and Hardayani (2016) and Benyamin and Endri (2019). However, the findings above do not support the findings of previous studies, including research conducted by Setiyorini (2011), Asmi (2014), Verawaty, Ade, and Tita (2015), Ulrica and Wijaya (2015) and Basalam (2017).

The Effect of PER on Stock Returns

Based on the results of the research above, PER has an effect on stock returns. The higher the Price earning ratio the more expensive the stock price of a company. The price-earnings ratio shows how much investors are willing to pay for each rupiah of reported profits. Investors use this ratio to predict the company's ability to generate profits in the future. So the Price earning ratio has a negative effect on stock returns.

The above statement is corroborated by previous research conducted by Meythi and Mariana (2012) regarding "The Influence of Price Earning Ratio and Price Book Value on Stock Returns of the LQ 45 Index for the 2007-2009 Period". This study shows the results that the Price earning ratio has a negative effect on stock returns.

The findings above support the results of previous studies including research conducted by Meythi and Mariana (2012), Suherman Sodikin (2020), Dewi & Rahyuda (2016), Asmi's research (2014) and Mayuni & Suarjaya (2018). However, the findings above do not support the findings of previous studies, including research conducted by Meythi and Mariana (2012),

Kefin Stefano (2015), MA Carlo (2014), Emamgholipour, Abbasali, Naser, Milad, and Ali (2013) and Ida Ayu Ika Mayuni and Gede Suarjaya (2018).

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CONCLUSION

Based on the results of the research above entitled Effect of Current Ratio, Total Asset Turnover, Debt Equity Ratio, Return On Equity and Price Earning Ratio on Stock Returns in Pharmaceutical Sub-Sector Companies on the IDX for the 2015-2020 period the following conclusions. The first is that the condition of a company that has a current ratio is considered bad by investors, that company managers do not utilize current assets properly and effectively, but on the contrary, a lower current ratio is relatively risky but shows that management has operated activation effectively, therefore it is high. or a low current ratio will not affect investors' views on investing.

Secondly, that the company's ability to optimize its assets effectively and efficiently may not necessarily generate large profits, this does not affect investors' interest in buying the company's shares, because at the same price but with different net income, investors will not still choose stocks that have a large net profit. The third, that there are differences in investor perceptions of the role of debt for companies, so that the size of the debt has no effect on stock returns. Some investors may think that a large DER will become a burden for the company because of the company's obligation to pay debts and the risk of bankruptcy that will be borne by investors. In contrast, other investors have the perception that debt is needed by the company for the company's operations. Debt is needed by the company to increase the company's capital because having a large debt can be used to increase the company's capital so that the company can develop its business and by doing business development, investors are more interested in buying the company's shares.

Fourthly, Return on equity (ROE) is a parameter of a company's success in generating profits, therefore, return on equity is considered as a representation of shareholder wealth or company value. If the company can generate high profits, then the demand for shares will increase and will have an impact on increasing stock prices (stock returns). The last, that Price Earnings Ratio (PER) shows how much investors have to pay for every rupiah of profits generated. the higher the investor's PER, the more unattractive it is for investors to buy the stock so that the stock return will also be small.

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