

## **CHAPTER I INTRODUCTION**

### **1.1 Background**

One of how the economic development of a country can be measured is by knowing how the development of the capital market, and industry securities in that country. The capital market plays a very important role. This relates to the function of the capital market itself which brings together parties who need funds with parties who want to invest in the capital market. Indonesia stock exchange (IDX) is an Indonesian capital market that presents data in the form of finance and stock trading. The capital market is crucial for the country's economy because it is seen from the function of the market Capital performs two main functions, namely the first as a means of business funding for companies to obtain funds from investors, Then the second function, namely the capital market, is a means for the public to invest in financial instruments such as bonds, stocks, and mutual funds. One of the elements of investing in the capital market is the stock price (Wulandari, Daeli, Bukit, & Sibarani, 2020).

The tourism sub-sector is one of the sectors that encourage economic growth in a country, one of which is Indonesia (Anggarini, 2021). This sector has a fairly broad market share which involves many other related industries, such as industries in the restaurants and food, the hotel industry, good transportation business actors land, sea, and air, business actors in the field of handicrafts, service industries such as tour guides, and travel agencies. The

infrastructure that supports the development of the tourism sector, will increase the contribution of the tourism sector to the growing economy in a country. This is because tourism activities will create demand both in terms of consumption and investment that will increase economic growth (Anggarini, 2021). This subsector also has great potential to be developed seeing the number cultural diversity, natural beauty, and special food so that Indonesia is one of the choices for holiday destinations for tourists foreign and locals (Nurhayati & Ermalina, 2021).

Such conditions can directly affect the activities capital market which will have an impact on the rise and fall of demand and share offerings on the stock exchange which will have an impact on the stock price. The changes that occur in stock prices in this sector become an important basis for studying investor behavior in making investment decisions in the stock market (Erick, 2021). The value of a company can be described by the development of the company's stock price in the capital market. The higher the stock price of a company, the higher the value of the company. In that case, it will be the interesting interest of investors to buy shares and invest their capital in the company (Manoppo, Tewal, & Jan 2017). Thus, of course the company will increase its value of the company which is good, because the increasing value of the company will have an impact on an increase in stock prices is also good, so it can attract parties and other investors to invest in the company. Company performance can be assessed by analyzing the financial ratios of a company. The wrong one of these financial ratios uses a probability ratio.

This ratio used to measure how the company's ability to look for profit or profit in one period. The company can is said to have good profitability if it can meet profit targets that have been set by utilizing assets or capital owned (Kasmir, 2019). In this study, the type of ratio the probability used Is Return on Equity (ROE) where this ratio is used to measure how much net profit after tax-financed with own capital. This ratio shows how efficiently the use of its capital is used by the company (Kasmir, 2019). Below is a graph of the average return on equity as follows:

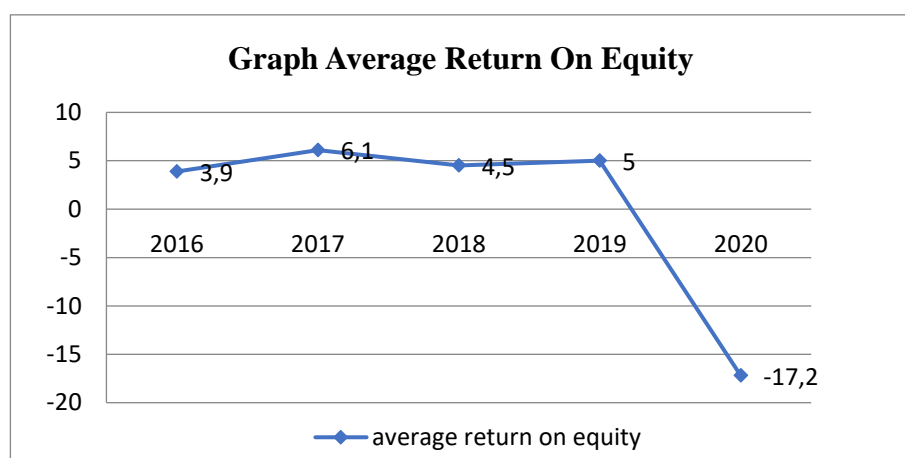


Figure 1. 1 Average Return on Equity (ROE)

Source: IDX (data processed, 2022)

In Figure 1.1 it can be seen that there is an increase and decrease in Return on Equity (ROE) from 2016 to 2020. In 2016 the average return on equity is 3.9% later in 2017 increased to 6.1% later in 2018 decreased by 4.5%, 2019 experienced an increase of 5% and in 2020 the graph of the average return on equity has decreased which is significant that is equal to -17.2%. In Figure 1.1 it can be said that restaurant, hotel, and tourism sector companies

experience a very significant decline in 2020. This was due to the drop in foreign and local tourist arrivals which made the tourism sector in Indonesia one of the most impacted by the COVID-19 pandemic. Problems in this sector of course will result in other related business sectors such as transportation, hotels to restaurants (CNBC Indonesia, 2020).

In addition to the probability ratio, the writer also uses the liquidity ratio as an indicator that affects stock prices. The liquidity ratio is a ratio that shows how much the company's ability in meeting short-term obligations (Fred Weston). This ratio also measures how the company's ability to meet obligations that are due, both obligations to outside company (liquidity of business entities) and within the company (liquidity) company) (Kasmir, 2019). In this study, the type of solvency ratio used is the Current Ratio (CR). This ratio is used for assessing the company's ability to pay obligations short-term or debt that is due immediately when billed whole. In other words, this ratio can be said to be the form to measure the level of security (margin of safety) of a company (Kasmir, 2019). Below is a graph of the average current ratio as follows:

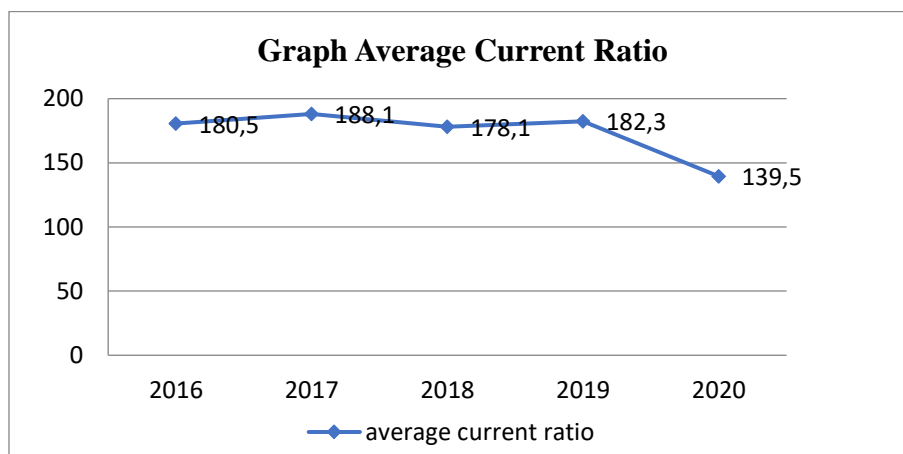


Figure 1. 2 Average Current Ratio (CR)

Source: IDX (data processed, 2022)

In Figure 1.2, it can be seen that there was an increase and decrease from year to the year 2016 to 2020. It can be seen that the average Current Ratio (CR) in 2016 of 180.5%, in 2017 there was an increase of 188.1%, then in 2018 there was a decrease of 178.1%, in 2019 there was an increase of 182.3 %, and in 2020 it happened a significant decrease of 139.5%. In figure 1.2 can it is said that restaurant, hotel, and tourism sector companies experienced a very significant decrease in the current ratio is 2020 due to the lack of the company's ability to meet its short-term liabilities with the company's liquid assets at the moment. This is because in early 2020 until the quarter. Recently, the number of cases of Covid-19 infection has not slowed down. As a result, the tourism sector in the country has slumped. Not only the hospitality business also suffered enormous losses. To remain to survive the strategy of cutting employees and costs here and there continues. Not a few are also out of business permanently not only there the restaurant is also still empty of visitors during the covid-19 outbreak. The latest survey conducted by the

Mandiri Institute is clear evidence that restaurants are becoming a very miserable sector due to restrictions on public mobility. Even when easing is done, the restaurant is still battered (CNBC Indonesia, 2020).

In addition to the probability ratio and the writer's liquidity ratio as well using the solvency ratio is an indicator that can affect the stock price. This ratio is used to measure the extent to which assets The company is financed with debt. How big is the debt burden? borne by the company compared to its assets (Kasmir, 2019). In this study, the type of solvency ratio used is the Debt-to-Equity Ratio (DER). This ratio is used to assess debt with equity, by comparing all debt with all equity. It can be said that this ratio serves to find out every rupiah of own capital used as collateral for debt (Kasmir, 2019). Below is a graph of the average debt to equity ratio as follows:

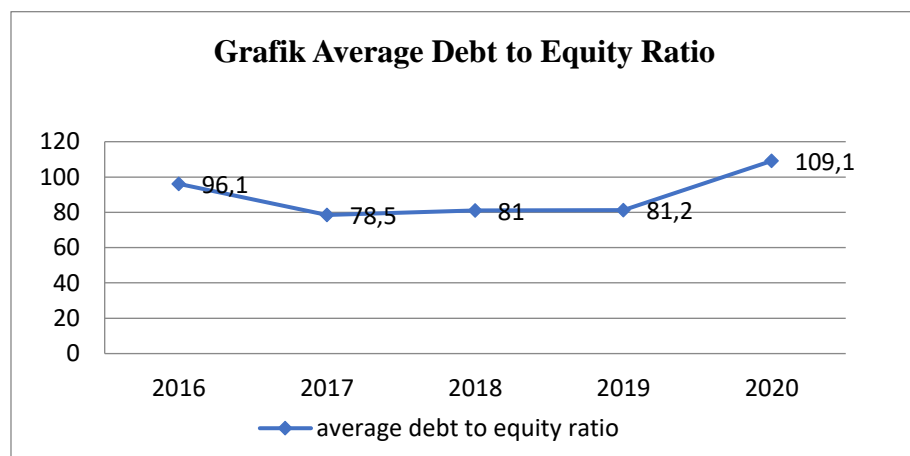


Figure 1. 3 Average Debt to Equity Ratio (DER)

Source: IDX (data processed, 2022)

Figure 1.3 shows an increase and a decrease in the Debt-to-Equity Ratio (DER) from 2016 to 2020. It can be seen that the average debt to equity ratio

in 2016 was 96.1%, occurred decreased in 2017 by 78.5%, then in 2018 there was an increase of 81%, in 2019 there was another increase of 81.2%, and in 2020 there was a significant increase of 109.1%. In Figure 1.2 it can be said that the sub-sector company restaurants, hotels, and tourism experienced a significant increase in Debt-to-Equity Ratio very significant in 2020 due to the increase in corporate debt. This is done by the company to survive during the covid-19 pandemic. This industry is one of the business sectors most affected. even though the vaccination has been running, it can't yet boost the tourism and hospitality industry. Because vaccination has not been carried out evenly, coupled with the difficulty of access to traveling with a fairly complicated protocol makes people prefer not to travel (Kontan.co.id, 2021).

In addition, stock prices can also influence decisions in investment because the stock price shows the company's performance. If the stock price of a company always increases, it can be said that the company has been successful in managing its management company. In addition, stock prices can also show the good or bad poor performance of a company. If the company produces a good performance, then the value of the company obtained is also high therefore the stock price will also increase. On the other hand, if the stock price is too low, then the performance of a company is not doing well and will be followed by the stock price declining (Nurhayati & Ermalina, 2021). Here's a graph of the average stock price in hotel, restaurant, and tourism sub-sector companies:

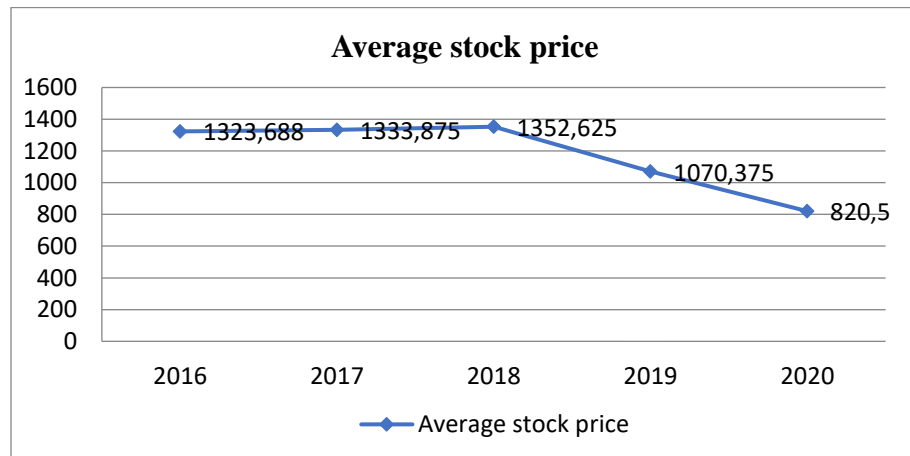


Figure 1. 4 Average Stock Price

Source: IDX (data processed, 2022)

In Figure 1.4 it can be seen that within a period of five years hotel, restaurant, and tourism sub-sector companies are less consistent in their stock price index because of the increase and decrease in stock prices. In 2016 the share price was Rp. 1323,688, in 2017 there was an increase of 1333.875, then in 2018 there was another increase of 1352,625, in 2019 there was a decrease of 1070,375, and in 2020 there was a decline in Return of 820.5. In Figure 1.4 it can be said that the restaurant sub-sector companies, hotels, and tourism experienced a sharp decline in stock prices significant in 2019 and 2020. In 2020 stocks in the sector This has suffered a significant loss due to the pandemic Covid-19 has been infecting many countries including Indonesia. During pandemic, There are as many as 2,000 hotels that have declared operational closures and 8,000 restaurants that experienced a similar incident. This happened because of the closing of several areas, which resulted in a drastic drop in tourist arrivals, this will have an impact on the company's profit and causes the price of stocks to decline (Tempo. co, 2020).



In 2019 there was also a significant decline in stock prices, even though in that year the COVID-19 pandemic had not hit various countries including Indonesia, which should still be many local and foreign tourists who visit various cities as tourist attractions therefore this will have no impact on the decline company profits and result in company profits will tend to be stable or even increase which will have an impact on increasing interest investors to invest and will make the stock price increase. However, the fact is that the stock price in 2019 has decreased significantly.

From the description of the background above, the writer plans to research **" The Effect of Return on Equity (Roe), Curent Ratio (Cr), And Debt To Equity Ratio (Der) On Stock Prices In Hotel, Restaurant, And Tourism Subsector Companies Listed On The Indonesia Stock Exchange 2016 – 2020"**

## **1.2 Problem Formulation**

From the problems above, the writer can formulate several problems are:

1. Does the Return on Equity (ROE) variable affect the price? shares in hotel, restaurant, and tourism sub-sector companies listed on the Indonesia Stock Exchange?
2. Does the Variable Current Ratio (CR) affect the price? shares in hotel, restaurant, and tourism sub-sector companies listed on the Indonesia Stock Exchange?
3. Does the Debt to Equity Ratio (DER) variable affect the share prices in the

hotel, restaurant, and tourism sub-sector companies listed on the Indonesia Stock Exchange?

4. What is the Return on Equity (ROE) variables, Current Ratio (CR), and Debt to Equity Ratio (DER) that have a joint effect on stock prices in the hotel, restaurant, and hotel sub-sector companies tourism listed on the Indonesia Stock Exchange?

### **1.3 Research Objectives**

Following the formulation of the problem that the writer proposes in this study, then the objectives of this research are:

1. This study aims to examine the effect of Return on Equity (ROE) on stock prices in hotel sub-sector companies, restaurants, and tourism listed on the Indonesia Stock Exchange?
2. This study aims to examine the effect of the Current Ratio (CR) on stock prices in the hotel, restaurant, and hotel sub-sector companies' tourism listed on the Indonesia Stock Exchange?
3. This study aims to examine the effect of the Debt to Equity Ratio (DER) on stock prices in hotel sub-sector companies, restaurants, and tourism listed on the Indonesia Stock Exchange?
4. This study aims to examine the effect of Return on Equity (ROE), Current Ratio (CR), and Debt to Equity Ratio (DER) to share prices in hotel, restaurants, and tourism sub-sector companies listed on the Indonesia Stock Exchange?

#### **1.4 Research Benefits**

The benefits of doing this research are:

##### 1. For Researchers

The benefits of research for researchers are of course to expand the writer's knowledge, about the effect of Return on Equity (ROE) on stock prices, the effect of the Current Ratio (CR), and the effect of Debt to Equity Ratio (DER) on stock prices hotel, restaurant, and tourism sub-sector company registered in Indonesia stock exchange.

##### 2. For the University

It is hoped that it can contribute scientific information as material for further research to discuss stock prices.

##### 3. For Investors

It is hoped that it can provide an overview for investors in making decisions and can be used as reference material in particular in Return on equity (ROE), Current Ratio (CR), and Debt to Equity Ratio (DER).

#### **1.5 Problem Limits**

This research was conducted to determine the effect of Return on Equity (ROE), Current Ratio (CR), and Debt to Equity Ratio (DER) on prices shares in listed hotel, tourism restaurant sub-sector companies on the Indonesia Stock Exchange.