

Research Paper

The Effect of Debt-to-Equity Ratio, Return on Asset, Current Ratio, and Total Asset Turnover on Stock Price: The Intervening Effect of Intrinsic Value in Indonesia's Retail Business

Andini Nurwulandari ^{a,1*}, Ririan Safiadi Wahid ^{a,2}

^a Nasional University, Indonesia

¹ andinmanajemen@gmail.com^{*}, ² ririan.wahid@gmail.com

*corresponding author

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ABSTRACT

This study examines the effect of Debt-to-Equity Ratio (DER), return on assets (ROA), current ratio (CR), and total asset turnover (TATO) on stock prices with their Intrinsic Value as intervening variables in retail companies in Indonesia. Data regarding retail companies were obtained from the Indonesia Stock Exchange, and secondary data on these companies' financial ratios were collected from Stockbit. Stock price data were sourced from Yahoo Finance, and the intrinsic value of shares was determined using the price-to-earning ratio method. Drawing on structural equation modeling, the findings demonstrate that DER and ROA exert a positive and statistically significant effect on intrinsic value. TATO, on the other hand, exhibits a negative and statistically significant effect on intrinsic value, while CR demonstrates a negative and non-significant effect. Regarding stock prices, DER and CR have a negative and statistically significant effect, while ROA and Intrinsic Value have a positive and statistically significant effect. TATO, however, shows a negative and non-significant effect on stock prices. Furthermore, DER has a positive and non-significant effect on stock prices through intrinsic value, whereas ROA has a positive and statistically significant effect on stock prices through intrinsic value. CR, on the other hand, exhibits a negative and non-significant effect on stock prices through intrinsic value, and TATO demonstrates a negative and statistically significant effect on stock prices through intrinsic value.

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Introduction

The capital market engages in the trading of securities, such as stocks. Stocks in Indonesia are traded on the Indonesia Stock Exchange. Within the stock exchange, the market value of a stock represents its share value. However, the market value does not necessarily reflect the actual worth of the shares. The true value of a stock is its intrinsic value (Anusha & Murugan, 2020; Kennedy & Sinaga, 2022), which plays a significant role in investors' decision-making regarding stock investments (Artikis & Kampouris, 2022; Mensah et al., 2022; Sharafoddin & Emsia, 2016). When investing in stocks, it is crucial to understand fundamental analysis. Fundamental analysis involves using financial ratios to calculate stock valuation. These ratios are derived from the company's financial statements released periodically. Investors utilize these financial ratios as a means to evaluate the company's condition before making investment decisions (Alqam et al., 2021). Financial ratio analysis is a valuable tool for assessing a company's financial state, enabling business practitioners and governments to evaluate past, present, and projected results as well as measure performance and predict future profits (Andari & Bakhtiar, 2020). The information is utilized by shareholders to evaluate the performance of management and decide whether or not the company provides benefits to them (Abdillah et al., 2019).

Over the last few years, a promising new area has emerged in the Indonesian retail market (Ika et al., 2021). Retail companies play a crucial role in the economy as they facilitate the distribution of goods and services from producers to consumers. They serve as intermediaries between manufacturers, producers, wholesalers, and end-level consumers. Previous studies have demonstrated that retail businesses contribute significantly to Indonesia's Gross Domestic Product (GDP), which in turn helps to increase societal well-being (Andari & Bakhtiar, 2020; Wahyuningsih & Venusita, 2022). Therefore, in addition to benefiting the community, retail companies significantly impact a country's economic state.

The relationship between a company's financial ratios and its stock prices is essential for investors and analysts to evaluate its performance. Several key ratios play a significant role in this assessment. This study aims to examine the effect of financial ratios, including the current ratio (CR), the debt-to-equity ratio (DER), return on assets (ROA), current ratio (CR), and total asset turnover (TATO), on stock prices. Additionally, the study investigates the role of intrinsic value as an intervening variable. Retail companies listed on the Indonesia Stock Exchange are the focus of this study. Unlike previous research, this study not only explores the influence of financial ratios on stock prices but also considers their effect on intrinsic value. Furthermore, the study examines retail companies that have received limited attention in previous research.

This research aims to offer valuable contribution to the advancement of management knowledge, particularly in the areas of stock valuation and retail companies. It is also directed to serve as a new reference and foundation for future research which is relevant to its focus and topic. Researching financial ratios in the Indonesian retail market is critical and possess fruitful insights for evaluating firm performance, establishing comparisons, identifying risks, understanding trends, and developing investor confidence. These data enable informed investment decisions, foster market competitiveness, maintain the positive growth of the economic field, and contribute to the overall growth and stability of the retail sector in Indonesia.

Hypothesis Formulation

This Study involves the current ratio (CR), the debt-to-equity ratio (DER), the total asset turnover (TATO), and the return on total assets (ROA). The current ratio is calculated by dividing current assets by current liabilities. It is a financial ratio used to assess a company's short-term liquidity and ability to cover its short-term obligations. The debt-to-equity ratio is calculated by dividing the total debt of a company by its total equity. It is used to assess a company's financial leverage and risk. Total asset turnover is sales divided by average total assets. It provides insights into how effectively a company generates revenue from its asset base. Return on total assets is calculated by dividing net income by total assets. Return on total assets provides insight into the company's ability to effectively utilize its assets to generate income.

The signaling theory focuses on how a company can convey instructions or indications to investors about management's views on the company's future prospects through its actions or decisions, with these signals represented by information about management's actions to fulfill the company owner's objectives. The hypotheses proposed in this study are as follows:

- H1 : Debt to equity ratio (DER) has a direct significant positive effect on the intrinsic value of retail companies listed on the Indonesia Stock Exchange
 - H2 : Return on total assets (ROA) has a direct positive significant effect on the intrinsic value of retail companies listed on the Indonesia Stock Exchange
 - H3 : Current ratio (CR) has a direct positive significant effect on the intrinsic value of retail companies listed on the Indonesia Stock Exchange
 - H4 : Total asset turnover (TATO) has a direct positive significant effect on the intrinsic value of retail companies listed on the Indonesia Stock Exchange
 - H5 : Debt to equity ratio (DER) has a direct significant negative effect on stock prices in retail companies listed on the Indonesia Stock Exchange
 - H6 : Return on total assets (ROA) has a direct positive significant effect on stock prices in retail companies listed on the Indonesia Stock Exchange
 - H7 : Current ratio (CR) directly has a direct positive significant effect on stock prices in retail companies listed on the Indonesia Stock Exchange
 - H8 : Total asset turnover (TATO) has a direct positive significant effect on stock prices in retail companies listed on the Indonesia Stock Exchange
 - H9 : Intrinsic value has a direct positive significant effect on stock prices in retail companies listed on the Indonesia Stock Exchange
 - H10 : Debt to equity ratio (DER) has an indirect negative and significant effect on stock prices through the intrinsic value in retail companies listed on the Indonesia Stock Exchange
 - H11 : Return on total assets (ROA) has an indirect positive significant effect on stock prices through the intrinsic value in retail companies listed on the Indonesia Stock Exchange
 - H12 : Current ratio (CR) has an indirect positive and significant effect on stock prices through the intrinsic value in retail companies listed on the Indonesia Stock Exchange
 - H13 : Total asset turnover (TATO) has an indirect negative significant effect on stock prices through the intrinsic value in retail companies listed on the Indonesia
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Stock Exchange

Based on the background and hypotheses construction of this study, Figure 1 presents the research model to be created in SEM-PLS for the SmartPLS application.

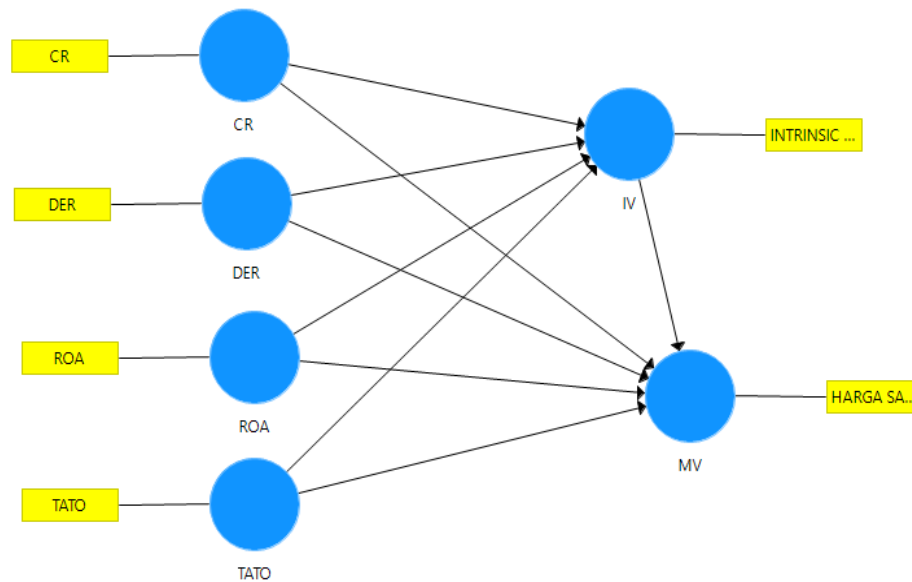


Figure 1. The Research Model

Method

Research Design

This study examined the effect of debt-to-equity ratio (DER), return on assets (ROA), current ratio (CR), and total asset turnover (TATO) on stock prices with their intrinsic value as intervening variables in retail companies in Indonesia. The structural equation modeling technique of partial least squares (SEM-PLS) was employed for analysis.

Data Sources

The research began by collecting a list of retail companies listed on the Indonesian Stock Exchange (www.idx.co.id). The annual financial statements of these companies were examined to determine the sample size needed for the study. The financial performance of each company was assessed by analyzing various ratios, such as the debt-to-equity ratio, return on assets, current ratio, and total asset turnover. Additional ratios are also calculated to determine the intrinsic value of the companies.

The calculation of intrinsic value in this study used the price-to-earnings ratio (PER) approach. The analysis was carried out using SEM-PLS with SmartPLS software to obtain the relationship between the independent variables and the dependent variable. Hypothesis testing was then performed to draw conclusions based on the research results.

In this study, secondary data was taken from Stockbits to obtain financial ratios from 2012 to 2019 taken from 11 retail companies listed on the Indonesia Stock Exchange. Additionally, stock price data from Yahoo Finance (www.yahoofinance.com) is utilized.

The data was processed using SmartPLS software to develop the models required for the study:

$$\eta_1 = \gamma_1 X_1 + \gamma_2 X_2 + \gamma_3 X_3 + \gamma_4 X_4 + \zeta_1$$

$$\eta_2 = \beta_1 \eta_1 + \gamma_5 X_1 + \gamma_6 X_2 + \gamma_7 X_3 + \gamma_8 X_4 + \zeta_2$$

Where:

η_2	=	Stock price	X_1	=	Debt To Equity Ratio (DER)
η_1	=	Intrinsic Value	X_2	=	Return On Assets (ROA)
η	=	Endogenous Latent Variable	X_3	=	Current Ratio (CR)
ζ	=	Error Model	X_4	=	Total Asset Turnover (TATO)
γ	=	Coefficient of an exogenous variable on an endogenous variable	β	=	Coefficient of an endogenous variable on an exogenous variable

Results

For the outer model evaluation, the results of the convergent validity test are obtained by examining the values of outer loadings or loading factors. From [Table 1](#) and [Table 2](#), it is evident that every indicator of the research variables has an outer loading value greater than 0.7 and an AVE value greater than 0.5. The data indicate that none of the variable indicators have an outer loading value below 0.7, and all variables have an AVE value above 0.5. Hence, all indicators are deemed suitable and valid for research purposes, allowing for further analysis.

In terms of composite reliability, a variable can be declared to meet the criteria for composite reliability if its value exceeds 0.6. Based on the results of the analysis in [Table 1](#), the values of all the variables used in this study are more than 0.6. This shows that each variable has met the composite reliability so it can be concluded that all variables have a high level of reliability.

Table 1. Construct Reliability and Validity Test Results

No.	Variable	Cronbach's Alpha	Rho_A	Composite Reliability	Average Variance Extracted
1	CR	1.000	1.000	1.000	1.000
2	DER	1.000	1.000	1.000	1.000
3	ROA	1.000	1.000	1.000	1.000
4	TATO	1.000	1.000	1.000	1.000
5	Intrinsic Value	1.000	1.000	1.000	1.000
6	Stock Price	1.000	1.000	1.000	1.000

Next, a variable can be deemed reliable if its Cronbach alpha value is greater than 0.7. From the provided [Table 1](#), it is evident that the Cronbach alpha value for each research variable exceeds 0.7. This indicates that all variables meet the criteria for Cronbach's alpha and can be concluded to possess a high level of reliability.

Table 2. Outer Loading Results

No.	Variable	CR	DER	Intrinsic Value	Stock Price	ROA	TATO
1	CR	1.000					
2	DER		1.000				
3	Intrinsic Value			1.000			
4	Stock Price				1.000		
5	ROA					1.000	
6	TATO						1.000

Moreover, the results of the discriminant validity test are obtained by applying the criteria and assumptions proposed by Fornell-Larcker and by examining the "Crossloadings." From the provided data in Table 3 and Table 4, it is evident that each indicator of the research variable exhibits a higher cross-loading value on its corresponding variable compared to the cross-loading value on other variables. Based on these findings, it can be concluded that the indicators utilized in the author's research possess valid and strong discriminant validity when constructing their respective variables.

Table 3. Discriminant Validity Cross-Loading Results

No.	Variable	CR	DER	Intrinsic Value	Stock Price	ROA	TATO
1	CR	1.000	-0.304	-0.088	-0.110	0.246	-0.378
2	DER	-0.304	1.000	0.739	0.282	0.104	0.251
3	Intrinsic Value	-0.110	0.282	0.743	1.000	0.809	0.146
4	Stock Price	-0.110	0.739	1.000	0.743	0.565	0.101
5	ROA	0.246	0.104	0.565	0.809	1.000	0.119
6	TATO	-0.378	0.251	0.101	0.146	0.119	1.000

Table 4. Discriminant Validity Fornell-Larcker Results

No.	Variable	CR	DER	Intrinsic Value	Stock Price	ROA	TATO
1	CR	1.000					
2	DER	-0.304	1.000				
3	Intrinsic Value	-0.088	0.739	1.000			
4	Stock Price	-0.110	0.282	0.743	1.000		
5	ROA	0.246	0.104	0.565	0.809	1.000	
6	TATO	-0.378	0.251	0.101	0.146	0.119	1.000

In the inner model evaluation, the quantitative analysis yields a Q-Square value of 0.5058 is derived (see Table 5). This indicates that 50.58% of the variability in the research data can be explained by the research model, while the remaining 49.42% is attributed to external factors beyond the scope of this model. Consequently, these results indicate that the research model exhibits a highly satisfactory level of goodness of fit.

Table 5. R-Square Result

Variable	R Square	R Square Adjusted
Intrinsic Value	0.808	0.799
Stock Price	0.870	0.862

$$\begin{aligned}
 Q\text{-Square} &= 1 - [(1 - R^2_{IV}) \times (1 - R^2_{MV})] \\
 &= 1 - [(1 - (0.808)^2) \times (1 - (0.870)^2)] \\
 &= 1 - (0.652864 \times 0,7569) \\
 &= 1 - 0.4941527616 \\
 &= 0.5058472384
 \end{aligned}$$

Furthermore, Table 6 presents the results of hypotheses testing for this study. DER and ROA have a positive and statistically meaningful impact on intrinsic value. Conversely, TATO displays a negative and statistically substantial influence on intrinsic value, while CR shows a negative but statistically insignificant impact. Concerning stock prices, DER and CR exert a negative and statistically significant influence, while ROA and intrinsic value have a positive and statistically significant impact. However, TATO indicates a negative and statistically insignificant impact on stock prices. Additionally, DER has a positive and statistically insignificant impact on stock prices via intrinsic value, whereas ROA has a positive and statistically meaningful effect on stock prices through intrinsic value. In contrast, CR demonstrates a negative and statistically insignificant effect on stock prices through intrinsic value, and TATO shows a negative and statistically significant effect on stock prices through intrinsic value.

Table 6. Hypotheses Testing Results

No	Hypotheses	Original Sample (O)	T-Statistic (O/STDEV)	P Value
H1	DER -> IV	0.706	2.342	0.020*
H2	ROA -> IV	0.527	2.457	0.014*
H3	CR -> IV	-0.064	0.408	0.683
H4	TATO -> IV	-0.163	2.894	0.104
H5	DER -> MV	-0.379	2.241	0.107
H6	ROA -> MV	0.525	3.064	0.002*
H7	CR -> MV	-0.294	3.215	0.101
H8	TATO -> MV	-0.003	0.102	0.919
H9	IV -> MV	0.701	4.930	0.000*
H10	DER -> IV -> MV	0.495	1.921	0.005*
H11	ROA -> IV -> MV	0.369	2.117	0.035*
H12	CR -> IV -> MV	-0.045	0.341	0.734
H13	TATO -> IV -> MV	-0.114	2.718	0.007*

Notes: DER (debt-to-equity ratio); IV (intrinsic value); ROA (return on assets); CR (current ratio); TATO (total asset turnover); MV (stock prices)

Discussion

The Effect of Debt-to-Equity Ratio on Intrinsic Value

An adequate debt-to-equity ratio is important since it is necessary to maximize shareholder returns, which affect the firm's stock price in the long run (Nukala & Rao, 2021). The impact of the debt-to-equity ratio on the Intrinsic Value of Shares demonstrates a positive and significant association. This indicates that when the Debt-to-Equity Ratio is high, there is an increase in the intrinsic value (positive correlation). The significant findings imply that there is an influence between the debt-to-equity ratio and the intrinsic value of the shares. According to Bodie et al. (2014), a high debt-to-equity ratio signifies excessive debt, which also elevates the company's risk as it becomes more responsible for fulfilling obligations to third parties using its own capital. This scenario may hinder the company's ability to generate sufficient income to meet these obligations. The positive results indicate that retail companies utilize their liabilities as investments for appropriate business development. This leads to an increase in retained earnings from these investments, subsequently affecting the dividend distribution. As a result, the intrinsic value of the retail company rises. The findings of this study offer investors a signal that a high debt-to-equity ratio does not necessarily imply a small intrinsic value. Instead, retail companies can provide a significant margin of safety for investors. These results are consistent with previous research, specifically, the studies conducted by Mandasari (2016) and Famiah (2018), which explore the effect of the debt-to-equity ratio on the price-to-earnings ratio. Both studies affirm that the debt-to-equity ratio has a positive and significant effect on the price-to-earnings ratio, which serves as a proxy for intrinsic value. However, the results contradict the research of Afanny (2022) and Alvian and Munandar (2022) indicating that the Debt-to-Equity Ratio does not affect the firm's value.

The Effect of Return on Assets on Intrinsic Value

The effect of return on assets on the intrinsic value of stocks yields a positive and significant outcome. This implies that when the return on assets is high, the intrinsic value of the share will also be high (positive correlation). The significant findings indicate the existence of an influence between return on assets and the intrinsic value of the shares. According to Bodie et al. (2014), companies with a high Return on Assets are more likely to attract capital in the market due to their promising prospects for better returns on investment, reflecting strong company performance. This suggests that companies can effectively utilize their economic resources and assets to generate maximum profits, providing valuable information to investors regarding the potential for earning profits in the form of intrinsic value. The results of this study support the theory that return on assets contributes to the company's ability to attract sufficient funds and increase its intrinsic value, as retail companies demonstrate the capability to convince investors of profit generation. These findings align with previous research, including studies conducted by Mandasari (2016), Famiah (2018), and Fajrian (2018), which examine the effect of return on assets on the price-to-earnings ratio. These studies affirm the positive and significant effect of return on assets on the price-to-earnings ratio, which serves as a proxy for intrinsic.

The Effect of Current Ratio on Intrinsic Value

The effect of the current ratio on the intrinsic value of stocks yields a negative and statistically insignificant result. This implies that when the current ratio value is high, the intrinsic value of the share will be low (negative correlation). These findings lead to the rejection of the research hypothesis. The insignificance of the results indicates the absence of an influence between the current ratio and the intrinsic value of the stock. According to [Bodie et al. \(2014\)](#), the current ratio measures a company's ability to settle its current liabilities by converting its current assets into cash. This suggests that retail companies may have idle funds, which can decrease the profitability of these companies, leading to a decrease in the Price to Earning Ratio and subsequently reducing the intrinsic value. Consequently, investors may find it challenging to determine the margin of safety associated with the intrinsic value. Additionally, the standard deviation value of the current ratio is smaller than the mean value, contributing to the insignificance of the current ratio value in relation to intrinsic value. These findings align with previous research, including studies conducted by [Dewanti \(2016\)](#), [Wahyuni \(2020\)](#), and [Sitepu \(2013\)](#), which investigate the effect of the current ratio on the Price to earning ratio as a proxy for intrinsic value. These studies indicate a negative and insignificant effect of the current ratio on the price-to-earning ratio.

The Effect of Total Asset Turnover on Intrinsic Value

The effect of total asset turnover on stock intrinsic value yields a negative and statistically significant result. This implies that when the total asset turnover value is high, the intrinsic value of the share will decrease (negative correlation). Significant findings indicate that there is an influence between total asset turnover and the intrinsic value of the shares. A high Total Asset Turnover indicates more efficient utilization of all assets in generating sales or revenue. However, efficient asset utilization does not necessarily guarantee profit generation in retail companies, which affects investor dividends and, consequently, intrinsic value. Despite the efficient use of assets, it is not guaranteed to drive sales revenue for retail companies, as revenues and expenditure sources may be constrained within a specific accounting period, resulting in low profitability. Nonetheless, a small profit does not necessarily translate to a lack of dividends for investors, which contributes to an increase in intrinsic value. This provides investors with a margin of safety for investment decisions. These findings convey a reliable signal to investors that a low sales volume and income do not necessarily lead to lower profits and reduced intrinsic value. These results align with previous research, including the study conducted by [Dewanti \(2016\)](#), which investigates the effect of Total Asset Turnover on the Price to Earning Ratio as a proxy for intrinsic value. The study concludes that Total Asset Turnover has a negative and significant effect on the Price to Earning Ratio.

The Effect of Debt-to-Equity Ratio on Stock Prices

The effect of the debt-to-equity ratio on stock price is negative and statistically significant. A negative coefficient indicates an inverse relationship between the Debt to Equity Ratio and the Stock Price. This implies that as the debt-to-equity ratio of a company increases, the stock price decreases. This opposing effect aligns with research conducted by [Puspitasari \(2018\)](#), [Ratih \(2013\)](#), [Decminar \(2016\)](#), and [Resky \(2018\)](#), which highlight

the negative and significant effect of the debt-to-equity ratio on stock prices. A high debt-to-equity ratio signifies a greater reliance on external sources of capital (such as lenders), indicating that the company carries a significant amount of debt. Consequently, the burden on the company becomes heavier. When a company bears a substantial debt burden that exceeds its own capital, it leads to a decrease in the Stock Price (opposite/negative effect). These findings support company theory, which emphasizes the importance of providing information to investors to assess the company's condition and make informed investment decisions.

The Effect of Return on Assets on Stock Prices

The effect of return on assets on stock prices is positive and statistically significant. The coefficient is positive, indicating a consistent relationship between return on assets and stock prices. This implies that as the return on assets of a company increases or decreases, the stock prices also increase or decrease accordingly. This unidirectional effect aligns with research conducted by [Octafilia \(2019\)](#), [Puspitasari \(2018\)](#), and [Putri \(2016\)](#), which highlight the positive and significant effect impact of return on assets on stock prices. A high return on assets signifies a strong financial position of the company, indicating a higher rate of return obtained from investments. This information serves as a valuable indicator for investors, indicating that retail companies possess a corporate value that can guide investment decisions. A higher rate of return is associated with higher stock prices, while a lower rate of return is associated with lower stock prices.

The Effect of Current Ratio on Stock Prices

The effect of the current ratio on stock price is negative and statistically significant. The coefficient is negative, indicating a non-directional relationship between the current ratio and the stock price. This means that as the current ratio of a company increases, the stock price tends to decrease. This non-directional effect is consistent with research conducted by [Octafilia \(2019\)](#), [Puspitasari \(2018\)](#), and [Decminar \(2016\)](#), which highlight the negative and significant effect of the current ratio on stock prices. This opposite and significant relationship can be attributed to the influence of high liquidity indicated by a high current ratio in retail companies, which leads to declining stock prices. Liquidity reflects a company's ability to fulfill short-term debt obligations (Current Liabilities). In this scenario, a retail company may allocate cash for new projects, which theoretically increases investment. However, if the short-term obligations are not promptly paid off, it creates uncertainty for investors regarding the profitability of these new investments. This perceived risk negatively affects investor confidence and subsequently affects stock prices. Consequently, stock prices in retail companies may continue to rise despite a low current ratio, or they may decrease despite having a high current ratio.

The Effect of Total Asset Turnover on Stock Prices

The effect of total assets turnover on stock price is negative but not statistically significant. The coefficient is negative, indicating an opposite relationship between total asset turnover and stock price, but this relationship does not have a significant effect. This lack of significance aligns with the findings of research conducted by [Putri \(2016\)](#) and [Decminar \(2016\)](#), which suggest that total asset turnover has a negative and insignificant

effect on stock prices. A high total asset turnover implies more efficient utilization of all assets in generating sales or revenue. However, the effective use of high assets does not necessarily translate into higher sales revenue for retail companies, as these companies often face challenges such as operating expenses that do not adequately support sales. Examples include ineffective promotional strategies, excessive employee expenses, and other similar factors. Consequently, investors do not receive reliable stock price information from the total asset turnover metric.

The Effect of Intrinsic Value on Stock Prices

The effect of stock intrinsic value on stock prices is positive and statistically significant. The coefficient is positive, indicating a directional relationship between the intrinsic value of the share and the stock price. This means that when a company's shares have a higher intrinsic value, their stock price tends to be higher as well. This positive effect aligns with the findings of research conducted by [Priliyastuti \(2017\)](#), [Reskya \(2018\)](#), and [Ratih \(2013\)](#), which suggest that the Price to Earning Ratio has a positive and significant effect on stock prices. The intrinsic value of the shares is approximated using the price-to-earning ratio, which allows the study to infer the effect of the price-to-earning ratio as well. In the analysis of the price-to-earning ratio, a higher ratio indicates that a company has the potential for high earnings growth, leading to a higher price-to-earning ratio and consequently an increase in the intrinsic value of the shares. This indicates market expectations of future profit growth. A greater Intrinsic Value of Shares corresponds to higher stock prices, driven by the company's strong profitability (directional/positive). The significant results demonstrate that investors view the continuous growth of earnings in retail companies as a positive signal for stock appreciation. This emphasizes the importance of company information in influencing investor decisions. The intrinsic value determines the level of safety and profitability an investor can obtain from their investment. A higher intrinsic value in stock prices provides a greater margin of safety, enabling investors to achieve higher profits. As a result, demand for shares increases, leading to upward pressure on stock prices.

The Effect of Debt-to-Equity Ratio on Stock Prices through Intrinsic Value of Shares

The effect of the debt-to-equity ratio on stock prices through the intrinsic value of shares results in a positive but insignificant value. This suggests that there is no indirect effect of the debt-to-equity ratio on the stock price through the intrinsic value of the shares. These findings indicate that the debt-to-equity ratio directly influences stock prices, but when mediated by the intrinsic value of shares, it does not have a significant effect. These results align with the mediation criteria proposed by [Luckieta et al. \(2021\)](#), which indicate a direct-only (no mediation) relationship. This finding implies that retail companies' debt does not have a clear effect on generating risks or benefits for the company, making it difficult for investors to factor it into their profit and intrinsic value calculations. However, the presence of debt does affect stock prices. Investors perceive this debt information as influential in their investment decisions, even though they may not receive dividends. The positive value indicates a unidirectional relationship between the debt-to-equity ratio and the stock price when mediated by its intrinsic value. If the debt level is low, investors may

still choose not to invest, even if the intrinsic value is high, as it may lead to a decline in stock prices.

The Effect of Return on Assets on Stock Prices through the Intrinsic Value of Stocks

The effect of return on assets on stock prices, mediated by the intrinsic value of stocks, demonstrates a positive and significant outcome. This finding implies that return on assets exerts both a direct and indirect influence on stock prices. These results align with the mediation criteria proposed by Luckieta et al. (2021), leading to a complementary (partial mediation) conclusion where both direct and indirect effects share the same direction. Within this partial mediation framework, two conditions can be observed. The first condition arises from a decrease in return on assets, as previously explained, indicating a lack of efficiency in asset utilization. This inefficiency hampers profit generation, subsequently lowering the intrinsic value. As a result, investors may hesitate to invest due to the absence of dividend opportunities or a margin of safety, leading to a decline in stock prices.

Effect of Current Ratio on Stock Prices through Intrinsic Stock Prices

The effect of the current ratio on stock prices, mediated by the intrinsic value of shares, yields a negative and insignificant outcome. This implies that there is no direct influence between the current ratio and the stock price through the intrinsic value of the shares. This finding aligns with the mediation criteria proposed by Luckieta et al. (2021), resulting in a direct-only (no mediation) mediation conclusion. Moreover, this result indicates a direct influence of the current ratio on the stock price. In this scenario, the company's capacity to settle its current liabilities by liquidating its current assets does not determine the stock price when mediated by the intrinsic value. However, the Current Ratio still affects the stock price. Investors perceive this debt-related information as a determinant for making investment decisions, even without receiving dividends. A negative value suggests an inverse relationship between the current ratio and the stock price when mediated by its intrinsic value. Therefore, even if the company possesses substantial assets and a high intrinsic value, investors may refrain from making investment decisions, as this could result in a decline in stock prices.

Effect of Total Asset Turnover on Stock Prices through Intrinsic Value of Shares

The effect of total asset turnover on stock prices, mediated by the intrinsic value of shares, yields a negative and significant outcome. According to the mediation requirements outlined by Luckieta et al. (2021), this indicates a full mediation, namely an indirect-only effect between total asset turnover and stock price through the intrinsic value of shares, while no direct influence exists between total assets turnover and stock price. This full mediation elucidates that the total asset turnover, when mediated by the intrinsic value of the stock, plays a determining role in the stock price. Investors are advised to calculate the intrinsic value of shares to assess the stock price. In the first scenario, as explained earlier, a decrease in total asset turnover implies that the company fails to maximize sales for generating profits. However, it does not necessarily mean that the company cannot provide dividends. Dividend payments contribute to an increase in the intrinsic value. Additionally, companies can enhance profitability through expense

efficiencies even when sales are not robust, resulting in increased profits and subsequently raising the intrinsic value. When the intrinsic value rises, investors are inclined to invest, as they have the opportunity to receive dividends or benefit from a margin of safety in their investments, leading to an increase in stock prices. These findings elucidate a reliable signaling mechanism for investors, wherein sales volume and income serve as indicators for making investment decisions by considering the intrinsic value. When small sales are accompanied by a high intrinsic value, investors can confidently make investment decisions, thereby driving up the share value. Conversely, if sales/revenues are high but the intrinsic value is low, investors should reassess their investment decisions, as it may result in a decline in stock prices.

Conclusion

In retail companies listed on the Indonesia Stock Exchange, the study reveals several key findings. Firstly, the debt-to-equity ratio (DER) has a direct positive and significant effect on the intrinsic value of shares. Secondly, return on assets (ROA) directly and significantly affects the intrinsic value of shares, with a positive relationship. On the other hand, the current ratio (CR) has a direct negative effect on the intrinsic value of shares, albeit insignificant. Moreover, total asset turnover (TATO) directly and significantly decreases the intrinsic value of shares. Moving on to stock prices, DER has a direct and significant negative influence on stock prices, while ROA has a direct positive and significant effect. Similarly, CR has a direct and significant negative effect on stock prices, while TATO exhibits a direct negative and insignificant effect. Furthermore, the intrinsic value has a direct positive and significant effect on stock prices. Additionally, DER indirectly affects stock prices through the intrinsic value of shares, yielding a positive but insignificant effect. Conversely, ROA indirectly influences stock prices through the intrinsic value of shares, exhibiting a positive and significant relationship. Similarly, CR has an indirect negative effect on stock prices through the intrinsic value of shares. Lastly, TATO indirectly affects stock prices through the intrinsic value of shares, resulting in a negative and significant effect.

The recommendation arising from this study suggests the need for future research to explore additional financial ratios' effect on stock prices and the intrinsic value of shares, considering them as intervening variables. It is also advised to extend the research to internet-based finances or marketing. Furthermore, conducting tests using more advanced models is encouraged to provide a more comprehensive understanding, including expanding the scope of companies, considering different periods, and utilizing alternative models and programs apart from PLS and smartPLS.

Authors' Declaration

The authors made substantial contributions to the conception and design of the study. The authors took responsibility for data analysis, interpretation and discussion of results. The authors read and approved the final manuscript.

ORCID

Andini Nurwulandari  <https://orcid.org/0000-0003-1787-8605>

Ririan Safiadi Wahid  -

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