

# The Impact of the Liquidity Ratio and the Profitability Ratio against Shares Closing Price on The Automotive Companies which have been Registered on the Indonesian Stock Exchange During Period of 2014-2018

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**Abstract:-** The background of this research problem was identified that automotive company stock prices experienced fluctuations that tended to decline from 2014-2018, the lack of good company liquidity as seen from the Current Ratio value of automotive companies experienced fluctuations that tended to decline, especially in 2017 which experienced a significant decline so investors are less interested in investing in the company, the lack of profitability of automotive companies is seen from the value of ROE automotive companies that experience fluctuations that tend to decline even continuously from 2014-2018. This study aims to determine the effect of Liquidity Ratios and Profitability Ratios on Stock Prices in the Automotive Company 2014-2018. The research method is quantitative that uses time series data. The population used in this study is the automotive companies listed on the Indonesia Stock Exchange as many as 12 companies. The sampling method used is purposive sampling because this study has certain sample criteria. The sample in this study was 6 samples. The analytical method used is multiple regression analysis. The conclusion of this research is that the Current Ratio does not affect the Stock Price, while the Return on Equity affects the Stock Price, and Current Ratio and Return on Equity simultaneously influence the Stock Price.

**Keywords:-** Current Ratio, Return on Equity, Stock Price.

## I. INTRODUCTION

The capital market is a place who converge the requests and offers of the long-term financial instruments or in other words the Long term financial instrument Which an investor can use as an investment choice ,such as the stocks, bonds, mutual funds, derivatives instruments (options and futures) between capital market instruments above the most popular is stock (Samsul, 2006). The capital market investors need to have a number of relevant information about corporate financial performance, management company, economic conditions and other relevant information for judges stocks accurately (Maskun, 2012).

The company has a main goal in earnings the profits or how the company makes a current profit, in order to increase the stock prices. The profit is reflections of success in carry out the activities and operations of the company. The company activities has affect to the profits who would earned by the company. A Good price stocks are increase accordingly to the economic development, as good development then the profits, the life survival also the development of the company can do better. One of ways which can be used in valuing the stock price by analysing the company finance report. he Analysis towards the financial statements in one of company basically to find out the level of profitability (profit) and the level of risk or level of company's health. In analysing the finances state of course need to calculate all the financial ratios and understand the concepts and underlying the principles which passed down from the financial statements.

Stock price is change of the percentage on increase profit which earned by the company (Hapsari, 2007). The stock price which in good catagory would hinting that the company has good finance, and eventually would increase the value of company, because the huge of dividends to be paid in the future will depends on the company conditions.

The Financial reports according to Harahap (2013), is the summarize of media information to all company activities which describe the information about a conditions of financial and operating results of the company in certain time or period of time. The Information of the finance is very important for users with the different of theirs needs to make the right economy decisions to get an information according to purpose, the finance informations must be the first to analyzed. In analyzing the financial statements is required the technique, one of the techniques who can be used in analyzing the financial reports is to use a certain financial ratio.

The financial ratios according to Hery (2015), are a ratio which calculation by using financial statements that has function as measurement tool in assessing the financial condition and company performance. The Financial ratio also obtained from the results of comparisons between one

post financial statements with other postal ones which have relevant relations and significant.

The comparison that can be done between one post and another in one of financial statement by comparing the current assets against the current liabilities (as a liquidity ratio), while the examples of comparisons could be carried out between posts in financial statements by compare between net income and total assets (as a profitability ratio).

This research is more emphasized on liquidity ratios and profitability ratios. The liquidity and the profitability ratio of the company is important, because these ratios will provide the information which is very important for growth and company's development in the run of short terms (Syamsuddin, 2009:40). If in the short term of the company has shows its inability to manage the business, then the company will have such more difficulties in the long run.

Liquidity ratio shows the company's ability to pay its financial obligations immediately. This ratio is useful to determined how much the liquid assets can be changed into cash to pay the unexpected bills If the company does not be able to pay these bills then it could be threatened with bankruptcy.

The liquidity ratio that used on this research is Current Ratio. Current Ratio is the overview of the capabilities of all current assets in guaranteeing the current debt (Moeljadi, 2006:68). Current Ratio can be used as a basic for calculation of the most important short-term liquidity because it covers all components of the asset current and all components of the current debt without differentiating the level of liquidity. If the current assets exceed the debt so, it can be predicted that at one time liquidity was carried out, the current assets would have enough cash or at least could be converted into cash in a short of time, so its can fulfill the obligations.

Profitability ratios are the ratios which show the ability of the company to benefit from capital use (Martono and Harjito, 2003:53). This ratio has often noticed by companies and the investor. The company often considers the high profitability ratio as measure of company success on retaining the business continuity.

The Profitability ratios that used is ROE (Return on Equity). The ROE calculations could show the overall financial condition because it includes the components of the balance sheet report and income statement, meanwhile the other profitability ratios only includes the components of the income statement.

The ROE is a measurement of income (income) for the owner company (both ordinary shareholders or preferred shareholders) above the capital that they have invested in the company (Syamsuddin, 2009: 64). A high of ROE level shows that the company could makes a high net profits. If the net profit high, then management's

performance is considered as the better too. It can be interpreted that the company could manage the sources of funds they have with well.

This research was conducted at automotive companies which have been registered on Indonesia Stock Exchange during the period of 2014-2018. The movement of stock prices can be known by various institutions in the IDX one of them is LQ 45 index. LQ 45 index using 45 selected shares based on stock trading liquidity. The companies which included in LQ45 is the highest company which represented sector on the Indonesia Stock Exchange, where the Astra International, Tbk as a representative of the company from automotive sector. The selection of a company who would entered into the LQ45 index should be reasonable, so its create the advisors commission which consisting of the experts from Bapepam-LK, Academics and capital market professionals independently.

The use of the LQ45 Index can make it easy for investors to choose the stock investment in terms of liquidity. It said to be liquid because of stock price movements was influenced by the number of buying and selling of shares on the Indonesia Stock Exchange, meaning that there are many shares that investor's interest. Lots of stock desirable also classified as having good profitability value because of one of indicator that makes investors choosing the stocks is based on the profit gained.

## II. THEORY STUDY

### A. Stock

Stocks are statements or ownership statements of a person or entity within company or limited liability company. A stock is a piece of paper which explained that the owner of that paper is the owner of that company which issue the securities. The ownership portion was determined by how big the capital which invested in the company (Darmadji and Fakhruddin, 2001:5).

### B. Stock Price

According to Jogiyanto (2008:167) the meaning of stock prices is "Price of a stock that occurs in the stock market on certain time and determined by the perpetrator market by demand and share bid in the market capital".

According to Brigham and Houston (2010: 7) stock prices are "Stock prices was determine by shareholder wealth. The maximizing shareholder wealth translates to maximize price of company stock. Stock price at one certain time will depend on the current cash expected to be received in the future by "average" investors if investors buy shares".

### C. Closing Price

The closing price is a price who requested by the seller or buyer at the end time of the trading day. In such circumstances, it can happen at the end of the trading day when suddenly there was a transaction on a stock, because there is an agreement between the seller and buyer. If this case was happen then the closing price would become a

market price. Nevertheless, this price remains as closing price on that day.

**D. Liquidity Ratio**

According to Kasmir (2008: 129), the liquidity ratio is a ratio which describe the ability of company in Fulfilling the (debt) short-term obligations.

**E. Current Ratio**

Current ratio is the ratio that measured how far the current assets that capable of company to pay off the term of obligations in short. Current assets have potential use a year ahead of date balance. Debt will smoothly spawn maximum payment to the next year from the balance sheet date too.

$$CR = \frac{\text{current asset}}{\text{current liability}} \times 100\%$$

Source: manajemenkeuangan.net

**F. Profitability Ratio**

According to lyn M. Fraser profitability ratio is a ratio to measure the overall company performance and efficiency in the management of assets, liabilities and wealth.

**G. Return on Equity**

According to Sartono (2012:124) ROE is ratio that could measures the ability of the company in Earns the profits which available for company shareholders.

$$\text{Return On Equity} = \frac{\text{Earning After Tax}}{\text{Equity}} \times 100\%$$

Source: manajemenkeuangan.net

**H. The Influence of Current Ratio on Closing Price**

Current Ratio is the ability of the company's current assets in guaranteeing its current debt by increased the Current Ratio shows that the company is able to use its current assets are in good use to fulfill its obligations, the better the companies in pay the debt in short term it also increases the company stock price then the investors will invest in these companies by seen the Company's Current Ratio. The previous research which conducted by Wicaksono (2013) found this current ratio has positive and significant influence of Stock Prices Ratio. While the previous research which conducted by Sudangga Adipalguna (2016) found out that the Curent Ratio has no significant effect on stock prices.

**I. The Influence of ROE on Closing Price**

The ROE used to measured the income which obtained by the owner of the company for their capital who invest in the company (Syamsuddin, 2009:64). The higher this ratio means the more efficient in use the own of capital which carried out by company management, it will bring success to the company in resulting the high stock prices. This supported by the research result from Nurfadillah (2011) who shows that the ROE has an significant positive influence on stock closing prices. Whereas the previous research which conducted by

Sudangga Adipalguna (2016) found that return on assets has no significant effect on stock price

**J. The influence of Current Ratio and ROE against the Stock Closing Price**

These ratios is part of the liquidity and profitability ratio which shows that the financial performance in short-term. If in short term the company is able to show good financial performance, then the company would considered as capable of managing the efforts so well and it was spared from bankruptcy. The good finance performance will encourage the investors to invest their capital in that company. The higher the investor confidence, then will be affect the value of the company or its stock price.

**K. Thinking Framework**

The following of thinking framework which used in this research could be seen in figure 1.

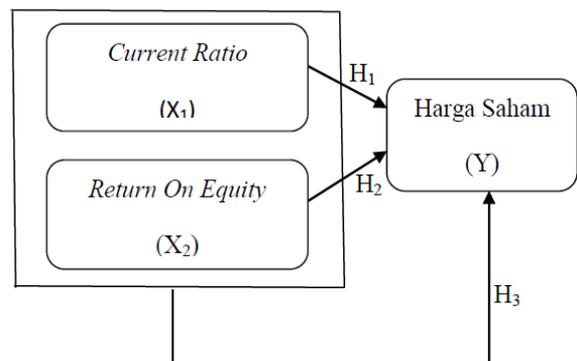


Fig 1:- Thinking Framework

**L. Hypothesis**

H1: It is allegedly that Current Ratio has an influence to Stock Closing Price at the Automotive Company which have been registered on the Indonesia Stock Exchange for the period of 2014-2018.

H2: It is allegedly that ROE has an influence to stock Closing Price at the Automotive Company which have been registered on the Indonesia Stock Exchange for the period of 2014-2018.

H3: It is allegedly that there has simultaneous influence of Current Ratio and ROE on the Stock Closing Price at Automotive Companies which have been registered on the Indonesia Stock Exchange for period of 2014-2018.

**III. RESEARCH METHODS**

The research method is quantitative using time series data. Population used in this research is automotive companies which have been registered on the Indonesian Stock Exchange as much as 12 company. The sampling method used purposive sampling because of this research has specific criteria. Based on these purposive sampling method, the number of samples in this research was 6 samples. The analysis method that have been used is multiple regression analysis

**IV. RESULTS AND DISCUSSION**

**A. Multiple Regression Results**

Mathematical equation of these multiple linear regression model is:

$$Y = a + B_1X_1 + B_2X_2 + e$$

$$Y = 5.009 - 0.171X_1 + 0.859X_2$$

- 5.009 constant, it would stated that if variable Current Ratio from the Return on Equity has considered as constant then Stock Price of 5.009.
- The coefficient regression from Return on Equity (X<sub>2</sub>) is worth 0.859, it states that every addition of Return on Equity (X<sub>2</sub>) of 1% then Stock Price will be increased by 0.859.

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error			
1	(Constant)	5,009	1,912		2,619	,014
	CURRENT RATIO	-,171	,125	-,231	-1,368	,183
	RETURN ON EQUITY	,895	,308	,469	2,784	,010

**a. Dependent Variabel : HARGA SAHAM**

Table 1:- Multiple Regression Analysis Test Results  
Source: SPSS 24 output which has been processed

**B. Hypothesis Test Results**

➤ *t Test Results (Partial)*

- The Influence of Current Ratio on the Stock Closing Price

Based on the t test results table 2, a value has obtained significant, which is 0.183 > 0.05. Apart from that comparison of t-arithmetic with t-table has obtained t count > - t table that is -1,368 > -2,048 then this can be concluded that the Ha1 was rejected. Means that the Current Ratio is not present the negative influence and significant Closing Stocks price.

- The influence of Return on Equity towards the Stock Closing Price.

Based on the t test results from the table 2, that obtained a value significant at 0.010 < 0.05. Apart from that the comparison of t-arithmetic with t table has obtained t count > t table that is 2.784 > 2.048 then this can be concluded that Ha2 was accepted. means that Return On Equity has positive and significant influence on Closing Stocks Prices other than that the Return on Equity has positive or direct coefficient at Stock Prices. This means that the higher Return on Equity then stock price will have an influence on Stock Price increases.

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	5,009	1,912		2,619	,014
	CURRENT RATIO	-,171	,125	-,231	-1,368	,183
	RETURN ON EQUITY	,895	,308	,469	2,784	,010

a. Dependent Variabel : HARGA SAHAM

Table 2:- The t Test Results  
Source: SPSS 24 output which has been processed

➤ *F Test Results (Simultaneous)*

Based on Table 3, the F test hypothesis it could be obtained that significant values obtained by the regression model simultaneously which value of  $0.022 < 0.05$ . Other than that it can also be seen from the results of the comparison between f count and f table shows that the the f count value is 4.397, while the f table is 3.34. From these results seen that f count > f table is  $4.397 > 3.34$ , it can be concluded that simultaneously the independent variables of Current Ratio, and Return on Equity has positive and significant to the dependent variable of Stock Prices, in other words, if the use Curent Ratio and Return on Equity can be managed well and efficiently, it could increase the company's profit so indirectly has an affect towards the stock price increases.

**ANOVA<sup>a</sup>**

Model	Sum of Square	Df	Mean Square	F	Sig.
1 Regression	45,698	2	22,849	4,397	.022
Residual	140,371	27	5,197		
Total	186,051	29			

a. Dependent Variable: HARGA SAHAM

b. Predictors: (Constant), ROE, CR

Table 3:- F Test Results

Source: SPSS 24 output that has been processed

*C. Discussion of Research Results*

Based on the results of hypothesis research, hence the findings of this research are its follows:

➤ *The Influence of Liquidity Ratio Against Stock Prices*

From these partial test which is, the t test, there is no intermediate effect between the Current Ratio with Stock Prices where when its viewed from the results that the t count < t table that is  $-1,368 > -2,048$  and obtained a significant value which is  $0.183 > 0.05$ .

From the results of these hypothesis shows that Current Ratio has no effect on stock price this shows that the company is not good in guarantee short-term debt meaning that the current assets are less than its current debt, this thing lead the stock prices will decrease because of the interest of the investors are also seen from the Company Current Ratio.

The results of this previous research which is in line with this research done by Sudangga Adipalguna (2016) found out that the Curent Ratio does not has significant effect on stock price.

➤ The Influence of Profitability Ratios Against the Stock Prices

From partial test which is, the t test, there has an intermediate influence of Return on Equity with Stock Price whereas the stock price could be viewed from the result is t count > t table is  $2,784 > 2,048$  and obtained values significant at  $0.010 < 0.05$ .

This shows that the ROE can increase the prices of company stock because of ROE related to improvement of the company profits, by increasing the company profits it can be increase the investor attractiveness to invest its stock to the company.

The Journal of Business Administration (JAB) [Vol. 12 No. July 1, 2014] had formulated that Return on Equity has a significant influence on the Stock Price.

➤ The influence of Liquidity Ratios and Profitability Ratio towards the Stock Price

From the results of this test simultaneously test the F test shows that Current Ratio and Return on Equity has an affects to the stock price the stock price was obtained the significant value from the simultaneous regression model of  $0.022 < 0.05$ . In addition it can also be seen from the results of a comparison between F count and F table which shows that  $F \text{ count} > F \text{ table}$  which is  $4.397 > 3.34$ .

This shows that ROE can increase the prices of company stock because of the ROE related to the improvement of company profits, by increasing the company profits it can be increase the investor attractiveness to invest its stock to the company, so the company's stock price would be increased.

Journal of Business Administration (JAB) [Vol. 12 No. July 1, 2014] had formulated that the Current Ratio and Return on Equity has an simultaneously significant influence towards the Stock Price.

## V. CONCLUSION

Based on the results of research which conducted by using the regression analysis method then the conclusions could be earned as follows:

➤ From the partial testing which is the t test, there has no negative influence between Current Ratio and Price where it could be seen from the result of t count < t table is  $-1,368 > -2,048$  and has obtained significant values, that is  $0.183 > 0.05$ . From these hypothesis results show that the Current Ratio has no effect to the stock price of this thing show that the company which has not good at guaranteeing debt the short term means the current assets less than its current debt, it would results in stock prices will also decrease because Investor's interest could also be viewed from Company's Current Ratio. This caused by investors has preference or consider other the ratios to making decision in Stock invest.

➤ From partial testing, which is the t test, there has a positive influence between Return on Equity to the Stock Price whereas it could be seen from the result of t count > t table is  $2,784 > 2,048$  and obtained significant value at  $0.010 < 0.05$ . This shows that ROE is capable to increase stock prices company because of ROE related to improvement of company profits, by increasing the company profits it can be increase investor attractiveness to invest its stock to the company.

➤ From the results of this simultaneous testing which is the F test shows that the Current Ratio and Return on Equity has positive effect on stock price the Stock Price has obtained the significant value of the simultaneous regression model of  $0.022 < 0.05$ . In addition it also can be seen from the results of a comparison between F count and F table which shows that  $F \text{ count} > F \text{ table}$  which is  $4.397 > 3.34$ . And this was indicated that H3 was received.

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