

The Effect of Liquidity Ratio, Profitability Ratio and Solvency Ratio on Stock Prices of Sharia Banking Sector Companies Listed at the Indonesia Stock Exchange (IDX) for the 2018-2020 Period

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Abstract:- The decision of investors when investing in certain companies will be sure if the company has a growing and sustainable financial performance that matches the expectations of investors which can promise good things in the future. This study purpose to determine the impact of CR, DER, and ROA on IDX-listed sharia banking stock prices. This type of research is ex-post facto. Ex-post facto research is a study designed to examine events that have occurred, and then go back in order to find out the factors that led to these events. The population in this study were 16 sharia banks in Indonesia. The sample used is 6 sharia banks that have been registered on the IDX. The data analysis method uses multiple linear regression. The results show that CR has a significant impact on the stock price, while DER and ROA have no significant impact on the stock price.

Keywords:- Debt to Equity Ratio (DER), Current Ratio (CR), and Return on Assets (ROA), Stock Price.

I. INTRODUCTION

Shares are letters of capital participation in a limited liability company. According to G. Foster in Indriyo Gitosudarmo (2000) there are two approaches used to analyze stock prices, namely the technical approach and the fundamental approach. According to Weston & Copeland (1998) shares are evidence of equity participation in companies that have been listed on the stock exchange with the aim of earning income from these shares. The share price is the company's stock price at the close of the stock market. The stock price used in this study is the monthly share price which is then used as annual data by adding up all the monthly share prices then divided by the number of months in that year.

One of the factors that affect the company value is the financial performance itself, the better the financial performance, the higher the value of the company. Bank financial performance deals with the achievement of financial management objectives, both from third-party funds and brought back in the form of an investment. When banking performance declines, it will greatly affect public confidence. Therefore, banks must strive to be able to maintain public

trust so that the main performance in collecting funds from the public can be on target which can increase the income of the bank itself. Banking financial performance itself is assessed using financial ratios, including Current Ratio (CR), liquidity ratios, profitability ratios, Debt to Equity Ratio (DER), solvency ratios and Return on Assets (ROA).

The banking sharia certainly purposes to support the implementation of national development and improve the well-being of people by using the principles or rules of sharia. Sharia banking in Indonesia has experienced a fairly rapid development until 2020. Even during this pandemic, the sharia banking sector in Indonesia is showing positive developments. And the development sector of sharia banking is also supported by the government, where the government continues to be committed to establishing a sharia economic financial system in the country. Where one of them is through laws and regulations to policies that prioritize sharia economic principles and values. Based on data from the Otoritas Jasa Keuangan (OJK) until December 2020, it shows that there are 16 sharia Commercial Banks in Indonesia, which are listed on the Indonesia Stock Exchange (IDX) are 6 banks, namely BRI Syariah, Panin Dubai Syariah Bank, PT Sharia National Pension Savings Bank, PT. sharia Bank Bukopin Bank, PT. Bank Danamon Indonesia and Bank Permata.

Previous research on the effect of Debt to Equity Ratio (DER), Current Ratio (CR), and Return on Assets (ROA), among others, Enjelina br Sembiring & Ria Veronica Sinaga, (2020) concluded that CR, DER and ROE have a significant influence on prices stocks, where CR and ROE have a negative effect while DER is negative, while Chandra Satria & Yeken Suhiba Putri, (2021) conclude that the liquidity ratio, profitability ratio has no significant effect on the company's stock price. Then I Ketut Kusuma Wijaya, (2021) partially concluded that CAR, ROA, and LDR had no significant effect, while Herman Karamoy & Joy E. Tulung, (2020) concluded that DER had no significant effect, while NPM, TATO, PER and ROE has a positive and significant effect.

Based on the phenomenon of the sharia Banking Sector movement throughout the 2014 to 2020 period and several differences in the previous researches, this study aims to analyze and examine the effect of the Current Raito, Debt to

Equity Ratio dan Return on Assets on a company's stock price. Here the data used is data for 2014-2020 because it avoids the existence of a market monopoly carried out by the merger of several sharia banks, namely BNI Syariah, BRI Syariah and Mandiri Syariah which became Bank Syariah Indonesia (BSI).

II. LITERATURE REVIEW

a. Current Ratio (CR)

According to Fred Weston in Kasmir (2012:129), the liquidity ratio is a financial ratio that explains the company's ability to meet short-term obligations (debt). This means that when a company is billed, it can know whether it can repay (pay) debts, especially debts that are due. The current ratio is a ratio that can show short-term claims from creditors that can be met by the company with current assets that are expected to be converted into cash.

b. Debt Equity Ratio (DER)

Based on Kasmir (2008:151) solvency ratio is a financial ratio used to measure company assets financed with company debt. This ratio means that the company's debt burden is greater than the assets owned. DER or the ratio of long-term debt compared to own capital.

c. Return On Assets (ROA)

According to Kasmir (2008: 196) profitability ratios are financial ratios used to calculate how companies are looking for profits. This ratio tells how the effectiveness of management as a whole, which is shown through the size of the level of profit earned by the company compared to sales and investment. ROE is the ratio used to assess the company's ability to earn a profit from the assets used.

d. Stock Price

According to Weston & Copeland (1998) shares are evidence of equity participation in companies that have been listed on the stock exchange with the aim of earning income from these shares. Share price is the price of the company's shares on the stock market at closing. The stock price used in this study is the monthly share price which is then used as annual data by adding up all the monthly share prices then divided by the number of months in that year.

e. Framework

The influence of financial ratio variables consisting of Current Ratio, Debt to Equity Ratio, Return On Assets on the company's stock price variable is systematically described as follows:

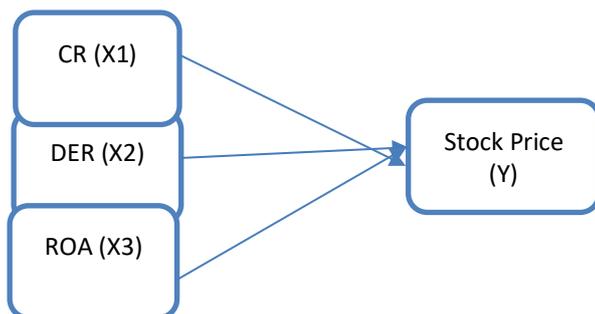


Fig. 1. Conceptual Framework

f. Hypothesis

Based on the above framework, the hypotheses in this study are as follows:

1. There is a significant effect of the Current Ratio on the stock price of the sharia Banking sector
2. There is a significant effect of the Debt to Equity Ratio on the stock price of the sharia Banking sector
3. There is a significant effect of Return on Assets on stock prices in the sharia Banking sector
4. There is a significant effect of Debt to Equity Ratio and Return on Assets simultaneously on stock prices in the sharia Banking sector

III. RESEARCH METHOD

The research design in this study is an ex-post facto. Ex-post facto research is a study designed to examine events that have occurred, and then go back in order to find out the factors that led to these events. The sample is part of the number and characteristics of the population. The sampling technique in this study used purposive sampling technique. Purposive sampling is a sampling technique using certain criteria/considerations. The criteria for the companies that will be sampled in the study are as follows:

- a. sharia Banking Companies listed on the Indonesia Stock Exchange during the study year period.
 - b. sharia Banking Company that publishes annual financial reports during the research year period.
- Based on the sample criteria, there are 6 companies that will be used for research, including:

Table 1 : Sample List of sharia Banking Companies on the IDX

No	Stock Code	Issuer Name
1	BRIS	Bank Syariah Indonesia Tbk.
2	PNBS	Bank Panin Dubai Syariah Tbk.
3	BTPS	Bank BTPN Syariah Tbk.
4	BNLI	Bank Permata Tbk.
5	BDMN	Bank Danamon Tbk.
6	BBKP	Bank Bukopin Syariah Tbk.

The data analysis in this research is a quantitative analysis using multiple linear regression and hypothesis testing. The data analysis technique used to determine the effect of Current Ratio, Debt to Equity Ratio, and Return on Assets on sharia Banking stock prices is using quantitative descriptive and descriptive statistics.

IV. RESULTS AND DISCUSSION

A. Classical Assumption Tests Results

1. Normality Test

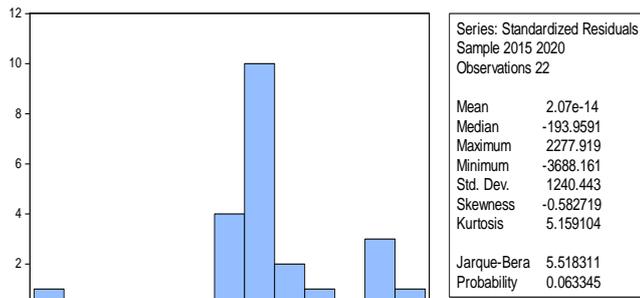


Fig. 2. Jarque-Berra Test Results

The normality test is used to conclude whether the data is normally distributed. If the probability value of Jarque-Bera > significance level ($\alpha = 0.05$), the data is normally distributed. According to the results of the JarqueBera test, it can be established that the data is normally distributed ($0.063 > 0.05$).

2. Multicollinearity Test

Table 2: Correlation Test between Independent Variable Results

	CR	DER	ROA
CR	1.000000	0.053974	-0.419886
DER	0.053974	1.000000	-0.245943
ROA	-0.419886	-0.245943	1.000000

There is no multicollinearity in the regression model if there is no linear connection between independent variables. According to Widarjono (2018), if the correlation coefficient value between the independent variables is higher than 0.85, it indicates that the regression model has multicollinearity. Based on Table 2 above, it can conclude that there is no multicollinearity in the regression model.

3. Heteroscedasticity Test

Table 3: Glejser Test Results
Dependent Variable: RESABS

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	994.3887	363.6445	2.734508	0.0136
CR	-38.03290	204.4277	-0.186046	0.8545
DER	-23.96162	20.31510	-1.179498	0.2536
ROA	72.38190	65.91810	1.098058	0.2867

The heteroscedasticity test is used to assess whether there is an unequal residual variance between one observation and another observation. Heteroscedasticity does not occur if the regression model has a constant residual variance (homoscedasticity). Based on table 3 above, the probability value of CR, DER and ROA is higher than the level of significance ($\alpha = 0.05$), thus giving the conclusion that the regression model is homoscedastic (no symptoms of heteroscedasticity).

4. Autocorrelation Test

Table 4: Durbin-Watson Test Results

dl	dU	Durbin-Watson (dw)
1.3573	1.6617	2.1003

It can be stated that there is no autocorrelation in the regression model if there is no correlation between errors (residuals) in t period with t-1 period. According to DurbinWatson decision rule, there is no autocorrelation if $dU < dw < 4-dU$. With the result of $1.6617 < 2.1003 < 2.338$, it can be determined that there is no autocorrelation in the regression model.

B. Hypothesis Test Results

1. T-test

Table 5: t-test results
Dependent variable: SAHAM

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	6.833711	0.580155	11.77912	0.0000
CR1	-0.782079	0.236482	-3.307144	0.0032
DER1	-0.464045	0.299651	-1.548620	0.1357
ROA1	0.311837	0.158882	1.962691	0.0625

The t-test is used to identify how each independent variable partially affects the dependent variable. If probability value of $t < \alpha$, then it concludes that independent variables partially have a significant effect on the dependent variables.

Based on t-test results (table 5), the results of the t-test can be explained as follows:

- a. CR variable has a coefficient of -0.782 and a probability value of $t < \alpha$ ($0.003 < 0.05$), thus the decision is to reject H_0 and accept H_1 . So it concludes that the CR variable has a positive and significant effect on the stock price.
- b. DER variable has a coefficient of -0.464 and a probability value of $t > \alpha$ ($0.135 > 0.05$), thus the decision is to accept H_0 and reject H_2 . So it concludes that the DER variable has no significant effect on the stock price.
- c. ROA variable has a coefficient of 0.311 and a probability value of $t > \alpha$ ($0.062 > 0.05$), thus the decision is to accept H_0 and reject H_3 . So it concludes that the ROA variable has no significant effect on the stock price.

2. F-test

Table 6: F-test results

F-statistic	12.39282
Prob(F-statistic)	0.000059

The F-test is used to determine whether the independent variable can simultaneously explain the dependent variable or not. Based on table 6 above, the probability value of F-statistics $< \alpha$ ($0.000 < 0.05$), meaning that the independent

variable can simultaneously explain the dependent variable or CR, DER and ROA can simultaneously explain stock prices.

3. Coefficient of Determination Test (R^2)

Table 7: Coefficient of Determination Test Results

R-squared	0.628243
Adjusted R-squared	0.577549
S.E. of regression	0.956445
Sum squared resid	20.12532
Log likelihood	-33.56287

The Coefficient of Determination measures the percentage of variability within the dependent variable that can be explained by the independent variable. For simple linear regression, the Coefficient of Determination can be measured by R^2 . However, if the regression model using multiple linear regression, then adjusted R^2 is used as the Coefficient of Determination. According to Table 7 above, the Adjusted R^2 value of 0.5775, this value illustrates that the stock price can be described by the variables DER, CR and ROA of 57.7%, while the remaining 42.3% can be explained by other variables not included in this research.

C. Discussion of Research Results

1) Effect of Current Ratio on Stock Price

The higher the CR, the greater the company's ability to pay off its debts. Then creditors can consider providing loans to company. The current ratio has no effect because investors only look at activities the company's business regardless of the company's liquidity. So from this research shows that the CR variable is not used by investors as a consideration in investing in a company. To be able to meet its short-term obligations that will soon mature, the company must have a good level of availability of cash or other current assets that can be easily immediately converted into cash. Current assets in the current ratio consist of cash which is an asset most current and followed by short-term investments (securities), accounts receivable, notes, inventories of raw materials, supplies and other current assets that need to be converted to cash for pay current liabilities that are due immediately. No positive effect probably suspected because the relationship between current assets and current liabilities makes the current ratio less considered by investors in measuring the company's performance in meeting its short-term obligations.

The findings of this study are consistent with previous findings by Ummu Kalsum et al (2020) and Enjelina br Sembiring et al (2020), who stated that CR had a significant effect on stock prices. However, the findings of this study do not agree with previous findings by Mohamad Syarif Efendi Dingkol (2020) who asserts that CR has no significant effect on stock prices.

2) Effect of Debt to Equity Ratio on Stock Price

The DER is a comparison between equity and debt. It purposes to maximize the borrowed money or debt to manage the operations of the business or make investments. According to the MM theory, it is stated that the value of the company

(stock price) which uses the debt will be greater than the risk compared to the stock price which does not do not use the debt. However, this study results indicate that the DER variable has no significant effect on stock prices. This condition shows that the size of the value of the DER variable has no effect on the stock price if the company has good debt payment experience. Companies must be able to manage debt to use effectively and efficiently. Investors don't really care about big small DER to place their investment funds. This causes the variable DER has no significant effect on stock prices.

The results of this study are in line with previous findings by Chandra Satria & Yeken Suhiba Putri (2021), that DER had a significant negative effect on stock prices. However, the results of this study are not in line with the previous findings by Imam et al (2019), and Marzuki et al (2019) who said that DER has a significant positive effect on stock prices.

3) Effect of Return on Assets on Stock Price

In this study supports the signal theory which states that the greater the ability of a company to earn profits based on its assets, the more the company's stock price is also high to increase the prosperity of the shareholders so as to maximize the value of the company which is reflected in the stock price. With the increase in the attractiveness of the company, the company will attracted by many investors, because of the high rate of return or dividends using existing assets will be even greater. However, the decreasing ROA value will reduce the company's ability to generate profits. High ROA value will contribute to the higher value of stock prices, while a low ROA value will contribute to a lower stock price value getting lower too.

The results of this study are consistent with the results of I Ketut Kusuma Wijaya (2021) previous studies, who said ROA has no significant effect on stock prices. However, the results of this study are inconsistent with the results of previous studies by Berlian Samudra (2020), which stated that ROA has a significant positive impact on stock prices.

V. CONCLUSION

This research aims to determine the impact of a company's financial performance on stock prices. According to the research results, we can conclude that the Current Ratio has a positive and significant impact on the share price of sharia banks listed on the IDX, while the Debt to Equity Ratio and Return On Assets have no positive impact on the IDX. Significant influence on the stock price of sharia banks listed on the stock exchange. Then the Current Ratio, Return on Assets and Debt to Equity Ratio together (at the same time) have a positive and significant impact on the stock price of sharia banks listed on the Indonesian Stock Exchange.

Based on the conclusions, the researchers provide the following suggestions:

1. Future research can use other research objects, for example the Conventional Banking Sector

2. Future research is expected to try other measurement variables.

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