



Effect of Profitability and Liquidity on Stock Prices

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Abstract

This study aims to determine the effect of profitability and liquidity on stock prices in the banking sector listed on the Indonesia Stock Exchange (IDX). The population to be studied in this study are banking companies listed on the Indonesia Stock Exchange, listed and active in sales transactions on the Indonesia Stock Exchange for the 2016-2019 period totaling 30 companies. The data used in this study is secondary data from company financial statements (balance sheet and income statement) obtained from the Indonesia Stock Exchange. The sampling method used was purposive sampling. The method used in collecting data related to this research is documentation. The data analysis that will be carried out is the classical assumption test which consists of (a normality test, heteroscedasticity test, multicollinearity test, autocorrelation test) and testing of all hypotheses through the coefficient of determination test, partial test, and simultaneous test. The study results show that profitability, as measured by Return on Equity (ROE), has a negative and insignificant effect on stock prices in the banking sector during five years of observation (2016-2019). Meanwhile, liquidity, as measured by the Load Deposit Ratio (LDR), has a positive and significant effect on stock prices in the banking sector for five years (2016-2019).



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Introduction

Banking greatly influences economic activity and can be said to be the blood in the body of a country's economy. Therefore, banking performance can be used as a benchmark for the potential economic development of a country. The more advanced a country is, the more significant the role of banks in controlling the country, meaning that the government and its people increasingly need the existence of the banking world. The banking world is so essential that there is an assumption that banks are the "soul" to drive the economy of a country. This assumption is certainly not wrong because the function of a bank as a financial institution is very vital, for example, in creating money, circulating money, providing money to support business activities, a place to secure money, a place to make investments, and other financial services (Kasmir, 2018). Therefore, researchers took the banking sector as the object of this study. Indonesian banking is currently good enough to work in the financial sector in Indonesia. However, the Indonesian banking system still must improve to welcome the 2017 ASEAN non-banking free market and 2020 banking. It has a massive role in increasing the country's foreign exchange, which still needs stability. Its activities are heavily influenced by international economic conditions, which causes the bank's performance to fluctuate quickly (Nino et al., 2016). Apart from the banking sector, one of the main drivers of a country's economy is the capital market. The capital market is a market for various long-term financial instruments that can be traded (stocks, bonds, warrants, rights, convertible bonds, and various derivative products such as options (put or call), both in the form of money and own capital. (Dewi, 2015). From a macroeconomic point of view, the capital market plays an active role in optimally allocating economic resources, namely increasing income, creating job opportunities, and creating more and more equitable development outcomes. For companies, capital markets will increase choices in meeting funding needs, especially funds in the long term, so that company decisions in spending are more varied and the company's capital structure becomes more optimal. For investors, the existence of a capital market will increase investment choices so that opportunities to optimize profits are increasingly open (Noviyah, 2018). In this quest for optimal profits, investors choosing to invest in stocks are faced with the choice of maximizing returns at various levels of risk or minimizing risks at various levels of returns. Return is the result obtained from investment (Al Umar & Savitri, 2020). Stock returns are obtained from the difference in increases (capital gains) or decreases (capital loss). Capital gains or losses are obtained from the difference in the current investment price relative to the price of the past period. Thus the returns generated by investors will increase when stock prices rise and decrease when stock prices fall. In the interest of optimizing the returns investors receive, they can carry out a series of analyses of the company's financial statements. The analysis technique commonly used by investors is the ratio analysis technique. Ratio analysis compares certain items in individual balance sheets, income statements, or a combination of the two reports (Ambarwati et al., 2019).

Apart from looking at the company's profit, financial ratios are used to measure the company's financial performance. Financial ratios are broadly grouped into liquidity ratios, activity ratios, profitability ratios, leverage ratios (solvency), and market ratios. Among the company's financial ratios, the ratio of profitability and liquidity is a financial ratio that investors can use as a material consideration in making investment decisions. The profitability ratio is the ratio used to measure a company's ability to generate profits. At the same time, the liquidity ratio measures the company's ability to fulfill its short term (Sari, 2013).

The share price is the price of a share determined when the stock market is in progress based on the demand and supply of the shares in question (Baskoro, 2018). The prevailing share price in the capital market is usually determined by market participants trading their shares. With a specified share price, stock trading on the Indonesian stock exchange will automatically run. The main factor that causes stock prices is the different perceptions of each investor according to the information obtained. Financial ratios such as ROE and LDR affect stock prices (A'yuni, 2021). LDR is the ratio between the total amount of credit provided by the bank and the funds received by the bank, a good bank's ability to pay its debts gives confidence to the public, which causes an increase in share prices. ROE measures the rate of return; the higher the ROE will attract investors to invest in the bank so that the stock price increases. These ratios can affect the share price of foreign exchange banks (Alfan & Suprihhadi, 2020). Banks that have good capital adequacy will increase investor confidence to invest their capital so that stock prices increase, but previous research from (Nino et al., 2016) states that LDR has no significant effect on stock prices; therefore, researchers are interested in research to determine the effect of profitability and liquidity on stock prices in the banking sector listed on the Indonesia Stock Exchange (IDX).

Theoretical Framework and Hypotheses

Bank

The bank is an intermediary financial institution, generally established with authority to accept deposits, lend money, and issue a process known as a banknote (Kumaidi & Asandimitra, 2017). The bank's strategy in raising funds is to provide withdrawals for its customers in the form of attractive and profitable remuneration. According to the Law of the Republic of Indonesia Number 10 of 1998, a bank is a banking business that includes three activities: raising funds, channeling funds, and providing other bank services. Collecting and channeling funds are the bank's main activities while providing other bank services are only supporting activities. Fundraising activities, in the form of collecting funds from the public in the form of demand deposits, savings and time deposits. Usually, while providing attractive services such as interest and gifts as a stimulus for people to be happier to save. Activities channeling funds in the form of lending to the community. Meanwhile, other banking services are provided to support the smooth running of these primary activities.

Bank Functions

Generally, a bank's primary function is to collect public funds and channel them back to the community for various purposes or as a financial intermediary (Revita, 2018). Specifically, the functions of a bank are as a—agent of Trust, an institution based on trust. The primary basis of banking activities is trust in raising and channeling funds. The public will want to save their funds in the bank if it is based on trust. b. Agent of Development, namely the institution that mobilizes funds for economic development. Bank activities in the form of collecting and channeling funds are necessary for the smooth running of economic activities in the real sector. These bank activities enable the public to carry out investment, distribution, and consumption activities of goods and services, bearing in mind that investment, distribution, and consumption activities cannot be separated from the use of money. c. Agent of Services, namely institutions that mobilize funds for economic development. Apart from carrying out fundraising and channeling activities, banks also offer other banking services to the public. The services

offered by this bank are closely related to the economic activities of the society in general.

Share Price Valuation

Shares are proof of ownership of company assets in which the portion is by ownership. By owning shares of a company, investors will have rights to company income and assets; investors will have rights to company income and assets after deducting payments with all company obligations (Wismaryanto, 2013). The law of supply and demand strongly influences the price of a stock. The price of a stock will tend to rise when a stock experiences excess demand and tends to fall if there is excess supply. According to Harahap (2017), unusual stock prices are predicted to have an uncertain pattern; they move according to a random walk so that investors must be satisfied with average returns with the level of profit provided by the market mechanism.

Financial

Management Financial Management is all company activities related to obtaining working capital funding, using, or allocating funds, and managing assets owned to achieve the company's main goals. According to Wiagustini (2010), financial management is the entire company's activities related to obtaining the necessary funds at minimum costs and the most favorable conditions, along with efforts to use these funds as efficiently as possible. Meanwhile, according to Fahmi (2018), financial management is all activities related to acquiring, funding, and managing assets with an overall goal. The main goal of corporate financial management is to maximize the company's value or provide added value to the assets owned by shareholders. The role of financial managers in advanced companies is to be able to anticipate change. His responsibilities cover various aspects of overall vital development within the company, including assuring careful financial records, presenting financial reports taking into account the qualitative characteristics of financial statements, managing the company's cash position, and preparing receipts for payments.

Objectives of Financial Reports

The objectives of financial statements (financial statements) are, among others: a. financial reports provide information that is useful to potential investors and creditors and other users in making an investment, credit, and other similar decisions. b. financial statements provide information to assist potential investors, creditors, and other users determine the amount, timing, and uncertainty of projected cash receipts from individuals or interest and receipts from the sale, redemption, or maturity of securities or loans. c. financial statements provide information about the company's economic resources, claims on resources (the company's obligation to provide resources to other parties or equity owners), and the effects of transactions, events, and conditions that change resources and claims on these resources (Fatma, 2020).

Analysis of Financial Statements

Hutasoit (2022) argues that financial statement analysis is explained through the meaning of each word. The analysis breaks down a unit into smaller units. At the same time, financial statements are balance sheets, profit reports, cash flow, and funds. By combining these two meanings, the financial statement analyst means breaking down the financial statement items into smaller information units and looking at the relationship that is significant or has meaning between one another, both quantitative data and non-

quantitative data, to know the financial condition, which is very important in the process of making the right decision.

Financial Statement Analysis Methods and Techniques

According to Noor (2018), financial statement analysis consists of examining or studying the relationships and tendencies or trends to determine the financial position and results of operations and development of the company concerned. The analytical techniques commonly used in financial statement analysis are as follows: a. Comparative Analysis of Financial Statements. This technique compares financial reports for two or more periods. b. Trends or tendencies of the company's position and progress are expressed in percentages. c. Reports with percentages per component or Common Size Statements. d. Analysis of Sources and Use of Working Capital. e. Financial Ratio Analysis. f. Analysis of Changes in Gross Profit. g. Analysis of the Break Event Point.

Analysis of Financial Ratios

Certain items in individual balance sheets, income statements, or a combination of the two reports (Harahap & Hairunnisah, 2017). Investors will use the ratio analysis results in the form of company financial ratios as a consideration in making investment decisions. Financial ratios can be classified into three groups: 1. Balance sheet ratios, namely ratios compiled from data originating from the balance sheet. 2. Profit and loss report ratios are compiled from data originating from the balance sheet. 3. Profit and loss report ratios are compiled from data originating from income statements (Christine & Apriliana, 2021). Financial ratios can be grouped into five types based on the scope or objectives to be achieved (Pranata & Pujiati, 2015): 1. Liquidity Ratios (Liquidity Ratios). This ratio states the company's ability in the short term to mature bonds (liabilities). 2. Activity Ratios. This ratio shows the company's ability and efficiency in utilizing its assets. 3. Profitability Ratios (Profitability Ratios). This ratio shows the company's success in generating profits. 4. Leverage ratios (Leverage Ratios). This ratio shows the ability to measure how much debt is used in company spending.

Profitability Ratio

Probability measures a company's ability to generate profits using company-owned sources, such as company assets, capital, or sales. There are several ways to measure the size of profitability (Admi, 2019), namely: 1. Return on Assets (ROA). Return on Assets shows the company's ability to use all of its assets to generate profit after tax. 2. Return on Equity (ROE). Return on Equity shows the company's ability to generate profit after tax by using the company's capital. 3. Earning Per Share (EPS). This ratio reflects the profit per share of ordinary shares earned by the company in a certain period. These are the most frequently analyzed and cited financial ratios. 4. Dividend Per Share. This ratio reflects the company's cash dividends for each share of common stock outstanding in a certain period. The calculation method is dividing the total dividends of common stock by the number of shares of common stock outstanding. 5. Payout Ratio. This ratio reflects the cash dividend paid as a percentage of earnings per share. 6. Profit Margins. The profit margin ratio, also known as the net profit margin, measures a company's profitability based on total sales. This ratio arises from the interaction between the accounting periods of 3 factors: sales volume, pricing strategy, and cost structure. This ratio is obtained from after-tax income divided by net sales.

Liquidity

Ratio The liquidity ratio is an indicator of the ability of companies to pay all short-term financial policies at maturity using available current assets. Liquidity is not only related to the company's overall financial condition but also related to its ability to convert certain current assets into cash. Lumbantobing (2021) states that liquidity is a problem related to the problem of a company's ability to fulfill its financial obligations, which must be fulfilled immediately. The types of liquidity ratios are as follows: a. The current ratio compares current assets and current liabilities and is the most used measure to determine a company's ability to meet its short-term obligations. b. The Quick Ratio, often called the acid-test ratio, compares current assets (without inventory) to current liabilities. The Quick Ratio measures a company's ability to pay its short-term obligations by converting its most liquid assets into cash. The standard quick ratio must be equal to or greater than 1.0. c. The cash ratio compares to cash and current assets, which can immediately become cash with current debt. Current assets that can immediately become cash are securities or securities.

Loan to Deposit Ratio (LDR)

LDR is the ratio between the entire amount of credit provided by the bank and the funds received by the bank (Jihadi et al., 2021). According to Syahbani (2018), LDR compares the total credit provided and the total Third-Party Funds (DPK) that banks can collect. LDR is used to measure how far a bank's ability to pay all public funds and their capital by relying on credit that has been distributed to the public; in other words, how far extending credit to credit customers can offset the bank's obligation to immediately meet the demands of depositors who want to withdraw their money—been used by banks to provide credit.

Referring to the formulation of the problem, the theoretical basis and several previous studies that have been described, the hypothesis proposed in this study is as follows:

- H₁:** Liquidity positively and significantly affects stock prices in the Banking Sector on the Indonesia Stock Exchange.
- H₂:** Profitability positively and significantly affects stock prices in the Banking Sector on the Indonesia Stock Exchange.

Research Method

This research is a type of quantitative research. The population to be studied in this study are banking companies listed on the Indonesia Stock Exchange, listed and active in sales transactions on the Indonesia Stock Exchange for the 2016-2019 period totaling 30 companies. The sampling method was purposive, based on a criterion with judgmental sampling in mind. The number of samples in this study was 30, taken from the data of 10 sample companies for four years. The data used in this study is secondary data in the form of company financial statements (balance sheet and income statement) obtained from the Indonesia Stock Exchange. The method used in collecting data related to this research is documentation. The data that has been collected will be analyzed through several stages of testing, namely the classical assumption test consisting of (a normality test, heteroscedasticity test, multicollinearity test,

autocorrelation test) and testing of all hypotheses, which will be proven through a coefficient of determination test, partial test (t test) and simultaneous test (test f).

Data Analysis and Discussion

Data Analysis

Table 1. Calculation results of Return on Equity (ROE) for 2016-2019

Bank	Year	EAT (1) Rp	Total Equity (2) Rp	ROE (3) = (1) : (2) %
Bank BRI	2016	21.354.330	79.327.422	26.91%
	2017	25.410.788	113.127.178	21.57%
	2018	26.277.991	146.812.590	17.89%
	2019	29.044.334	167.342.494	17.35%
Bank BNI	2016	10.829.379	61.021.308	17,74%
	2017	9.140.532	78.438.222	11,65%
	2018	11.410.196	89.254.000	12,78%
	2019	13.770.593	100.903.304	13,64%
Bank BTN	2016	1.145.592	12.206.406	9.13%
	2017	1.850.907	13.860.107	13.35%
	2018	2.618.905	19.130.536	13.68%
	2019	3.027.455	21.663.434	13.97%
Bank Mandiri	2016	20.654.783	104.844.562	19.70%
	2017	21.152.398	109.491.841	19.31%
	2018	14.650.162	153.369.723	09.55%
	2019	20.654.783	104.844.562	12.61%

Source: www.idx.co.id

From the calculation results in table 1, ROE at PT. Bank Rakyat Indonesia Tbk has experienced a drastic decline every year due to the high equity compared to profit after tax. This means that it will result in a decrease in net profit, a decrease in share prices, and a decrease in dividends that will be distributed to investors. ROE calculation results at PT. Bank Negara Indonesia Tbk in 2016-2017 decreased by 6.09%. Still, in 2018 it increased by 1.13% because net profit experienced a slight increase which affected the decline in share prices and dividends that will be distributed to investors. So, the greater the ROE, the better the bank's position in terms of capital use. ROE calculation results at PT. State Savings Bank Tbk in 2017-2019 experienced an increase of 1.38% because after-tax profit was not comparable to equity so, that it affected decreasing net income, share prices, and decreasing dividends that would be distributed to investors and would have an impact on a lack of investors in the company the bank. ROE calculation results at PT. Bank Mandiri Tbk in 2016-2018 experienced a decline, then in 2019. This means that the company cannot maintain its rate of return on capital because net income is not proportional to total equity. If a company has achieved high profits, then investors can expect profits from dividends because, basically, in conventional economics, the investment motive is to obtain high yields, so if a stock generates high dividends, investor interest will also increase so that these conditions will have an impact on increasing share prices.

Table 2. Calculation results of the 2016-2019 Load To Deposite Ratio (LDR).

Bank	Year	EAT (1) Rp	Total Equity (2) Rp	ROE (3) = (1) : (2) %
Bank BRI	2016	495.097.288	622.321.846	75.55%
	2017	564.480.538	668.995.379	84.37%
	2018	643.470.975	754.526.374	85.28%
	2019	718.982.668	841.656.450	85.42%
Bank BNI	2016	277.622.281	300.264.809	92.45%
	2017	326.105.149	353.936.880	92.13%
	2018	393.275.392	415.453.084	94.66%
	2019	441.313.566	492.747.948	89.56%
Bank BTN	2016	106.138.003	106.470.677	99.68%
	2017	127.752.158	127.708.670	99.54%
	2018	150.221.960	159.987.717	93.89%
	2019	176.511.761	15.382.372	99.68%
Bank Mandiri	2016	455.488.285	583.448.911	78.06%
	2017	511.269.630	622.332.331	82.15%
	2018	549.121.470	702.060.230	78.21%
	2019	598.426.453	749.583.982	79.83%

Source: www.idx.co.id

From the calculation results in table 2, LDR PT. Bank Rakyat Indonesia Tbk increased in 2017-2019. Because the higher the LDR, the lower the bank's liquidity capacity, so the risk in investment is high because banking companies do not have to repay obligations to customers or third parties. And can have a negative effect on investor confidence to invest in the company. The calculation results of LDR PT. Bank Negara Indonesia Tbk in 2016-2017 experienced a decrease of 0.32%. However, in 2018-2019 it decreased by 5.1%. This means that the lower the LDR, the more liquid the company is, so it can invest high and repay obligations on customer or third-party funds. And can positively affect investor confidence in the bank—the results of the calculation of LDR at PT. State Savings Bank Tbk year then the company is not healthy. This means that the company cannot repay customers' obligations, which can positively affect investor confidence to invest—the results of the calculation of LDR at PT. Bank Mandiri Indonesia Tbk in 2016-2017 experienced a decrease of 2.46%, but in 2019 it experienced an increase of 1.62%. This means that the higher the LDR, the lower the bank's liquidity capacity so that the investment risk becomes high because banking companies do not have to repay obligations to customers or third parties. And can have a negative effect on investor confidence to invest in the company.

Furthermore, a normality test was carried out using a histogram graphic analysis that compared the observed data with a distribution close to the normal distribution and the One-Sample Kolmogorov-Smirnov test. Based on the normality test using the Kolmogorov-Smirnov One-Sample test, the Kolmogorov-Smirnov One-Sample value is below 0.05. This identifies that the residual data is not normally distributed.

Table 3. Data Normality Test Results
One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		16
Normal Parameters ^{a, b}	Mean	.0000000
	Std. Deviation	2148.10973900
Most Extreme Differences	Absolute	.112
	Positive	.075

	Negative	-.113
Test Statistic		.113
Asymp. Sig. (2-tailed)		.200 ^{c,d}

- a. Test distribution is Normal.
- b. Calculated from data.
- c. Lilliefors Significance Correction.
- d. This is a lower bound of the true significance.

Source: SPSS Outputs

Furthermore, a multicollinearity test was carried out to determine whether the regression model correlated with the independent variables. It can be seen from the tolerance value and Variance Inflation Factor (VIF) to find out whether multicollinearity occurs. These two measures show that other independent variables explain each independent variable. A regression model is considered free from multicollinearity if the tolerance value is above 0.10 and VIF is below 10.

Table 4. Multicollinearity Test Results

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	ROE	.732	1.271
	LDR	.732	1.271

a. Dependen Variabel: Stock Price

Source: SPSS Outputs

Based on the results of the tolerance value test in table 4, the VIF value of the Return on Assets (ROE) and Load to Deposit Ratio (LDR) are 0.732 each, so the VIF value for each independent variable is <10, with each tolerance number - each of 1.271. The multicollinearity test results in table 4 show that there is no independent variable with a tolerance value of less than 0.10. The Variance Inflation Factor (VIF) calculation results also show that there is not one independent variable with a VIF value of more than 10. So, the equation of the proposed regression model is free from multicollinearity.

Furthermore, a heteroscedasticity test was carried out to test whether the regression model had an inequality of variance from the residuals of one observation with other observations. To detect the existence of heteroscedasticity can be seen on the Scatterplot graph. Based on Figure 1, the Scatterplot chart shows that the data does not appear to have a clear pattern, and the points spread above and below zero on the Y axis. It can be concluded that there is no heteroscedasticity in the regression model.

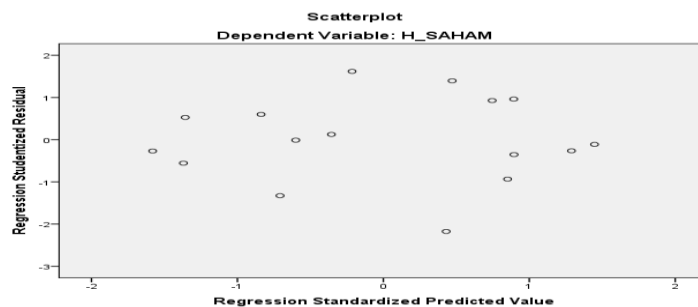


Figure 1. Heteroscedasticity Test Results

Then an autocorrelation test is performed to test whether, in a linear regression model, there is a correlation between the confounding errors in period t and the interfering errors in the t-1 (previous) period. Autocorrelation test results using Lagrange Multiplier (LM) numbers. Table 5 shows that the Lagrange Multiplier value (LM Test) shows that the parameter coefficient for residual lag 2 (res_2) gives a tiny probability of 2.271 above 0.05. This indicates that there is no autocorrelation in the LM Test.

**Table 5. Autocorrelation Test Results
Model Summary^b**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.841 ^a	.723	.672	2307.44000	2.271

a. Predictors: (Constant),LDR, ROE

b. Dependent Variable: Stock_Price

**Table 6. Multiple Linear Regression Analysis Test Results
Coefficients^a**

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	38437.242	8915.655		.4322	.001		
	ROE	154.221	155.186	.122	.993	.339	.732	1.271
	LDR	-382.232	85.471	-.736	-4.421	.002	.732	1.271

a. Dependent Variable: Stock_Price

Source: SPSS Outputs

Based on table 6, the coefficients for the multiple regression equation in this study can be arranged in a mathematical equation as follows:

$$Y = 38437.242 + 154.221 (\text{ROE}) - 382.232 (\text{LDR})$$

Based on the regression equation, it can be interpreted that the constant coefficient is 38437.242; this means that the stock price will be worth 38437.242 if each variable Return on Equity (ROE) and Load to Deposit Ratio (LDR) is worth 0. The return on Equity (ROE) variable has a regression coefficient of 154,221. The negative regression coefficient value indicates that ROE positively affects stock prices. This illustrates that every one percent increase in the ROE variable, assuming other variables remain the same, will increase the stock price by 154,221. The Load to Deposit Ratio (LDR) variable has a regression coefficient of -382,232. The positive regression coefficient value indicates that LDR positively affects stock prices. This illustrates that the LDR for every one percent increase in the LDR variable, assuming other variables remain the same, will reduce the stock price by -382,232. The probability shows a number smaller than 0.05, which is 0.01.

**Table 7. Simultaneous Test (f-test)
ANOVA^a**

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	167367541.701	2	83683770.841	15.712	.000 ^b
	Residual	69215631.771	13	5324279.367		
	Total	236583173.402	15			

a. Predictors: (Constant), LDR, ROE

b. Dependent Variable: Stock_Price

Source: SPSS Outputs

Then a simultaneous test (F-statistic test) was carried out to determine whether all the independent variables included in the model had a simultaneous effect on the dependent or dependent variable. Based on the ANOVA or F test results, the F count is 15.712 with a probability level of 0,000 (significant). Because the probability is much smaller than the 0.05 significance level, the variable changes in Return on Equity (ROE) and Loan to Deposit Ratio (LDR) simultaneously positively affect stock price variables. These variables can be used as a measure of stock prices. Then a partial test (t-test) was carried out to test how far the influence of one independent variable individually, namely Return on Equity (ROE) and Loan to Deposit Ratio (LDR), in explaining the dependent variable, namely stock prices. The t-test is at a significance level of 0.05. If the probability value t is less than 0.05, then H_a is accepted, and H_0 is rejected. In contrast, if the t probability value is more significant than 0.05, then H_0 is accepted, and H_a is rejected. The results of the t-statistical test in Table 8 show that the Return on Equity (ROE) and Load to Deposit Ratio (LDR) variables show a significant relationship to the dependent variable, namely firm value, with a significance level of 5%. This can be seen from the positive and considerable probability values for Return on Equity (ROE) and Load to Deposit Ratio (LDR), respectively 0.339 and -0.796 (sig. <5%).

**Table 8. Partial Test (t-test)
Coefficients^a**

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	38437.242	8915.655		.4.322	.001		
	ROE	154.221	155.186	.122	.993	.339	.732	1.271
	LDR	-382.232	85.471	-.736	-4.421	.002	.732	1.271

a. Dependent Variable: Stock_Price

Sumber: Ouput SPSS

Furthermore, a test of the coefficient of determination (R^2) was carried out to measure how far the model can explain the variation of the dependent variable. The value of the coefficient of determination is between zero and one ($0 < R < 1$)—the more significant the termination coefficient, the greater the variation in the independent variables affecting the dependent variable. Based on table 9 in the R-Square column, the effect on X1 and X2 on Y is a determination coefficient value of 0.707, which means 70.7 percent of changes in the stock price variable can be explained by differences in the Return

on Equity (ROE) and Load To Deposit Ratio (LDR) variables. together, while the remaining 29.3 percent (100-70.7) percent are influenced by other factors outside the research model (sample). Column R indicates the correlation between X and Y.

**Table 9. Determination Coefficient Test Results
Model Summary^b**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.841 ^a	.707	.662	2307.44000	2.279

a. Predictors: (Constant), LDR, ROE

b. Dependent Variable: Stock Price

Discussion

The hypothesis test results show that the Loan Deposit Ratio (LDR) variable positively and significantly affects stock prices. The higher the LDR, the greater the bank's internal margin, which will increase bank profits. The increase in yield will at least impact the price of shares on the stock exchange. Investors want a sense of security in investing. Investors will feel insecure if they invest in illiquid companies and experience financial difficulties that can disrupt operational activities and affect company profits. The lower the Loan Deposit Ratio (LDR) of a bank, the higher its liquidity, so many investors will buy the bank's shares, and the bank's share price will increase. However, if the LDR value is too high, it is considered low liquidity. Still, the bank performs its function as an intermediary, channeling funds collected from the public in the form of credit in high amounts. Conversely, the bank's liquidity is increased if the LDR is low. Still, the bank needs to carry out its intermediary function properly because only a tiny portion of the funds that have been collected from the public is channeled to the community in the form of credit. If the funds directed to the people in the form of credit are small, it will reduce bank profits because the highest income for banks comes from interest on loans so investors will be attracted to banks with a high LDR. However, by Bank Indonesia Circular No. 15/41/DKMP October 1, 2013, the upper limit of a bank's LDR is 92 percent, while the lower limit is 78 percent. So the higher the LDR, the higher the banking stock price due to the increasing interest of investors to hunt for the bank's shares. This study's results align with research (Noviyah, 2018) which found that the Loan to Deposit Ratio has a significant effect on stock prices. However, he rejected research (Nino et al., 2016) which found that the Loan Deposit Ratio had a negative effect on stock prices.

The hypothesis test results show that the ROE variable has a negative and insignificant effect on stock prices. This means that ROE has no significant adverse effect on stock prices; if ROE rises, the stock price will not affect the company or investors. Because after researching various banking companies, I found several companies whose ROE levels increase each year, but the stock price does not affect these companies. The results of this study are by the existing theory, which states that the presentation of profit information through financial statements is an essential measure of company performance compared to performance measurements based on other descriptions. The profit size can be seen from the company's profitability ratio (Putra & Dana, 2016). This study's results align with research (Al Umar & Savitri, 2020) which found that Return on Equity has no effect on stock prices. However, he rejected the results of research (Ambarwati et al., 2019; Sari, 2013), which found that profitability significantly affected stock

prices.

Conclusion

Based on the results of the statistical analysis and discussion that we have described, our study concludes that profitability, as measured by Return on Equity (ROE), has a negative and insignificant effect on stock prices during five years of observation (2016-2019). Meanwhile, liquidity, as measured by the Load Deposit Ratio (LDR), has had a positive and significant effect on stock prices for five years (2016-2019). Based on the conclusions that have been described, the researchers put forward suggestions that might be useful, including 1. For companies, it is hoped that the results of this study can assist companies in increasing the return on capital; if ROE increases, the welfare of the owners increases, and investors are increasingly interested in investing capital in the company and the higher the share price. 2. For investors, the results of this research can help companies pay attention to their LDR. Because if LDR increases, the company's condition is less healthy or less liquid. Moreover, if investors pay attention to this in the future, their confidence level will decrease to invest their capital. 3. It is hoped that the company can increase ROE and LDR because the 2016-2019 research shows that the greater the ROE and LDR, the higher the stock price. This will increase investor confidence to invest in the company.

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