EFFECT OF PROFITABILITY AND LIQUIDITY ON SHARE PRICES (Survey on Industrial Companies of Consumer Goods Listed on Indonesia Stock Exchange Period 2016-2018)

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ABSTRACT

This study aims to determine how the effect of profitability and liquidity on stock prices in consumer goods industry sector companies listed on the Indonesia Stock Exchange 2016-2018 period. The factors tested in this study are profitability and liquidity as independent variables, while stock price as the dependent variable. The research method used in this research is the verification method. The population in this study is the consumer goods industry sector companies listed on the Indonesia Stock Exchange for the 2016-2018 period, totaling 52 companies. The sampling technique used in this study was non-probability sampling with a purposive sampling method, so that the total sample size was 31 banks. The data analysis used in this study was panel data regression analysis at a significance level of 5%. The program used in analyzing the data used Eviews 9. The results showed that profitability and liquidity had an effect on stock prices. In addition, the research results also show that the magnitude of the influence of profitability and liquidity in giving a contribution of influence on stock prices is 60.4%.

Keywords: Profitability, Liquidity, and Stock Price.

INTRODUCTION

Indonesia's capital market has a big role for the country's economy. The existence of capital market, makes investors as parties who have excess funds can invest their funds in various securities in the hope of obtaining a reward (return). Basically the capital market is where long-term financial instruments are traded, such as debt, equity (shares), derivative instruments, and other instruments [1]

In addition, the consumer goods sector index was corrected in the first trading session, which was triggered by a decrease in the Consumer Confidence Index (CPI). The decline in the performance of stocks from this sector, triggered by the weakening of the Composite Stock Price Index (JCI) 1.23% to 6,420.39 points. Shares of consumer goods sector traded weakened today including Gudang Garam (GGRM) down 1.22%, Hanjaya Mandala Sampoerna (HMSP) fell 2.76%, Indofood CBP Sukses Makmur (ICBP) fell 1.68%, Indofood Sukses Makmur (INDF) fell 2.01%,

and Tiga Pilar Sejahtera Food (AISA) dropped 5.26%. A survey conducted by Bank Indonesia shows that the Consumer Confidence Index has decreased [2].

Factors that influence the ups and downs of the stock price are caused by internal or external factors [3]. Therefore, investors before making investment decisions, it is necessary to conduct an analysis of the movement of stocks. Broadly speaking, the analysis in predicting future stock price movements is divided into two ways, namely fundamental analysis and technical analysis.

A company's ability to earn profit is reflected in the profitability ratio. Profitability ratio is a ratio that assesses the company's ability to make a profit. This ratio can also provide a measure of a company's level of management effectiveness. This is indicated by the profit generated from sales and investment income. The essence of using this ratio is to demonstrate the company's efficiency in managing its assets to generate profit over a period [4]

LITERATURE REVIEW

According to [5] the share price is the price that occurs on the exchange at a certain time. Stock prices can change up or down in a matter of time so quickly. It can change in minutes and can even change in seconds. This is possible because it depends on the demand and supply between the buyer of the stock and the seller of the stock.

Profitability is the ratio to measure overall management effectiveness is addressed by the small level of profit earned in relation to sales and investments. Profitability in this study is measured using the ratio of return on assets (ROA) is a ratio that measures the extent to which the company's ability to generate profit from assets used in the company.

Liquidity is a picture of a company's ability to meet short-term obligations smoothly and on time so that liquidity is often referred to as short term liquidity. Liquidity ratio in this study is projected using current ratio that compares assets owned by companies with short-term debt.

The bigger the ROA the greater the level of profit achieved by the company. This indicates that management can use the company's total assets well (current assets and fixed assets) and will ultimately increase the company's share price thus attracting many investors to invest in the company [6].

This higher liquidity means the greater the company's ability to meet short-term financial obligations. The low liquidity value indicates problems within the company and results in a decrease in the market price of the shares of the company concerned [7].

RESEARCH METHODS

That consumer goods industry sector companies listed on the Indonesia Stock Exchange for the period 2016-2018 were sampled in this study as many as 31 companies. The following is a list of company sample names in this study, namely:

T a b l e 1

No	Code	Emiten
1	ADES	Akasha Wira International tbk
2	AISA	Tiga Pilar Sejahtera Food Tbk
3	CEKA	Wilmar Cahaya Indonesia Tbk
4	DLTA	Delta Djakarta Tbk
5	ICBP	Indofood CBP Sukses Makmur Tbk
6	INDF	Indofood Sukses Makmur Tbk

7	MLBI	Multi Bintang indonesia tbk
8	MYOR	Mayora Indah Tbk
9	ROTI	Nippon Indosari Corpoindo Tbk
10	SKLT	Sekar laut Tbk
11	STTP	Siantar Top tbk
12	ULTJ	Ultrajaya Milk Indusrty and Trading Company Tbk
13	ALTO	Tri Banyan Tirta Tbk
14	GGRM	Gudang garam Tbk
15	HMSP	Handjaya Mandala sampoerna Tbk
16	RMBA	Bentoel International Investama Tbk
17	WIIM	Wismilak Inti Makmur Tbk
18	DVLA	Darya Varia Laboratoria Tbk
19	KAEF	Kimia Farma (Persero) Tbk
20	KLBF	Kalbe farma Tbk
21	MERK	Merck Indonesia Tbk
22	PYFA	Pyridam Farma Tbk
23	TSPC	Tempo Scan Pasific Tbk
24	MRAT	Mustika Ratu Tbk
25	TCID	Mandom Indonesia Tbk
26	UNVR	Unilever Indonesia Tbk
27	MBTO	Martina Berto Tbk
28	KINO	Kino Indonesia Tbk
29	KICI	Kedaung Indah Can Tbk
30	LMPI	Langgeng Makmur Industry Tbk
31	CINT	Chitose Internasional Tbk

The following is data on profitability, likuiditas and stock price in consumer goods industry sector companies listed on the Indonesia Stock Exchange for the period 2016-2018 :

Table 2

No	Profitabilitas (ROA)			Likuiditas (CR)			Stock Price		
	2016	2017	2018	2016	2017	2018	2016	2017	2018
1	0,073	0,046	0,060	1,635	1,202	1,388	6,908	6,786	6,824
2	0,078	-0,097	-0,068	2,376	1,162	0,152	7,573	6,165	5,124
3	0,175	0,077	0,079	2,189	2,224	5,113	7,208	7,162	7,226
4	0,212	0,209	0,222	7,604	8,638	7,198	8,517	8,432	8,613
5	0,126	0,112	0,136	2,407	2,428	1,952	9,057	9,094	9,254
6	0,064	0,059	0,051	1,508	1,503	1,066	8,978	8,939	8,916
7	0,432	0,527	0,424	0,680	0,826	0,778	9,372	9,521	9,680
8	0,107	0,109	0,100	2,250	2,386	2,655	7,405	7,611	7,871
9	0,096	0,030	0,029	2,962	2,259	3,571	7,378	7,151	7,090
10	0,036	0,036	0,043	1,315	1,263	1,224	5,730	7,003	7,313
11	0,075	0,092	0,097	1,651	2,641	1,848	8,068	8,380	8,230
12	0,167	0,137	0,126	4,844	4,192	4,398	8,427	7,166	7,208
13	-0,023	-0,057	-0,030	0,754	1,075	0,763	5,799	6,021	5,986
14	0,106	0,116	0,113	1,938	1,936	2,058	11,065	11,336	11,334
15	0,300	0,294	0,291	5,234	5,272	4,302	7,255	8,462	8,219
16	-0,155	-0,034	-0,041	2,402	1,921	1,590	6,182	5,940	5,743
17	0,079	0,033	0,041	3,394	5,356	5,919	6,087	5,670	4,949
18	0,099	0,099	0,119	2,855	2,662	2,889	7,470	7,581	7,570
19	0,059	0,054	0,042	1,714	1,546	1,423	7,919	7,901	7,863

20	0,154	0,148	0,138	4,131	4,509	4,658	7,323	7,432	7,326
21	0,207	0,171	0,921	4,217	3,081	1,372	9,127	9,048	8,366
22	0,031	0,045	0,045	2,191	3,523	2,757	5,298	5,209	5,242
23	0,083	0,075	0,069	2,652	2,521	2,516	7,586	7,496	7,237
24	-0,011	-0,003	-0,004	3,971	3,597	3,110	5,347	5,328	5,187
25	0,074	0,076	0,071	5,325	4,913	5,759	9,433	9,793	9,756
26	0,382	0,370	0,467	0,606	0,634	0,748	10,566	10,931	10,723
27	0,037	-0,095	-0,176	3,044	2,063	1,633	5,220	4,905	4,836
28	0,055	0,034	0,042	1,537	1,654	1,501	8,016	7,659	7,937
29	0,003	0,053	-0,006	5,345	7,295	6,114	4,787	5,142	5,649
30	0,009	-0,037	-0,059	1,506	1,587	1,385	4,905	5,118	4,970
31	0,052	0,062	0,028	3,145	3,190	2,708	5,756	5,811	5,649
AVG	0,103	0,088	0,109	2,819	2,873	2,727	7,412	7,426	7,351

Table 3

Descriptive statistics test

	PROFITABILITAS	LIKUIDITAS	STOCK PRICE
Mean	0.099925	2.806333	6858.409
Maximum	0.921000	8.638000	83800.00
Minimum	-0.176000	0.152000	120.0000
Std. Dev.	0.150628	1.767174	15698.71
Skewness	2.349701	1.092348	3.648857
Kurtosis	12.02586	3.786281	16.19345

Variable profitability represents an average value of 0.099925. The maximum value of 0.921000 is at Merck Indonesia in 2018. Minimum value of -0.176000 is at Martina Berto in 2018. The standard deviation value is 0.150628. Skewness value is 2.349701. Kurtosis value of 12.02586

Liquidity variables show an average value of 2.806333. The maximum value of 8.638000 is at Delta Djakarta in 2017. The minimum value of 0.152000 is Tiga Pilar Sejahtera Food in 2018. The standard deviation value is 1.767174. Skewness is 1.092348. Kurtosis value is 3.786281.

The stock price variable represents an average value of 6,858,409. The maximum value of 83,800.00 is Gudang garam in 2017. The minimum value of 120,0000 was at Kedaung Indah Can in 2016. The standard deviation value is 15,698.71. Skewness value is 3.648857. The kurtosis rate is 16.19345.

Table 4

Chaw test

Redundant Fixed Effects Tests			
Equation: Untitled			
Test cross-section fixed effects			
Effects Test	Statistic	d.f.	Prob.
Cross-section F	0.605193	(30,60)	0.8853
Cross-section Chi-square	16.654653	30	0.6753

Cross-section chi-square probability value of 0.6753 is greater than the probability value of 0.05 i.e. (0.6753>0.05) then the chow test result receives Ho.

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Hausman Test

Correlated Random Effects - Hausman Test Equation: Untitled Test cross-section random effects			
Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	20.906198	2	0.0000

The cross-section chi-square random probability value of 0.0000 is less than the 0.05 probability value i.e. (0.0000<0.05) then the test result of hausman menolah Ho. This means that the model rejects the random effect model and follows the fixed effect model.   *T a b l e   6*

Lagrange Multiplier Test

Lagrange Multiplier Tests for Random Effects Null hypotheses: No effects Alternative hypotheses: Two-sided (Breusch-Pagan) and one-sided (all others) alternatives			
	Test Hypothesis		
	Cross-section	Time	Both
Breusch-Pagan	3.316665	0.825011	4.141676
	(0.0686)	(0.3637)	(0.0418)
Honda	1.821171	-0.908301	0.645496
	(0.0343)	--	(0.2593)
King-Wu	1.821171	-0.908301	-0.566439
	(0.0343)	--	--
Standardized Honda	2.058950	-0.577356	-4.252732
	(0.0197)	--	--
Standardized King-Wu	2.058950	-0.577356	-2.840730
	(0.0197)	--	--
Gourierioux, et al.*	--	--	3.316665
			(< 0.10)

The cross-section chi-square random value of 0.0686 is greater than the probability value of 0.05 i.e. (0.0686>0.05) then the lagrange multiplier test result receives Ho. This means that the model rejects the random effect model and follows the common effect model. From the third test for the selection of the data model the panel shows that the right model to use is the common effect model.

CONCLUSIONS AND IMPLICATIONS

The results showed that profitability, liquidity affect the share price. So the higher the profitability, the higher the share price as well as the higher the liquidity, the higher the share price.

While researchers suggest to increase the profitability of the company by increasing the effectiveness and efficiency in managing the company's assets and minimizing the company's operational costs. And to increase liquidity by increasing the company's profit and increasing the provision of cash smoothly to meet short-term liabilities that are due in one period. The company's share price is high through improving the company's financial performance and management. In addition, there is an assessment or risk management in the face of macroeconomic factors (inflation, interest rates, and others) to minimize risks that can result in lower share prices.

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