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MARKETING INTERNATIONAL SEMINARS AND THE 4th INTERNATIONAL CONFERENCE ON BUSINESS AND BANKING INNOVATIONS

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The 4th

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The Strategy of Digital in Business for Gaining Competitive Advantages after Pandemic

Keynote Speakers :

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Proceeding Book of
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"The Strategy of Digitalization in Business for Gaining Competitive Advantages after Pandemic"

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FOREWORD

Alhamdulillah, praise be to Allah Subhanahu Wa Ta'ala for granting us the opportunity to organize and publish the proceedings of the 4th International Conference on Business and Banking Innovations (ICOBBI) with the topic “The Strategy of Digitalization in Business for Gaining Competitive Advantages after Pandemic”. This proceeding contains several researches articles from many fields in Business & Marketing, Banking & Sharia Banking, Accounting & Financial Management, Human Resources Management, Operations Management, Investasi, Insurance & Capital Market, Strategic Management, Technology Management, and Information System.

The 4th International Conference on Business and Banking Innovations was held on 29th January 2022 by virtual (online) zoom meeting and organized by the Master Management Study Program of Universitas Hayam Wuruk Perbanas in Collaboration with five Higher Education Institutions in Indonesia and three Universities from Asia countries. Keynote speakers in this conference were: Chonlatis Darawong, P.hD (Sripatum University, Thailand), Associate Prof. Dr. Ellisha Nasrudin (University of Science, Malaysia), Dr. Sanju Kumar Singh (Postdoctoral Fellowship in Universitas Airlangga, Tribhuvan University Nepal) and Prof. Dr. Abdul Mongid, MA., P.hD (Universitas Hayam Wuruk Perbanas, Indonesia).

I would like to give high appreciation to the Rector of Universitas Hayam Wuruk Perbanas for his support at this event. Acknowledgments and thank you to all the steering and organizing committees of the ICOBBI for the extra ordinary effort during the conference until this proceeding published. Thank you very much to all presenter and delegates from various Universities. Beside it, I would like to express our gratitude to the three universities, namely Universitas 17 Agustus Surabaya, STIE YKPN Yogyakarta, Universitas Negeri Gorontalo, Universitas Surabaya and Universitas Muhammadiyah Surakarta which has been the co-host of this event.

Hopefully, the proceeding will become a reference for academics and practitioners, especially the business and banking industry to get benefit from the various results of the research field of Business and Banking associated with Information Technology. Proceedings also can be accessed online on the website http://eprints.perbanas.ac.id/

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ANALYSIS OF THE EFFECT OF CURRENT RATIO (CR), RETURN ON ASSETS (ROA), DEBT TO EQUITY RATIO (DER) AND NET PROFIT MARGIN (NPM) ON STOCK PRICE

(Empirical Study On LQ45 Companies Listed On The Indonesia Stock Exchange For The 2017-2020 Period)

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ABSTRACT

Investments are made with the aim of obtaining profits as expected. Therefore, to achieve this goal the company must increase the value of the company. This study aims to determine the effect of financial ratios represented by Current Ratio (CR), Return On Assets (ROA), Debt to Equity (DER) and Net Profit Margin (NPM) on stock prices. The sample selection method in this study was purposive sampling method and obtained 26 companies as research samples. The results showed that the Current Ratio (CR) and Net Profit Margin (NPM) had an effect on stock prices. Meanwhile, Return on Assets (ROA) and Debt to Equity (DER) have no effect on stock prices.

Keywords: *current ratio, return on assets, debt to equity, net profit margin, stock price*

1. INTRODUCTION

In this era of globalization, the capital market has an important role in supporting the economy of a country. This causes all fields to be demanded to develop and competition between companies is getting tougher. In Indonesia, economic development has decreased due to the Covid-19 Virus. So that the company suffers losses due to the decline in stock prices, the effect of which can lead to a decline in company performance. The capital market is quite important in economic activity in order to raise funds both to facilitate production and to invest. In investing in the capital market, investors need careful considerations in making investment decisions. One of the elements in investing in the capital market is the stock price. Fluctuating company shares, high level of liquidity and market capitality will be incorporated in the LQ45 index. In fundamental analysis there is ratio analysis, where this analysis is widely used as material for decision making, both for lending and buying shares and investments. To determine stock prices affected by the global economic crisis, it can be known by analyzing several factors that affect stock prices through liquidity, solvency, profitability, leverage and productivity. In this study, the ratios used to examine stock prices include the Current Ratio (CR), Return On Assets (ROA), Debt to Equity (DER) and Net Profit Margin (NPM). both for the provision of credit as well as the purchase of shares and investments. To determine stock prices affected by the global economic crisis, it can be known by analyzing several factors that affect stock prices through liquidity, solvency, profitability, leverage and productivity. In this study, the ratios used to examine stock prices include the Current Ratio (CR), Return On Assets (ROA), Debt to Equity (DER) and Net Profit Margin (NPM). both for the provision of credit as well as the purchase of shares and investments. To determine stock prices affected by the global economic crisis, it can be known by analyzing several factors that affect stock prices through liquidity, solvency, profitability, leverage and productivity. In this study, the ratios used to examine stock prices include the Current Ratio (CR), Return On Assets (ROA), Debt to Equity (DER) and Net Profit Margin (NPM).

2. LITERATURE REVIEW

2.1 Signal Theory

Signal theory is information that has been published as a notification that will provide a signal for investors in making investment decisions. According to Hartono (in Suganda 2018) stated that the information published as an announcement will provide a signal for investors in making decisions. If the information contains a positive value, it is expected that the market will react when the announcement is received by the market. Fast and accurate market reactions indicate that the market is is efficient.

2.2 Capital Market

The capital market has an important role for the economy of a country because the capital market performs two functions, namely first as a means for business funding or as a means for companies to obtain funds from the public (investors). Funds obtained from the capital market can be used for business development, expansion, additional working capital and others, both capital markets are a means for the public to invest in financial instruments such as stocks, bonds, mutual funds, and others. Thus, the public can place their funds according to the characteristics of the benefits and risks of each instrument.

2.3 Stock

Shares can be defined as proof of ownership or ownership of the company's capital. It is also one of the securities sources of funds obtained by the company originating from the owner of capital with the consequence that the company must pay dividends to the purchaser of securities in this case shares.

2.4 Stock Price

The stock price is one indicator of the success of the company's management. A fairly high stock price will provide benefits, namely in the form of capital gains and a better image of the company making it easier for management to get funds from outside the company (Podani Natoras, 2017).

2.5 Liquid Index 45 (LQ45)

The LQ45 index is created and published by the Indonesia Stock Exchange. The LQ45 index represents more than 70% of the total capitalists of the Indonesia Stock Exchange. This index consists of 45 stocks with high liquidity which were selected through several selection criteria.

2.6 Financial Reports and Financial Statement Analysis

Statement of financial accounting standards (PSAK) No.1 explains that the purpose of financial statements is to provide information regarding the financial position, performance and changes in financial position of a company that is useful for a large number of users in making decisions. Analyzing financial statements means assessing the company's performance which is useful for the direction of the company's development by knowing how effectively the company's operations have been running.

2.7 Current Ratio (CR)

According to Agnes Sawir (2017: 8), the Current Ratio is the most commonly used measure to determine the ability to meet short-term obligations, because this ratio shows how far the demands of short-term creditors are met by assets that are expected to turn into cash in the same period as they fall tempo.

2.8 Return On Assets (ROA)

According to Kasmir (2016:201) ROA is used to show the company's ability to generate profits by using the total assets owned. ROA is a measurement of the company's overall ability to generate profits with the total amount of assets available in the company.

2.9 Debt to Equity (DER)

Debt to Equity Ratio is the ratio used to value debt to equity. Look for this ratio by comparing all debt, including current debt with all equity (Kasmir, 2016:114). DER is a debt ratio used to calculate the level of borrowing from the company's finances which is calculated based on the comparison of the total amount of liabilities (debt) compared to the total amount of equity.

2.10 Net Profit Margin (NPM)

According to Ryan (2016:111) Net Profit Margin is the ratio between net profit and sales. The greater the NPM, the more productive the company's performance will be, so that it will increase investor confidence to invest in the company. Capital market investors need to know the company's ability to generate profits. With this, investors can judge whether the company is profitable or not.

3. RESEARCH METHOD

3.1 Types of Research

This type of research uses the associative method with a quantitative approach. Associative research is research that aims to determine the relationship between two or more variables (Sugiyono, 2017:57).

3.2 Population Size and Sampling Techniques

According to Sugiyono (2017: 80) population is a generalization area consisting of objects/subjects that have certain quantities and characteristics determined by researchers to be studied and then drawn conclusions. The population in this study were all companies included in the LQ45 index on the Indonesia Stock Exchange (IDX) for the 2017-2020 period. The sample selection method in this research is purposive sampling method. Purposive Sampling is sampling based on certain considerations from the study so that the sample is only representative for the population being studied (rifin, 2017:10). The criteria for companies that will be sampled are as follows:

1. Companies that are consecutively listed as LQ45 Index shares on the Indonesia Stock Exchange during the 2017-2020 period.
2. Companies that publish a complete annual report during the research year, namely 2017-2020 on the company website or the Indonesia Stock Exchange (IDX) website.
3. The company did not experience a loss during the 2017-2020 period.

3.3 Types of Research Data

The type of data used in this research is secondary data. According to Sugiyono (2018:137) secondary data is research data obtained that is not directly related to providing data to data collectors. In this study, secondary data is used, namely the LQ45 company annual report for the 2017-2020 period obtained from the Indonesia Stock Exchange website (www.idx.co.id) or on the company's official website.

3.4 Data Analysis Method

The method used in this research is descriptive statistical analysis, classical assumption test, multiple linear regression and hypothesis testing.

4. DATA ANALYSIS AND DISCUSSION

4.1 Overview of Research Objects

The general description of the object used in this study is a company that is included in the LQ45 stock index on the Indonesia Stock Exchange and presents the completeness of the company's annual report in 2017-2020. Data was collected by accessing the official website of the Indonesia Stock Exchange (www.idx.co.id) and the respective official website of the company. This study uses five (4) independent variables, namely Current Ratio, Return on Assets, Debt to Equity Ratio and Net Profit. As for the dependent variable in this study using the stock price.

The population used in this study are all companies included in the LQ45 index on the Indonesia Stock Exchange during the 2017-2020 period. These companies were then selected using purposive sampling to select companies that met the criteria as samples in the test, with the criteria listed in chapter III on page 30. After being selected, 26 companies were obtained during the 2017-2020 period that met the criteria as research samples, so that obtained 104 company data (26 companies x 4 years).

4.2 Descriptive Statistical Analysis

The descriptive statistical analysis tests used in this study were the mean value, standard deviation value, minimum value and maximum value. The mean value aims to determine the average value of the sample data. The standard deviation value aims to determine the magnitude of the variation in the sample data from the average. The minimum value aims to determine the smallest value of the sample data, while the maximum value aims to determine the largest value of the sample data. The results of descriptive statistical tests from this study are in the following table:

	N	Min	Maks	Mean	Std. Deviasi
Current Ratio	99	0,634	11,882	2,15682	1,515655
Return on Assets	99	0,067	46,660	8,80204	9,068692
Debt to Equity Ratio	99	0,175	16,079	2,13741	2,786915
Net Profit Margin	99	0,006	0,571	0,17987	0,140018
Harga Saham	99	260	33850	6419,34	7310,186

Source: processed secondary data, 2022

From the table above for descriptive statistical tests, it can be concluded that:

1. *Current Ratio* (CR) shows a minimum value of 0.634 is a Unilever Indonesia company, a maximum value of 11.882 is a Bank Rakyat Indonesia company, a mean (average) value of 2.15682 and a standard deviation of 1.515659.
2. *Return on Assets* (ROA) shows a minimum value of 0.067 is a State Savings Bank company, a maximum value of 46.660 is a Unilever Indonesia company, a

mean (average) value of 8.80204 and a standard deviation of 9.068692.

3. *Debt to Equity Ratio* (DER) indicates a minimum value of 0.175 is Indocement Tunggal Prakarsa, a maximum value of 16.079 is a State Savings Bank company, the mean (average) is 2.13741 and the standard deviation is 2.786915.

4. *Net Profit Margin* (NPM) shows a minimum value of 0.006 is an Aneka Tambang company, a maximum value of 0.571 is a BBCA company, a mean (average) value of 0.17987 and a standard deviation of 0.140018.

5. The stock price shows a minimum value of 260 is Sri Rejeki Isman company, a maximum value of 33850 is a Bank Central Asia company, the mean value (average) is 6419.34 and the standard deviation value is 7310.186.

4.3 Classical Assumption Test

4.3.1 Normality Test Results

Normality test is a test used to assess or test whether the data is normally distributed or not. The results of the normality test in this study are as shown in the following table:

Kolmogorov-Smirnov	Asymp. Sig (2-tailed)	Description
1,696	0,006	Not Normally Distributed

Source: processed secondary data, 2022

The results of the normality test above indicate that the data in the study are not normally distributed, with a significance value of 0.006 less than 0.05. This can happen because the data used as samples in this study vary, thus allowing the data to be not normally distributed. Central Limit Theorem Dielman (1961) in Ghozali (2005) states that a sample with more than 30 data is considered close to normal, so the data in this study is considered normally distributed because it uses more than 30 samples, namely 99 observation samples.

4.3.2 Multicollinearity Results

Multicollinearity test was used to see the correlation between independent variables. The regression model is said to be good if the multicollinearity test shows no correlation or there is no multicollinearity between the independent variables. The results of the multicollinearity test in this study are as shown in the following table:

Variable	Tolerance	VIF	Description
Current Ratio	0,926	1,079	There is no Multicollinearity
Return on Assets	0,866	1,154	There is no Multicollinearity
Debt to Equity Ratio	0,700	1,429	There is no Multicollinearity
Net Profit Margin	0,819	1,221	There is no Multicollinearity

Source: processed secondary data, 2022

Based on the test results show that the variables current ratio, return on assets, debt to equity ratio and net profit margin have tolerance values > 0.10 and VIF < 10. Thus, it can be concluded that there is no multicollinearity in all observed variables in this study.

4.3.3 Heteroscedasticity Test Results

Heteroscedasticity test is used to test whether there is a similarity of variance from the residuals of one observation to another observation. In this study, heteroscedasticity testing uses the Spearman test, if the significance value is <0.05 then heteroscedasticity occurs while if the significance value is >0.05 then there is no heteroscedasticity (Ghozali, 2016). The results of the heteroscedasticity test are shown in the following table:

Variable	Sig. (2-tailed)	Description
Current Ratio	0,110	There is no heteroscedasticity
Return on Assets	0,179	There is no heteroscedasticity
Debt to Equity Ratio	0,010	Heteroscedasticity Occurs
Net Profit Margin	0,389	There is no heteroscedasticity

Source: processed secondary data, 2022

Based on the test results show that the variable current ratio of 0.110, return on assets of 0.179 and net profit margin of 0.389 has a significance value > 0.05, so it can be concluded that the variable is free from heteroscedasticity problems. While the variable debt to equity ratio of 0.010 has a significance value of <0.05, so it can be concluded that the variable has heteroscedasticity problems.

4.3.4 Autocorrelation Test Results

Autocorrelation test shows the correlation among the members of a series of observations ordered by time and space. One way to test the presence or absence of autocorrelation is to perform the Durbin-Watson (DW) test. The autocorrelation test aims to test whether in a linear regression model there is a correlation between the confounders in period t and errors in period t-1 (before). The results of the autocorrelation test with the Durbin-

Watson test in this study are as shown in the following table:

Durbin Watson	Description
1,970	There is no Autocorrelation

Source: processed secondary data, 2022

Based on the table above, the test results show that the DW value of 1.970 will be compared with the table value of 5% significance, the number of samples (n) = 99 and the number of independent variables (k) = 4, then the value of dU = 1.7799 is obtained. DW value 1.970 is greater than the upper limit (dU) which is 1.7799 and less than (4-dU) 4 – 1.7799 = 2.2201 , it can be concluded that there is no autocorrelation.

4.3.5 Multiple Linear Regression Test Results

This study uses a multiple linear regression model which aims to determine the effect of the current ratio, return on assets, debt to equity ratio and net profit margin on stock prices. The results of this test analysis are shown in table IV.7 below:

Variable	Coefficient	Significance	Description
Constant	7206,236		
Current Ratio	-1207,774	0,012	H1 is accepted*
Return on Assets	-77,283	0,348	H2 is rejected
Debt to Equity Ratio	-477,608	0,111	H3 is rejected
Net Profit Margin	19564,446	0,001	H4 is accepted*
Adjustes R2	0,123		
The Value of F	4,432	0,003	

Source: processed secondary data, 2022

Based on the test results, the multiple linear regression analysis model can be formulated as follows:

HS = 7206.236 – 1207,774CR – 77,283ROA – 477,608DER + 19564,446NPM +

From the results of the multiple linear regression equation, it shows the influence of each independent variable. The meaning of the regression coefficient is as follows:

1. a = 7206.236 means that if the current ratio, return on assets, debt to equity ratio and net profit margin variables have a fixed or constant value, then the stock price has a value of 7206.236.
2. b1 = - 1207.774CR means that if the current ratio variable increases, the stock price will decrease.
3. b2 = - 77,283ROA means that if the return on assets variable increases, the stock price will decrease.
4. b3 = - 477,608DER means that if the debt to equity ratio variable increases, then the stock price will decrease.
5. b4 = 19564,446NPM means that if the net profit margin variable increases, then the stock price will increase.

4.4 Hypothesis Testing

4.4.1 Capital Eligibility Results (F-test)

Decision making is based on the comparison of the table F value with the calculated F at a significance level of 5%. If the calculated F value the F table value and the calculated F probability is less than an error rate of 0.05, then the independent variables are said to have a joint effect on the dependent variable and the regression model can be said to be feasible. Based on the test results in the multiple linear regression test table, it is known that the F value is 4.432 and the significance value is 0.003 <0.05, so it can be concluded that the regression model is fit.

4.4.2 Statistical Test Results (t-test)

The method used in this research is descriptive statistical analysis, classical assumption test, multiple linear regression and hypothesis testing. The t-statistical test basically shows how far the influence of one independent variable individually in explaining the variation of the dependent variable is. Based on the test results in the multiple linear regression test table, the t-test results for each variable can be explained as follows:

1. *Current Ratio* (CR) shows a significance value of 0.012 (0.012 <0.05), so it can be concluded that H1 is accepted, then the current ratio (CR) has a significant effect on stock prices.
2. *Return on Assets* (ROA) shows a significance value of 0.348 (0.348 > 0.05), so it can be concluded that H2 is rejected, then return on assets (ROA) has no effect on stock prices.
3. *Debt to Equity Ratio* (DER) shows a significance value of 0.111 (0.111 > 0.05), so it can be concluded that H3 is rejected, so the debt to equity ratio (DER) has no effect on stock prices.
4. *Net Profit Margin* (NPM) shows a significance value of 0.001 (0.001 <0.05), so it can be concluded that H4 is accepted, then the net profit margin (NPM) has a significant effect on stock prices.

4.4.3 Coefficient of Determination Test Results (R2)

The coefficient of determination test aims to determine the percentage of the prediction correctness level from the regression testing carried out. Adjusted R

Square value shows how much the regression model explains the dependent variable. The results of the coefficient of determination test are shown in the following table:

Model	R	R Square	Adjusted R Square	Std. Error od The Estimate
1	0,398	0,159	0,123	6846,428

Source: processed secondary data, 2022

Based on the test results, the Adjusted R Square value is 0.123, meaning that only 12.3% of the stock price variable can be explained by the current ratio, return on assets, debt to equity ratio and net profit margin variables. While the remaining 87.7% are influenced by other variables that are not included in this analysis.

5. CLOSING

5.1 Conclusion

Based on the results of the research that has been done regarding the effect of the current ratio (CR), return on assets (ROA), debt to equity ratio (DER) and net profit margin (NPM) on stock prices, it can be concluded that:

1. *Current Ratio* (CR) shows a significance value of 0.012 <0.05 so it can be concluded that H1 is accepted, then the current ratio (CR) has a significant effect on stock prices.
2. *Return on Assets* (ROA) shows a significance value of 0.348 > 0.05 so it can be concluded that H2 is rejected, then the return on assets (ROA) has no effect on stock prices.
3. *Debt to Equity Ratio* (DER) shows a significance value of 0.111 > 0.05 so it can be concluded that H3 is rejected, so the debt to equity ratio (DER) has no effect on stock prices.
4. *Net profit margin* (NPM) shows a significance value of 0.001 <0.05 so it can be concluded that H4 is accepted, then the net profit margin (NPM) has a significant effect on stock prices.

5.2 Limitations

This study has several weaknesses and limitations, including the following:

1. The number of samples used only focuses on companies that are included in the LQ45 index.
2. The research data used in this study is only an annual report for the 2017-2020 period
3. The variables used in this research are Current Ratio (CR), Return on Assets (ROA), Debt To Equity Ratio (DER) and Net Profit Margin (NPM).

5.3 Suggestions

Based on the conclusions and limitations of the research that have been stated previously, the suggestions for further research are as follows:

1. Further research is expected to expand the research sample from various sectors of companies listed on the Indonesia Stock Exchange.
2. Future research is expected to increase the number of research periods of more than four years so that the results are more generalized.
3. Future research is expected to be able to use independent variables that have not been widely carried out by researchers so that other factors are thought to be able to determine stock prices.

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