

THE EFFECT OF PROFITABILITY, LIQUIDITY AND SALES GROWTH ON STOCK PRICES (EMPIRICAL STUDY ON MANUFACTURING COMPANIES)

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Abstract

The research conducted aims to analyze profitability, liquidity and sales growth against stock prices. Manufacturing companies listed on the Indonesia stock exchange in 2016 – 2020 totaling 195 companies are the research population. The sampling technique used purpose sampling so that 58 companies were obtained. Based on the results of the study, it shows that there is a partial effect of profitability, liquidity and sales growth on stock prices.

Keywords: Profitability, Liquidity, Sales Growth and Stock Price

I. INTRODUCTION

Currently, many companies invest in shares in the capital market to meet their business capital needs. Stock investment is an investment that is full of risks because the prices traded on the stock exchange market are very volatile. Shares are a sign of participation or ownership of a person or entity in a company or limited liability company. The stock is in the form of a piece of paper that explains that the owner of the paper is the owner of the company that issued the securities. The portion of ownership is determined by how much participation is invested in the company. The stock price can describe the company's ability to manage its business. The high stock price indicates that the company is able to manage its company well. This will be followed by an increase in demand for stocks which will have a positive effect on the increase in stock prices. If the stock price decreases continuously, the issuer value of the stock will fall. Shares are proof of taking part or participants in a limited liability company for the company concerned which is received from the proceeds of the sale of its shares. Where the shares that have been sold will be a sign of proof of taking part in a company. The share price is the price in the capital market at a certain time that is set based on the demand and supply of shares in the capital market (Jogiyanto, 2015). The stock price can be determined by referring to the company's financial performance, because the better the company's financial performance, the demand and supply for shares will increase so that it can create an increase in stock prices.

Stock price in PT. Telekomunikasi Indonesia Tbk in the period 2007-2011 fluctuated. But the decline in stock prices occurred in 2008, 2009 and 2011, so this decline had an impact on the company's financial performance. This can lead to reduced investor confidence to invest their capital in the company. If this decline occurs for a long time, the company can experience difficulties in obtaining additional capital (Mulyadi et al., 2014). Thus, stock price fluctuations are influenced by many factors, one of which is the company's financial performance. Some of the aspects that investors use in measuring a company's financial performance are profitability, liquidity and sales growth. (Mulyadi et al., 2014)(Rusli & Tarsan, 2014)

Profitability is the company's ability to make a profit. The higher the profit that the company (Anwar, 2019) manages to get, the market will give the perception that the company is working well and can increase the demand for the company's shares which has a direct impact on the increase in stock price. Profitability measures a company's proficiency in making a profit. If the company's profit increases, then the stock price will increase. The higher the result the more profitable the company. High profitability is the reason investors are interested in investing in shares of a company, so an increase in profitability will increase the stock price. Profitability affects the stock price, where high ROA, ROE, Gross Profit Margin and (Novatiani. RA & Enkeu Agiati, 2021)(Meitry Dina Wisma Goddess & Augustine, 2019) Net Profit Margin gains prove that the company can provide a return on investment, encourage investors to buy shares in the company, and increase the stock price. Profitability using ROA, ROE, Net Profit Margin (Sholichah et al., 2021), EPS and Operating Profit Margin affects the stock price. (Choriyah et al., 2020)

Liquidity is the company's ability to meet short-term obligations (debt). Liquidity in the form of a high (Cashmere, 2018) company current ratio has proven to boost stock price increases. The factor of high current ratio indicates if the company has a high ability so that the high ability of the company is a trigger for high investor confidence to invest in the form of stock transactions in companies of interest. Liquidity using the current ratio (Gultom L.M et al., 2019) has a good effect on stock prices because the current ratio shows the level of safety (margin of safety) of short-term creditors or the company's ability to pay the company's maturing debts. Liquidity in the form of (Munawir, 2014) a current ratio affects the stock price (Pradika, 2017) (Gunawan, 2020). Sales growth shows the extent to which the company can increase its sales compared to total sales as a whole. (Cashmere, 2018) Sales growth will reflect past investment successes and can be used as an illustration of the company's future growth. The most important thing in financial management is the company's goal to increase profits for shareholders, which translates as an increase in stock prices. Research conducted by shows that the sales growth experienced by the company has good quality, so the stock price has increased and can make investors interested in planting shares in the company. The increasing sales growth experienced by the company will make the company experience profits and the income generated can be invested and will cause the stock price to increase. Nursiam & Vicky Sari R (2019)(Susilowati et al., 2021) Based on the foregoing, it can be explained that profitability, liquidity and good sales growth, then can increase the stock price. The purpose of the study is to analyze the effect of profitability, liquidity and partial sales growth on stock prices.

II . LITERATURE REVIEW

2.1 Share Price

The stock price is the price that occurs in the stock exchange market at a certain time which is determined by market participants and determined by the demand & bidding of the shares concerned in the capital market.(Hartono, 2012)

2.2 Profitability

Profitability is the company's ability to make a profit. The profitability ratio used is (Anwar, 2019) the return on asset (ROA). Where ROA shows the company's ability to generate net profit on its assets. The larger this number, the more profitable the company is, and conversely the smaller the number of this ratio, the less profitable the company (Anwar, 2019) is. The ROA figure can be said to be good, if the result is greater than 5%.

$$\text{ROA} : \frac{\text{Net Profit}}{\text{Total Assets}} \times 100\%$$

2.3 Liquidity

Liquidity is the company's ability to meet short-term obligations (debt).(Cashmere, 2018) The liquidity ratio used is the current ratio (CR). The CR figure can be said to be good, if the yield is greater than 200%.

$$\text{Current Ratio} = \frac{\text{Aset Lancar}}{\text{Utang Lancar}} \times 100 \%$$

2.4 Sales Growth

Sales growth shows the extent to which the company can increase its sales compared to total sales as a whole.(Cashmere, 2018)

The sales growth ratio used is sales growth.

$$\text{Sales Growth} : \frac{St - St-1}{St-1} \times 100\%$$

Information:

St= Sales for this year period

St -1= Sales of the previous year period

2.5 Hypothesis Development

2.5.1 The Effect of Profitability on Stock Prices

The higher the profit that the company manages to get, the market will give the perception that the company is working well and can increase the demand for the company's shares which has a direct impact on the increase in stock price. Profitability measures a company's proficiency

in making a profit. If the company's profit increases, then the stock price will increase. The higher the result the more profitable the company. High profitability is the reason investors are interested in investing in shares of a company, so an increase in profitability will increase the stock price. Profitability affects the stock price, where high ROA, ROE, Gross Profit Margin and Net Profit Margin gains prove that the company can provide a return on investment, encourage investors to buy shares in the company, and increase the stock price. Profitability using ROA, ROE, Net Profit Margin, EPS and Operating Profit Margin affects the stock price. Profitability affects the stock price. (Novatiani.RA & Enkeu Agiati, 2021)(Meitry Dina Wisma Dewi & Augustine, 2019)(Sholichah et al., 2021)(Choriyah et al., 2020)(Ulfah & Nur Handayani, 2018)(Aura & Desi Efrianti, 2021)(Mardianti & Santi Rahma Dewi, 2021)(Anggraini et al., 2020)

H₁: The effect of profitability on stock prices.

2.5.2 The Effect of Liquidity on Stock Prices

Liquidity in the form of a high company current ratio has proven to boost stock price increases. The factor of high current ratio indicates if the company has a high ability so that the high ability of the company is a trigger for high investor confidence to invest in the form of stock transactions in companies of interest. Liquidity using the current ratio (Gultom L.M et al., 2019) has a good effect on stock prices because the current ratio shows the level of safety (margin of safety) of short-term creditors or the company's ability to pay the company's maturing debts. Liquidity in the form of (Munawir, 2014)a current ratio affects the stock price and Liquidity affects the stock price(Pradika, 2017)(Gunawan, 2020)(Mardianti & Santi Rahma Dewi, 2021)(Husain, 2021)(Muhammad & Shamsuri Rahim, 2015)(Darmawan, 2016)(Nasution et al., 2022)(Rianisari et al., 2018)

H₂: The effect of liquidity on stock prices

2.5.3 Effect of Sales Growth on Stock Price

Sales growth will reflect past investment successes and can be used as an illustration of the company's future growth. The most important thing in financial management is the company's goal to increase profits for shareholders, which translates as an increase in stock prices. Research conducted by shows that the sales growth experienced by the company has good quality, so the stock price has increased and can make investors interested in planting shares in the company. The increasing sales growth experienced by the company will make the company experience profits and the income generated can be invested and will cause the stock price to increase. Sales growth affects the stock price. Nursiam & Vicky Sari Rahayu (2019)(Susilowati et al., 2021)(Meitry Dina Wisma Dewi & Augustine, 2019)(Veronica et al., 2022)(Sa'ban & Aris Munandar, 2020)(Wijaya & I Made Karya Utama, 2014)

H₃: The effect of sales growth on stock prices

III. RESEARCH METHOD

3.1 Population and Research Samples.

Manufacturing companies listed on the Indonesia stock exchange in 2016 – 2020 totaling 195 companies are the research population.

Purpose sampling is a sampling technique in this study, with several considerations

Information	Sum
Population: IDX-listed manufacturing companies	195
Purposive sampling:	
1. Companies that are not listed on the IDX consecutively from 2016-2020	-52
2. Companies that do not report financial statements for the period 2016-2020	-5
3. Companies that do not use Rp currency	-29
4. Companies that do not get profit for the period 2016-2020	-50
5. Incomplete company for variable research (systematic risk)	-1
Total Research Sample	58

The number of research samples is 58 companies in the manufacturing sector listed on the Indonesia stock exchange in the period 2016 – 2020

3.2 Operationalization of Variables

There are two research variables, namely dependent variables and independent variables. The independent variables in this study are profitability (variable X_1), liquidity (variable X_2) and sales growth (variable X_3), while the dependent variables in this study are stock price (variable Y).

3.3 Data Analysis Techniques

Data analysis techniques with regard to calculations to answer the formulation of problems and testing the hypotheses proposed. The data analysis technique in this study uses parametric statistical data analysis techniques. Parametric statistics are used to test population parameters through statistics, or test population size through sample data. The data processing and analysis is carried out through the SPSS 26 (Sugiyono, 2018) for windows application.

IV. RESULTS OF RESEARCH AND DISCUSSION

4.1 The Effect of Profitability on Stock Prices

Based on the test results, it shows the effect of profitability on stock prices. This is evidenced by the results of the calculation of the t test carried out with the help of the SPSS 26 program, where the variable X_1 is obtained na significance of 0.00. So, this significance value is smaller than the value which is 0.05. α value ($\text{sig} < \alpha = 0.000 < 0.050$), where the independent variable i.e. variable X_1 the variable Y and obtained t count = 18.310 t table = 1.968293 .

The ratio used in measuring profitability is return on asset (ROA). ROA in manufacturing companies is good, because from the results of processing data obtained an overall average of 8.62% and has exceeded the ROA standard for manufacturing companies, which is more than 5%. Thus, it can be explained that if the value of return on assets (ROA) increases, the better the company's performance and will attract investors to invest in the company, so as to increase the value of the stock price in the company.

Thus, it can be concluded that profitability by using a good ROA, can increase the stock price. The results of this study are in line with (Novatiani.RA & Enkeu Agiati, 2021)(Meitry Dina Wisma Dewi & Augustine, 2019)(Sholichah et al., 2021)(Choriyah et al., 2020)(Ulfah & Nur Handayani, 2018)(Aura & Desi Efrianti, 2021)(Mardianti & Santi Rahma Dewi, 2021)(Anggraini et al., 2020)

4.2 The Effect of Liquidity on Stock Prices

The test results explain the effect of liquidity on stock prices. This is evidenced by the results of the calculation of the t test carried out with the help of the SPSS program, where the variable X_2 is obtained the significance of 0.045. So, this significance value is smaller than the value which is 0.05. α value ($\text{sig} < \alpha = 0.045 < 0.050$) then the independent variable i.e. variable X_2 affects the variable Y and obtained t count = 2.012 t table = 1.968293.

The ratio used in measuring liquidity is the current ratio (CR). CR in manufacturing companies is good, because from the results of processing data obtained an overall average of 477.244% and has exceeded the current ratio standard for manufacturing companies, which is more than 200%. Thus, the better the current ratio level owned by the company, the better the company's performance in the eyes of creditors. With a good current ratio value will increase investors' interest in investing in the company, this will have an impact on the stock price that will increase.

Thus, it can be concluded that liquidity by using a good CR, it can increase the stock price. The results of this study are in line with (Gultom L.M et al., 2019)(Munawir, 2014)(Pradika, 2017)(Gunawan, 2020)(Mardianti & Santi Rahma Dewi, 2021)(Husain, 2021)(Muhammad & Shamsuri Rahim, 2015)(Darmawan, 2016)(Nasution et al., 2022)(Rianisari et al., 2018)

4.3 Effect of Sales Growth on Stock Price

Based on the test results, it shows the effect of sales growth on stock prices. This is evidenced by the results of the calculation of the t test carried out with the help of the SPSS program, where the variable X_3 **obtained na significance of** 0.003. So, this significance value is smaller than the value which is 0.05. α value ($\text{sig} < \alpha = 0.003 < 0.050$) then the independent variable X_3 affects the variable Y and obtained t count = 3.013 t table = 1.968293.

In measuring sales growth using sales growth. High sales growth will have an impact on the company's good performance, this will attract investors to invest in the company so as to increase the company's stock price.

Thus, it can be concluded that good sales growth, then it can increase the stock price. The

results of this study are in line with (Nursiam & Vicky Sari Rahayu, 2019)(Susilowati et al., 2021)(Meitry Dina Wisma Dewi & Augustine, 2019)(Veronica et al., 2022)(Sa'ban & Aris Munandar, 2020)(Wijaya & I Made Karya Utama, 2014)

V. CONCLUSION

Based on the results of the study, it can be concluded that profitability using return on assets (ROA) in manufacturing companies is good. Liquidity using the current ratio (CR) in manufacturing companies is good, then for sales growth using sales growth in manufacturing companies is good. In addition, there is a partial effect of profitability, liquidity, and sales growth on stock prices.

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