



Original Article

The Effect of Liquidity, Leverage, and Profitability on Stock Prices

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Abstract:

The purpose of this study was to determine the variables of Current Ratio, Debt to Equity Ratio, and Return on Asset Ratio both simultaneously and partially on the Stock Price. The data used are existing sources of both internal and external data and data can be accessed via the internet and information publication. The data used is the financial statements of pharmaceutical companies listed on the Indonesia Stock Exchange for the 2019-2024 period. This study uses a quantitative approach and for analysis tools using SPSS version 25. The data analysis method uses multiple regression analysis, classical assumption test, anova test and hypothesis testing. The results showed that the Current Ratio variable, and Debt to Equity Ratio simultaneously had no positive and insignificant effect on Stock Price, and Return On Asset had a negative and significant effect on Stock Price.

Keywords: Current Ratio, Debt to Equity Ratio, Return on Asset Ratio, Share Price

Introduction

The pharmaceutical subsector company is one of the subsectors listed on the Indonesian Stock Exchange that has a role in health reform and is related to medicines needed by the community (Budiandriani et al., 2024). In this pharmacy has a role in the health sector. In general, existing health problems are closely related to the availability of the necessary medicines. Many foreign and domestic pharmaceutical companies produce medicines. The competitiveness of companies, especially in the pharmaceutical subsector, shows that currently there is a need for company consistency in maintaining product quality, so that companies can increase their profitability which reflects a good level of investment (Fathiy et al., 2024).

Before decide For invest shares in a company besides need know price its shares, as an investor you must also know factors What only one can influence movement price shares, good internal and external factors factor external. One of the internal



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factors that can influence movement price share is from report its finances. Report finance is a information that describes condition a company (F. Ariani et al., 2022).

Liquidity according to (Weston, 2020) is how a company meets its short-term debts that are operational and other needs, which are parameters for a company to be said to be liquid. In other words, the liquidity ratio can measure a company's ability to meet its obligations that have matured, both obligations to parties outside the company and within the company and the measuring tool for calculating liquidity uses the current ratio (Arista et al., 2024). In the study (Pinnazra & Kunawangsih, 2022) stated that Liquidity has a positive and significant effect on the stock price of pharmaceutical sector companies. In contrast to the study (Nisa et al., 2022) which stated that liquidity has a negative and significant effect on the stock price of pharmaceutical sector companies.

Leverage can be said to evaluate a company's ability to meet short-term and long-term obligations and reflects the company's sources of funds, which include financing through debt or third parties with the aim of increasing the company's income. In other words, leverage is to measure how much debt burden the company must bear in order to fulfill assets. The measuring instrument used is the debt to equity ratio (DER) to measure the comparison between total debt and total assets (Kosim & Safira, 2020). In the study (Nisa et al., 2022) the results showed that leverage has a negative and insignificant effect on stock prices. In contrast to the study conducted by (Tiwouw et al., 2021) which found that leverage has a positive and significant relationship with stock prices.

Profitability is the main thing that must be considered because running the company's business operations must be in a profitable or profitable condition because this can make it easier for the company to obtain capital back from investors and creditors (Ali, 2022). In the study (Pinnazra & Kunawangsih, 2022) the results showed that profitability has a positive and significant effect on stock prices. Meanwhile, the study (Annisa & Wany, 2022) showed that profitability has no effect and is not significant on stock prices.

Stock prices are determined by the demand and supply of the number of shares. Price is a factor that makes investors invest their funds in the capital market because it can reflect the rate of return on capital. Stock prices usually fluctuate following the strength of supply and demand. Stock price fluctuations reflect how much investor interest in a company's shares, so that stock prices can change at any time (Hermanto, 2020).

Methods

This type of research uses associative research using quantitative data. Associative research is research that is used by looking for relationships between variables. In this study, the type of data used in the form of secondary data. To determine the relationship between two or more dependent variables (X) and independent variables (Y), multiple linear analysis is used which is presented in the form of a regression equation. There is some assumption tests classic used as prerequisites that must be met fulfilled in testing hypothesis with SPSS including;

Multicollinearity Test

Multicollinearity test is used to test whether the regression model has a correlation between independent variables. A good regression model should not have a correlation between independent variables. If the independent variables are correlated with each other, then these variables are not orthogonal. Multicollinearity can be observed with VIF, if the VIF value ≥ 10 and the correlation value ≤ 0.10 then there is a multicollinearity phenomenon and vice versa (Ghozali, 2018, p. 107).

Autocorrelation Test

Autocorrelation Test is a linear regression model that has a correlation between the disturbance error in period t and period $t-1$ (previous). If there is a correlation, there will be an autocorrelation problem. Autocorrelation occurs because consecutive observations over time are related to each other. ([Ghozali, 2018, p. 112](#)).

Heteroscedasticity Test

Glesjer test suggests to regress the absolute value of the residual against the independent variable. A good regression model is homoscedasticity or no heteroscedasticity. If the independent variable is statistically significant then it affects the dependent variable. The basis for drawing conclusions in this study is if the significance is > 0.05 then it can be concluded that there is no heteroscedasticity problem.

Normality Test

Normality test aiming For test whether in the regression model, the variables the nuisance or residual has normal distribution ([Ghozali, 2021, p. 196](#)). Such as known that the t and F tests assume that residual value follows normal distribution. There are two method For detect whether the residuals are normally distributed or not No that is with analysis graphs and statistical tests.

Multiple Linear Regression Analysis

Multiple regression analysis is an analysis used to test the relationship between a dependent and independent variable.

$$Y = \alpha + b_1X_1 + b_2X_2 + b_3X_3 + e$$

Simultaneous Correlation Test (R)

The multiple correlation coefficient is a number that shows the direction and strength of the relationship between two or more independent variables together and the dependent variable. The R value ranges from 0 to 1, if the value is getting closer to 0 then it indicates a weak relationship.

Coefficient of Determination (R^2)

A small (R^2) value means that the ability of independent variables to explain the variation of dependent variables is very limited. The higher the R^2 value (approaching 1) reflects how strong it is in explaining changes in the dependent variable and the closer it is to 0, the weaker the influence of the variable on the independent variable on the dependent variable ([Ghozali, 2018, p. 97](#)).

Hypothesis Test (t-Test)

The t -test shows how far the influence of one independent variable on the dependent variable on the independent variable, then by assuming the other independent variables are constant ([Ghozali, 2018, p. 98](#)). The t -test is used to determine whether the hypothesis to be submitted is rejected or accepted. The level of significance used is 95% ($=0.05$) which is the level of significance often used in research.

Results

Multicollinearity Test

Table 1

Multicolonierity Test Results

Variables	Collinearity Statistics		Standard	Standard	Information
	Tolerance	VIF	Tolerance	VIF	
Current Ratio (X_1)	0.792	1.263	> 0.1	< 10	No Happen Multicollinearity
Debt To Equity Ratio (X_2)	0.786	1.272	> 0.1	< 10	
Return On Asset Ratio (X_3)	0.983	1,017	> 0.1	< 10	

Source: Spss 25 Output & Processed Data 2025

Based on table 1 can seen that mark tolerance for all variable free more from 0.10 and the VIF value for all mark variable free not enough from 10.0. So can concluded variable Current Ratio, Debt to Equity Ratio, and Return On Asset Ratio to Stock Price.

So No found symptom multicollinearity between variables free because of No There is higher VIF value from 10.0 and the value lack of tolerance from 0.10 to No There is problem multicollinearity in in the regression model This.

Autocorrelation Test

Table 2
Autocorrelation Test Results

Durbin Watson Values	dL	dU	4-dL	4-dU	provision	Information
1,901	1.4464	1.6800	2.5536	2.3200	Du < Dw < 4-Du	No Autocorrelation Occurs

Source: Spss Output and Processed Data Author 2025.

Heteroscedasticity Test

Table 3
Results Of Glejser Heteroscedasticity Test

Variables Free	Significance	Standard Significant	Information
Current Ratio	0.333	> 0.05	No Happen Heteroscedasticity
Debt To Equity Ratio	0.997		
Return On Asset Ratio	0.139		

Source: Spss Output & Processed by Author, 2025

Glejser test data above, it can be interpreted that in the regression analysis there are no symptoms of heteroscedasticity, showing a significant value (p-value) of the CR variable of 0.333, the DER variable of 0.997, the ROA variable of 0.139, these results clearly show that none of the independent variables are statistically significant in influencing the dependent variable ABRESID value, this is because the significant probability value is above 0.05.

Normality Test

Table 4
Normality Test Results

Descriptive Statistics					
	N	Skewness		Kurtosis	
	Statistics	Statistics	Std. Error	Statistics	Std. Error
Unstandardized Residual	54	-0.453	0.325	0.705	0.639

Source: Spss 25 Output & Processed Data Author 2025

Based on the data from the Normality test results above can be interpreted that in the regression analysis there are no symptoms of normality, this is indicated by the results of Sweekness and Kurtosis of - 1.3944 (For Sweekness) and 1.10389 (for Kurtosis). Both results This is at between -1.96 to 1.96. So this data show No There is symptom Normality.

Analysis Regression Multiple

Table 5
Results Of Multiple Regression Analysis

Coefficients ^a				
Model		Unstandardized Coefficients		Standardized Coefficients
		B	Std. Error	Beta
1	(Constant)	7,127	0.267	
	Current Ratio	0.124	0.078	0.228
	Debt To Equity	0.003	0.050	0.009
	Return On Asset	-1,985	0.693	-0.370

Source: Spss Output and Data Processed by the Author 2025.

Based on table 5 , the following regression equation is obtained:

Stock price = 7.127 + 0.124 CR + 0.003 DER + -1.985 + e, based on the equation above, it can be explained as follows:

- The constant value a of 7.127 indicates that the Current Ratio, Debt To Equity Ratio, and Return On Asset Ratio are considered constant, so the stock price of the pharmaceutical sub-sector company is 7.127.
- The regression coefficient of Current Ratio (X₁) is 0.124. This shows that if the Current Ratio increases by one unit, the stock price will increase by 0.124, assuming other variables remain constant.
- The regression coefficient of Debt To Equity Ratio (X₂) is 0.003. This shows that if the Debt To Equity Ratio increases by one unit, the stock price will increase by 0.003, assuming other variables remain constant.
- The regression coefficient of Return On Asset (X₃) is -1.985. This shows that Return On Asset with a negative value of 1.985, then it will explain that if Return On Asset is one unit, it will experience a decrease of -1.985 units against variable Y (Stock Price).

Correlation Coefficient (R) Test

Table 6
(R) Test

Model Summary ^b				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.450 _a	0.202	0.151	0.75489

Source: Spss Output and Processed Data 2025

Table coefficient test results correlation (R), known that The R value is 0.450, which indicates ongoing relationship between variable dependent and variable independent. This is in accordance with the range of correlation coefficient values between 0.40 - 0.599, which describes a moderate level of relationship.

Determination Coefficient Test (R²)

Table 7
Results Of The Determination Coefficient Test (R²)

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.450 _a	0.202	0.151	0.75489

Source: Spss Output and Processed Data Author 2025

In table 4.12 the results of the R square test above, it can be explained that the coefficient of determination (R Square) has a value of 0.202, which means that the independent variables influence the dependent variable, because the magnitude of the coefficient of determination (R²) lies between 0 and 1 or $0 < R^2$.

Partial Test (t-Test)

Table 8
Partial Test Results (t-Test)

Independent Variable	t Count	t table	r partial	Sig	Information
Current Asset Ratio	1,582	1.675	0.124	0.120	
Debt To Equity Ratio	0.064		0.003	0.949	
Return On Asset	-2.864		-1.985	0.006	

Source: Spss Output and Processed Data Author 2025

The Effect of Current Ratio on Stock Prices

From the partial test results, the effect of CR on stock prices with a t-value of $1.528 < 1.675$ and a sig. value of $0.120 > 0.05$ which means there is no positive and insignificant effect on stock prices or H₁ is rejected. It can be concluded that CR does not have a positive and insignificant effect on stock prices. Based on the theory that although a company is very liquid because it has current assets greater than its

current liabilities so that the company is able to pay off short-term liabilities that are due soon. Although a company's financial performance in paying off short-term liabilities is very good, investors are less interested in investing their capital in its shares because they believe that the company's ability to pay off its short-term liabilities will not necessarily provide large profits. As a result, liquidity does not provide profit information for the coming period which causes investors to be more interested in other ratios and less interested in knowing the company's liquidity. The CR ratio is not recommended as a benchmark in making investment decisions. A high current ratio also indicates inefficient use of cash and other short-term assets.

The results of this study are in line with the results of the study ([Harahap et al., 2025](#)), which stated that CR does not have a positive and insignificant effect on stock prices.

The Influence of Debt to Equity Ratio on Stock Prices

From the results of partial testing, the effect of DER on stock prices in this study with a t count of $0.064 < t \text{ table } 1.675$ and a sig. value of $0.949 > 0.05$ can be concluded that there is no positive and insignificant effect on stock prices or H₂ is rejected. This states that the higher the DER, the greater the company's exposure to risk. Stock demand will be affected as a result of investors considering this risk before making investment decisions. The higher the DER, the greater the risk of the company being unable to pay its debts, such as the risk of bankruptcy which is widely avoided by investors. Investors will avoid high DER values because they see the ratio value as a significant part of their own capital to meet the company's obligations. So many investors do not interested in the company with high DER Because This. As a result, the value share company Can decrease.

Research result This in line with results study ([Fahniati & Juwita, 2025](#)), which states that DER does not influential positive and negative significant on Stock Prices

The Influence of Return On Asset Ratio on Stock Prices

From the partial test results, the effect of ROA on Stock Price with a calculated t value of $-2.864 > t \text{ table } 1.675$ and a sig value of $0.006 < 0.05$, it can be concluded that ROA has a negative and significant effect on stock prices or H₃ is accepted. This states that, the higher the ROA value, the higher the stock price, and vice versa. This finding indicates that although the company shows efficiency in generating profits on total assets owned, this is not immediately appreciated by the market in the form of an increase in stock prices. This phenomenon can occur because ROA only measures the efficiency of the company's operational performance without considering other financial aspects that may have a more direct impact on investor perceptions of the company's value. In addition, unstable macroeconomic conditions and external market fluctuations can also affect investor reactions to company performance signals, thus obscuring the positive effect of ROA on stock prices that should occur in ideal market conditions.

The results of this study are in line with the results of the study ([Wiyanto & Muslimin, 2025](#)), which stated that ROA has a negative and significant effect on Stock Prices.

Conclusion

1. The Current Ratio is stated to have no positive and insignificant effect on Stock Prices in Pharmaceutical sub-sector companies listed on the Indonesia Stock Exchange in 2019-2024.
2. Debt To Equity Ratio is stated to have no positive and insignificant effect on the Stock Price of Pharmaceutical Sub-sector Companies listed on the Indonesia Stock Exchange in 2019-2024.

3. Return On Asset Ratio is stated to have a negative and significant effect on the Stock Price of Pharmaceutical Sub-sector Companies listed on the Indonesia Stock Exchange in 2019-2024.

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