

## The Effect of Liquidity and Profitability on Share Prices in Telecommunication Companies Listed on The Indonesia Stock Exchange for The 2018-2022 Period

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### ABSTRACT

*The purpose of this study is to determine the effect of Liquidity (Current Ratio) and Profitability (Return on Assets) on share prices in Telecommunication Companies listed on the Indonesia Stock Exchange (IDX) in 2018-2022. The method used is descriptive analysis with a quantitative approach, then the selection of a feasibility test model is carried out, namely the hausman test, followed by hypothesis testing using the Bergand linear regression analysis test. The source of this research data was obtained from www.idx.co.id in the form of secondary data. The sampling technique used is purposive sampling technique. The data was then analyzed using panel data regression with the Eviews 12 program. Based on the results of data analysis, it is concluded that the liquidity variable (CR) has a negative and insignificant influence on stock prices. While the variable profitability (ROA) has a positive and significant influence on the variable stock price. From the results of simultaneous data, it can be concluded that liquidity (CR) and probability (ROA) have a significant influence on the share price of Indonesian Telecommunication companies listed on the IDX during the 2018-2022 period.*

**Keywords:** Liquidity, Profitability, Stock Price, IDX

### INTRODUCTION

The development of the current era has encouraged everyone to improve their respective economies and make their lives better. Not only in today's economy, but also in the years to come. There are many things that can be done to improve the economy, including investing. Investment can be interpreted as a form of money management to generate profits by investing funds in locations that are expected to generate additional profits (Islamiah & Suwardi, 2022). The most attractive investment opportunity in Indonesia today is the capital market. The official capital market in Indonesia is the Indonesia Stock Exchange (IDX). Many companies have been registered as members on the IDX, one of which is a telecommunications company. The development of Indonesian telecommunications companies has progressed rapidly. Where, information and communication technology is becoming increasingly sophisticated. Telecommunication has become an important need for people to meet their daily needs. It is not only used for sending texts and voice calls, but also looking for information and entertainment. The rapid development of technology has increased competition among players in the industry. In general, all existing companies have one goal, which is to obtain large profits. Therefore,

companies need to optimize profit generation to support company activities and bring glory to company owners and shareholders.

Investors certainly need information about the financial performance of a company to facilitate decision making in investing. One of them is by looking at the stock price. Stock price movements in the Indonesian stock market are a very interesting phenomenon for investors. Proper stock price movements can affect investor confidence in stock investment. Stocks are one of the most sought-after capital market instruments by investors because they offer attractive returns. Where, the higher the stock price of a company, the more valuable the company. Conversely, when the stock price falls, the value of the company will also fall (Octaviani & Komalasarai, 2017).

The share prices of Indonesian Telecommunication companies in 2018-2022 are as follows:

**Table 1. Telecommunication Company share price in 2018-2022**

No.	CODE	SHARE PRICE				
		2018	2019	2020	2021	2022
1	TLKM	86	73	142	232	3.780
2	TBIG	3.600	1.230	1.630	2.950	2.300
3	ISAT	1.685	2.910	5.050	6.200	6.175
4	EXCL	1.980	3.150	2.730	3.170	2.140
5	TOWR	690	805	960	1.125	1.095
6	KBLV	700	247	410	570	101
7	FREN	78	138	67	87	66
8	CENT	1.560	1.090	800	232	112
9	LINK	4.900	3.960	2.410	4.000	2.620
10	IBST	8.300	6.525	7.250	5.825	5.775

Source: Processed, 2023

In table 1, it can be seen that the share price of Indonesian telecommunications companies in the last 5 years has increased and decreased. Companies that experience an increase every year, namely Telkom Indonesia Tbk, Indosat Tbk and Sarana Menara Nusantara Tbk.

There are two analyses that can be done to analyze a stock, namely technical analysis and fundamental analysis. Technical analysis is a method of predicting the performance of stocks, the performance of stocks and other securities using price and volume charts based on historical data (Mujaddid & Sabila, 2018). Fundamental analysis is an effort to analyze various factors related to stock selection using analytical methods such as company analysis, industry analysis and macro analysis (Amanah et al., 2014). In technical analysis, stock price movements are the most important evaluation when investing and fundamental analysis focuses on the performance of a company, where the company's performance can be evaluated through financial statements (Islamiah & Suwardi, 2022). Financial system

management is a determination of how well and accurately a company applies applicable rules. One way to find out is to review the financial statements (fahmi, 2018). Financial statement analysis is a process that aims to find out the financial situation in more detail (Asniwati et al., 2023). One form of financial statement analysis is the analysis of financial ratios, such as liquidity ratios, profitability ratios, and solvency ratios, activity ratios, growth ratios and valuation ratios. The use of ratios depends on each company's needs.

This research focuses more on the influence of liquidity ratios and profitability. The liquidity and profitability ratios of the company are important, because these ratios will provide information that is very important for the short-term growth and development of a company. Liquidity ratio is a ratio used to determine the company's ability to raise funds and pay debts at maturity (Ahdan & Sari, 2020). The profitability ratio is used to measure profits compared to sales, or how much profit a company earns (prita dellia, Tazul Antoni, 2017). The liquidity ratio is closely related to profitability, because liquidity will indicate the level of availability of working capital required for the operation of a company. If a company wants to have a high level of liquidity, then the company will have a high level of security but will reduce its profitability (Made et al., 2020).

The liquidity ratio in this study is measured by the current ratio. The Current Ratio can be used as the basis for calculating short-term primary liquidity, because it includes all components of current assets and all components of short-term liabilities, regardless of the level of liquidity. If current assets exceed current liabilities, then the lancer assets are considered to have sufficient cash at a certain time to provide liquidity or conversion into cash in a short time so that obligations can be fulfilled (Jimmi Asman, Titin Ruliana, 2016). The profitability ratio will be measured by Return on Assets. ROA is a measurement of the income that company owners (both common shareholders and preferred shareholders) have made of the capital they have invested in the company. By knowing ROA, we can know and evaluate whether a company has managed its assets efficiently to generate profits.

Based on the description above, the author raises the title, namely "The Effect of Liquidity and Profitability on Share Prices in Indonesian Telecommunication Companies listed on the Indonesia Stock Exchange for the 2018-2022 period.

## **METODE PENELITIAN**

This study used descriptive statistical methods quantitative approach through multiple linear regression data analysis using Eviews 12 software. According to Sugiyono (2018) descriptive statistics refers to drawing conclusions of a general nature. Quantitative research is research that is based on facts and uses many numbers (Ali et al., 2022). The data source uses secondary data in the form of financial statements of Telecommunication Companies which are accessed through the official website of the Indonesia Stock Exchange (IDX), namely [www.idx.co.id](http://www.idx.co.id). The population in the study is all Indonesian Telecommunication Companies listed on the Indonesia

Stock Exchange (IDX) for the research period of 5 (five) years 2018-2022. The total population to be studied is 15 companies.

**Table 2. Listed Names of Indonesian Telecommunication Sector Stocks on Indonesia Stock Exchange (IDX)**

No.	Company Name	Stock Code
1	Telkom Indonesia Tbk	TLKM
2	Tower Bersama Infrastructure Tbk	TBIG
3	Indosat Tbk	ISAT
4	XL Axiata Tbk	EXCL
5	Sarana Menara Nusantara Tbk	TOWR
6	First Media Tbk	KBLV
7	Smart Telecom Tbk	FREN
8	Bakrie Telecim Tbk	BTEL
9	Centratam Telekomunikasi Tbk	CENT
10	Visi Telekomunikasi Infrastruktur Tbk	GOLD
11	Marga Abdhinaya Abadi Tbk	MABA
12	Dayamitra Telekomunikasi Tbk	MTEL
13	Bali Towerindo Sentra Tbk	BALI
14	Link Net Tbk	LINK
15	Inti Bangun Sejahtera Tbk	IBST

Source: www.idx.co.id,2023

The sampling method used in this study is the purposive sampling method. Purposive sampling is a sampling technique by considering certain criteria. The criteria of the Company extracted in this study are as follows:

- 1) Telecommunication Companies listed on the Indonesia Stock Exchange at the end of 2022
- 2) Telecommunication Companies that issue periodic financial statements from 2018-2022

Based on the sample criteria above, Telecommunication Companies listed on the Indonesia Stock Exchange (IDX) for the 2018-2022 period meet the criteria, namely as many as 10 companies. The following is a list of companies that meet the criteria, as follows:

**Table 3. Number of Company Samples**

No.	Company Name	Stock Code
1	Telkom Indonesia Tbk	TLKM
2	Tower infrastructure Tbk	TBIG
3	Indosat Tbk	ISAT
4	XL Axiata Tbk	EXCL
5	Sarana Menara Tbk	TOWR
6	First Media Tbk	KBLV
7	Smart Telecom Tbk	FREN

8	Centratam Telekomunikasi Tbk	CENT
9	Link Net Tbk	LINK
10	Inti Bangun Sejahtera Tbk	IBST

*Source: processed, 2023*

Based on table 2, it can be seen after selecting samples using the purposive sampling method from a population of 15 companies so as to get a sample of 10 companies.

### Data Analysis Technique Design

#### 1. Multiple Linear Regression Analysis

Multiple linear regression data analysis techniques were used in this study. This analysis was conducted to determine the magnitude of influence between variables X and Y (Ghozali, 2018):

$$Y = a + \beta_1 X_1 + \beta_2 X_2 + e$$

#### Information:

Y = Stock price

a = Constant

$\beta_1, \beta_2$  = Regression coefficient

CR = Current Ratio

ROA = Return on Assets

e = Standard error

### Test the hypothesis

#### 1) T-test

The t test is used to test the variable for the effect on the dependent variable. This test identifies the Current Ratio (CR), Return on Asset (ROA) affecting the share price of Indonesian Telecommunication companies listed on the IDX.

A significance level of 0.05 is used to determine the effect of each variable separately. Where, the independent variable is said to have a significant effect on the dependent variable if the probability value is more than 0.05 and vice versa the free variable is said to have a significant effect on the dependent variable if the probability value is less than 0.05.

#### 2) Uji f

The f-test hypothesis is used to test the feasibility of the model simultaneously by measuring the ability of the regression function. A regression model is feasible if its significance level < 0.05.

H1 : Ho is accepted. Ha is rejected when the significance > 0.05.

H2 : Ho is rejected. Ha is accepted when the significance < 0.05.

#### 3) Coefficient Determination (R<sup>2</sup>)

The coefficient of determination test is used to determine how much the percentage change between variables. If the value of R<sup>2</sup> ranges from 0-1, then variable X has a strong ability to explain variable Y (Ghozali, 2018).

## RESULTS AND DISCUSSION

### Descriptive Analysis

Descriptive statistics are a description of data determined using mean, maximum, minimum, and standard deviation values. Variable (X) of this study Current Ratio (CR) and Return on Assets (ROA) to variable (Y) Share Price of Indonesian Telecommunication companies listed on the Indonesia Stock Exchange in 2018-2022.

**Table 4. Descriptive Statistical Test Results**

	<i>N</i>	<i>Minimum</i>	<i>Maximum</i>	<i>Mean</i>	<i>Std.Deviation</i>
<i>CR</i>	50	0.230000	98.35000	29.52460	28.36814
<i>ROA</i>	50	0.160000	59.75000	7.274800	9.573932
<i>HARGA SAHAM</i>	50	1.090000	960.0000	134.6023	249.2125

Source: processed,2023

Based on the results of Descriptive Statistics in the table above, it can be seen that each dependent and independent variable is:

#### 1. *Current Ration (CR)*

Based on the table above, the descriptive statistics Current Ratio (CR) has a minimum value of 0.23, a maximum value of 98.35, a mean value of 29.52 and a standard deviation of 28.36814. The results show that the lowest Current Ratio (CR) is found in PT Tower Infrastructure (TBIG) of 0.23. Meanwhile, the maximum Current Ratio (CR) is found in PT Link Net Tbk of 98.35.

#### 2. *Return On Assets (ROA)*

Based on the table above, the descriptive statistics of Return On Assets (ROA) have a minimum value of 0.16, a maximum value of 59.75, a mean value of 7.27 and a standard deviation of 9.573923. The results show that the lowest Return On Assets (ROA) is found in PT Cantratam Telekomunikasi Tbk of 0.16. while the maximum Return on Assets (ROA) is found at PT First Media Tbk of 59.75.

#### 3. *Stock Price*

Based on the table above, descriptive statistics The stock price has a minimum value of 1,090, a maximum value of 960, a mean value of 134.60 and a standard deviation of 249.2125. The results show that the lowest share price is found in PT Cantratam Telekomunikasi Tbk of 1,090. while the maximum Share Price is found in PT Sarana menara Tbk of 960.

### Panel Data Regression Model Selection

The selection of regression models of this panel data is used to determine the best method between Common Effect Model (CEM), Fixed Effect Model (FEM), Random Effect Model (REM).

**Table 5. Hausman Test Results**

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	2.271047	2	0.3213

Source: Eviews result-12,2023

Based on the table above, the chi-square value is 0.3213 > 0.05, so the REM model was chosen. If a random effect model is used to determine the selection of the best model, then classical assumption testing is not necessary. This refers to Gujarati & porter (2009) which states that the method of estimating panel data random influence models there are models that use the generalized least square (GLS) method. One of the advantages of the GLS method is that it does not have to meet classical assumptions.

### Multiple Linear Regression Analysis Results

Multiple linear regression in this study is used to determine the effect of independent current ratio (CR) and Return on Asset (ROA) variables on dependent variables Share prices in Indonesian Telecommunications companies listed on the Indonesia Stock Exchange for the 2018-2022 period.

**Table 6. Multiple Linear Regression Results**

Dependent Variable: HS\_Y  
 Method: Panel EGLS (Cross-section random effects)  
 Date: 12/08/23 Time: 14:09  
 Sample: 2018 2022  
 Periods included: 5  
 Cross-sections included: 10  
 Total panel (balanced) observations: 50  
 Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	94.81423	67.92590	1.395848	0.1693
CR_X1	-0.934507	1.415388	-0.660248	0.5123
ROA_X2	9.261975	3.362713	2.754316	0.0083

Source: processed results Eviews-12, 2023

The results of multiple linear regression analysis above obtained a regression equation model, as follows:

$$Y = 94.81423 - 0,934X1 + 9,261X2$$

1. The value of constant (a) is positive 94.81423. A positive sign means that there is a unidirectional influence between the independent variable and the dependent variable. This shows that if the value of all independent variables is 0% or does not change then the value of Y is 94.81423;

2. The value of the regression coefficient of variable X1 (CR) is negative at -0.934 This indicates a negative influence between variables. if X1 increases by 1%, then Y will increase by -0.934. A negative sign indicates the presence of an undirectional influence between the independent variable and the dependent variable;
3. The value of the variable regression coefficient X2 (ROA) has a positive value of 9.261. This shows that if X2 increases by 1%, then Y will increase by 9.261 assuming the other independent variables are considered constant. A positive sign means that there is a unidirectional influence between the independent variable and the dependent variable.

### Discussion

Based on the results of the study, the hypothetical decision can be seen in table 7, as follows:

**Table 7. Research Hypothesis**

No.	Hipotesis	Keputusan
1.	H1 : Liquidity	Denied
2.	H2 : Profitability	Accepted
3.	H3 : Likuidity and Profitability	Accepted

Source: processed,2023

### The effect of liquidity (Current Ratio) on stock prices

*Current Ratio is a ratio that measures the company's ability to generate profits from the company's total assets. The liquidity ratio shows how much of the lancer's assets cover current liabilities. The greater the ratio of lancer assets to current debt, the higher the company's ability to cover its short-term obligations, If a company is considered capable of paying off its short-term obligations, then the company is in good condition and can increase the stock price because investors are interested in the company's financial condition like this. Based on the results of research obtained regarding the effect of liquidity on stock prices in telecommunications companies listed on the IDX for the 2018-2022 period, the results of the hypothesis test are partial (Test t) shows that the liquidity variable (X1) with a calculated t value of -0.660 and a significance level of  $0.5123 > 0.05$ , hypothesis 1 is rejected because (independent) liquidity has no significant effect on the stock price variable (dependent).*

Negative influence indicates that there is a disoriental relationship between liquidity and stock prices. So it can be concluded that the current ratio is not a factor that affects the ups and downs of stock prices of Indonesian Telecommunications companies for the 2018-2022 period. This research is in line with research Octaviani & Komalasarai, (2017) and Supredi et al., (2018) which states that liquidity (Current Ratio) has no effect on stock prices while it is different from the research conducted Risnawati et al., (2023) states that Liquidity has a positive effect on stock prices.

### **The effect of profitability (Return on Assets) on stock prices**

Return On Asset is used to measure the amount of profit from the asset used to generate the profit (Prihadi, 2019). This ROA is a very useful value to assess a company in handling funds when managing various assets to generate profits.

Based on the results of research obtained regarding the effect of profitability on stock prices in Telecommunication companies listed on the IDX for the 2018-2022 period, partial hypothesis testing (Test t) shows that the variable profitability (X2) with a calculated t value of 2.754 and a significance level of  $0.0083 < 0.05$ , then profitability (independent) has a significant effect on the stock price variable (dependent) so that, hypothesis 2 is accepted. So that every increase in profitability (ROA) that has a positive effect on stock prices, this can be a consideration for investors. An increased ROA indicates that management's performance has improved in managing sources of funds effectively to generate net profit, which is a major concern for shareholders. This research is in line with that conducted by Octaviani & Komalasarai, (2017), shows that profitability (Return on Assets) has a significant effect on stock prices.

### **The effect of liquidity and profitability on stock prices**

Based on the results of research obtained on the effect of liquidity and profitability on share prices in Telecommunication companies listed on the IDX for the period 2018 to 2022, The results of simultaneous hypothesis testing (Test f) show that the liquidity variable (X1) and profitability variable (X2) with an f value of  $0.026 < 0.05$ , shows that the liquidity variable (X1) and Profitability (X2) simultaneously have a significant effect on the stock price (Y) so, hypothesis 3 is accepted. This research is in line with Husain, ( 2021), Risnawati et al.,(2023), and (Islamiah & Suwardi, 2022) found that the variables Liquidity and profitability have a significant effect on stock prices simultaneously

### **CONCLUSION AND ADVICE**

Based on the results of the study, it was concluded that the Liquidity variable (Current Ratio) has a negative and insignificant influence on the share price of Indonesian Telecommunication companies. Meanwhile, Profitability (Return On Assets) has a positive and significant influence on the share price of Indonesian Telecommunication companies. Simultaneously, the variables of Liquidity and Profitability have a significant effect on the share price of Indonesian Telecommunication companies listed on the IDX for the 2018-2022 period. As for suggestions for future researchers, it includes the expansion of the research sample, the utilization of different types of companies, and efforts to connect other variables that were not studied in this study.

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