Analysis of Stock Prices Affected by Current Ratio

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Abstract.

The stock price of required on a stock exchange must be changed cannot be estimated. The purpose of this study is to study the comparative valuation of Current Ratio to Stock Prices. The method used in this research is descriptive method and verification method with quantitative discussion. The data source used is secondary data. The population in this study is the financial statements of the Retail Trade Sector Companies listed on the Indonesia Stock Exchange as many as 25 companies with financial statements consisting of statements of financial position and Stock prices approved for 5 periods (2014-2018). Based on the results of research and discussion, it can be concluded that the Current Ratio (CR) has a significant effect on the Stock Price of a Retail Trading Company that has a positive relationship between the Current Ratio and the Stock Prices.

Keywords : *Current Ratio (CR), Stock Price*

I. INTRODUCTION

The current development of capital markets shows important developments as one of the main drivers of the Indonesian economy. This is due to the growing public interest in capital markets, the growing number of companies listed in the capital markets, and government support through investment policies. Indonesia Stock Exchange as one of the capital markets in Indonesia that manages securities in the form of stocks, bonds and so on owned by the company. Indonesia Stock Exchange (IDX) plays a very important role among others for the community as a means to invest in several companies. In addition, for companies go public as a means of obtaining additional capital by issuing Stock s offered or traded in the capital market. The appeal of investors to invest in stocks lies in the Stock price.

On the other hand, the Stock price is one of the considerations for an investor to invest his or her capital. The Stock Price that investors expect is a stable Stock Price and has a pattern of movement that tends to rise over time, but in fact the Stock Price tends to fluctuate. Fluctuating Stock Prices are a risk for investors. Therefore investors should understand what can affect stock price fluctuations. Stock Price Fluctuations are fundamentally influenced by the company's performance and the possible risks the company faces. The prevailing Stock price on the stock exchange is

always subject to changes that cannot be predicted definitively, resulting in the value of the increase and decrease. This makes it a phenomenon experienced by companies listed on the Jakarta Stock Exchange (BEJ). One indicator used by investors is to assess a company's Stock price by looking at the company's financial performance through financial ratios. There are several financial ratios, namely liquidity ratio, activity ratio, solvency ratio, profitability ratio, growth ratio, and valuation ratio.

There are many measures of performance that form the basis in the calculation of a company's assets that generally use ratios. The ratio is used as a measuring instrument because it is already commonly used and the accuracy of its calculations can be accounted for. The ratio used in this study is the liquidity ratio. The liquidity ratio used is current ratio. This ratio measures a company's ability to pay short-term. One of the retail trade sub-sector companies, PT Ace Hardware Indonesia Tbk, decreased its Current Ratio (CR) in 2017 by 0.24% and 2018 by 0.53%, but was not followed by an increase in the Stock price in 2017 of Rp.320 and in 2018 of Rp. 335. However, this should not happen because if the current ratio decreases, the Stock price should also decrease as well as vice versa. This condition is a phenomenon so this research is done because there are conditions that do not correspond to the theory.

From the description and based on the background above, it can be formulated how the Current Ratio (CR) affects the Stock Price. This is formulated to know how much impact there is on the current ratio to the Stock price in circulation during that period. It is expected that the problem can be missed by the influence and influence of the phenomenon that occurs in JSJ. Furthermore, the purpose of the research is not separated from the background of the problem to be discussed based on the identification of the problem that has been set and so that in the discussion of this research can provide a specific direction, it is reasonable if set in advance the purpose of the research. This research has the purpose of knowing the influence of Current Ratio (CR) on the Stock Price.

Financial Statements

Financial statements are essentially reports containing the financial information of an organization. Financial statements issued by the company are the result of an accounting process intended as a means of communicating financial information especially to external parties. The definition of a financial statement according to [2], a financial statement is an information that describes the financial condition of a company, and further that information can be used as an overview of the company's financial performance. According to [3] the purpose of financial statements is to provide information relating to the financial position of performance as well as changes in the financial position of a company that benefit a large number of users in economic decision making.

Current Ratio (CR)

According to [4], the Current Ratio is a comparison between current assets and current debt, so any transaction resulting in a change in the amount of current assets or current debt, either or both, will result in a change in current ratio, which means it will

result in a change in liquidity levels. According to the research[5], explaining, the large Current Ratio reflects the higher liquidity of the company because the company has the ability to pay large so that it is able to meet all its financial obligations[6], the current ratio is a tool to assess a company's financial performance which illustrates how much a company's current liabilities can be covered by the current assets of the company. This ratio can be made in the form of how many times or in the form of percentages. If this ratio is 1:1 or 100%. This means that current assets can cover all current debt. The safer ratio is if it is above 1 or above 100%. This means that current assets must be well above the current amount of debt [7].

Stock Price

A Stock price is the value of a stock determined by the strength of a stock's offer of sale and sale on a particular market mechanism and is the selling price of one investor to another [8]. The Stock price is the price that occurs in the stock market at a given moment determined by the market participants and determined by the demand and offering of the Stock s in question in the stock market. The change depends on the strength of the demand and supply [9]. If a stock is over-demanded, the Stock price will tend to rise. Conversely, if the offer is over-offered, the Stock price tends to fall. The stock price indicator in this study is taken from the closing Stock price value.

Current Ratio to Stock Price

According to [10], the Current Ratio is one of the ratios that measures the liquidity of the company. The higher the ability of the company to meet short-term debt, it shows that the company is very good or healthy and will attract investors to invest, so the Stock price will increase. This is in line with research conducted [11], finding the Current ratio positively affects the Stock   price of manufacturing companies. Subsequent research by [12], stated that the current ratio is used as a tool to measure the rise in the Stock price where the results of the study have a positive correlation. This is supported by research[13], which examines various financial factors whose misality impacts the development of the Stock price in a company. Furthermore, the study [14], concluded that the existence of the Stock price is not separated from the calculation of the current ratio meaning that with the current ratio can be known the current price condition of the current outstanding stock price. Based on the above description, a temporary answer can be submitted in the form of hypothesis, namely current ratio has a significant effect on the Stock Price.

II. METHODS
Research Methods

The methods used in this study are descriptive methods and verifiative methods with quantitative approaches, due to the absence of the variables studied, namely the Stock price affected by the current ratio. This study uses a descriptive type of statistical analysis with a quantitative approach. Quantitative Research Method is a study based on the numbers obtained in a study that is then processed using indicators and analyzed based on numerical numbers processed data results, and generally

looking for the association between independent variables to dependent variables so as to produce a clear picture of the objects studied. According to [15] descriptive research, research is conducted to find out the value of self-variables, either one variable or more (independent) without making comparisons, or connecting with other variables. While quantitative understanding according to [15], is: Quantitative research methods can be interpreted as research methods based on positivism philosophy, used to research on specific populations or samples, sampling techniques are generally done randomly, data collection using research instruments, quantitative or statistical data analysis with the aim of testing established hypotheses.

Based on the description, it can be said that the descriptive method of statistical analysis with quantitative approach is done systemically, factually, and comprehensively discusses the interconnected conditions of each variable investigated by collecting data, processing, analyzing, and interpreting data in statistical hypothesis testing. The authors used this method, because this study is intended to clearly describe how the Current Ratio (CR) affects the Stock Price.Meanwhile, the approach used in the study is a quantitative approach, because the Current Ratio and Stock Price data obtained from this study are quantitative data. The data required is data that corresponds to the problem and in accordance with the purpose of the research, so that the data will be collected, processed, analyzed and processed further in accordance with the theories that have been studied, so from that data will be able to draw conclusions.

Variable Operationalization

According to [16], Variable Operationalization is the process of parsing the state of sub-variable dimensions, sub-variable indicators, and measurements. As for the requirements of decomposition of operationalization is carried out when the basis of the concept and indicator of each variable is clear, if it is not yet conceptually clear then it is necessary to do factor analysis. The purpose of variable operationalization is to measure independent variables because measuring variables is not yet visible so it needs an indicator that is the breakdown or size of the variable. Indicators for both current ratio and Stock price indicators can be measured using measures that then process raw data through formulas that support independent variables. The study used two variables, namely the Stock Price (Y) as a bound varibel, current ratio (X) as a free variable. The data obtained is a processed result that is processed by the author who is then analyzed to get an overview related to current ratio and harega stocks.

Data Source

The study used a secondary data source. According to [15], secondary data sources are sources that do not directly provide data to data collectors, such as from others or through documents. Secondary data examined to produce information from the data that has been processed is from the financial statements of retail trading companies listed in IDX period 2014-2018. The data collection techniques used by researchers in research with the data obtained are secondary data obtained by:
  a. Observation, by making a direct observation to the library staff section on the Indonesia Stock Exchange.

b. Documents, by recording data related to the problem to be examined from documents related to the company.

c. Library Research, by reading the literature, books on problem theory researched and using internet media as a supporting medium in research.

d. Populasi dan Sampel

In this study is the financial statements of Retail Trading Sub Sector Companies listed on the Indonesia Stock Exchange as many as 25 companies with financial statements consisting of financial position reports and stock closing prices published for 5 periods from 2014-2018. The sample in this study is purpossive sampling. According to [15], defining purpossive sampling is a sample determination technique with certain considerations. With the following considerations:

a. Retail Trade Sub Sector Company registered in IDX during the period 2014-2018.

b. The phenomenon related to variables examined in the financial statements.

c. Retail Trade Sub Sector Company annual financial statements that earn consecutive profits during the period 2014-2018.

Based on the above criteria the sample taken is a total of 75 financial statements consisting of financial position statements and closing prices of stocks consisting of 15 companies from 2014 to 2018.

Data Testing Methods

Before the Simple Linear Regression Analysis is carried out, there needs to be a classic assumption test first in order to obtain more accurate results. Some assumptions include:

a. Normality Test, to know whether or not distribution is normal.

b. Multicholinearity Test, to determine whether there is a correlation between free variables.

c. Test Heterokedastisitas, to know in a regression model occurs variable inequality

d. Auto correlation test, to see if in a linear regression model there is a strong relationship between both positive and negative variables.

Simple Linear Regression Analysis

In this study, a simple linear regression analysis aims to find out how much the Stock price can be affected by the current ratio. Correlation Analysis can measure whether or not the linear relationship between current ratio (X) and Stock Price (Y) can be measured and has the purpose to ensure that in reality the Stock Price can be influenced by the Current Ratio. Furthermore, the Determination Coefficient is used to determine the effect of Current Ratio (X) and Stock Price (Y) by using determination coefficient analysis or abbreviated Kd obtained by squabmrating the correlation coefficient. It is known that the average Current Ratio (CR) in Retail Trade Sub Sector Companies listed on the Indonesia Stock Exchange for the Period 2014-2018 is 4.86% with a minimum value of 0.54% and a maximum value of 25.6%.

Verifiative Analysis Results

Classic Assumption Test

    a. Normality Test

The dots follow a diagonal line although it spreads slightly but the spread is not too far from the diagonal line, and the value of Asymp. Sig. (2-tailed) of both variables is greater than 0.05 so the distribution of the data is declared normal.

b. Multicholinearity Test

VIF generated 1,000 < 10 and tolerance 1,000 > 0.10 which means there are no symptoms of multicholinearity in the data.

c. Test Heterokedastisitas

Based on the scatterplot chart shows that there is a clear pattern as well as a point that spreads above and below the number 0 on the Y axis.

d. Auto correlation test

Testing using the Durbin–Watson test on residual regression equations obtained the value Durbin Watson = 1,095 with the number of free variables (k) =1, sample (n) = 75 and du = 1,652. So du < dw < 4-du, (1,652 < 1,095 < 2,348), so it can be concluded there is no auto correlation.

Hypothesis Testing

CR Hypothesis Testing of Stock Price

The result of calculating the statistical value of the t test obtained shows the t-count for the Current Ratio variable (X) greater than ttabel (t = 6.731>1,993), then obtained ho test results rejected. These results are also indicated by a statistical test significance (p-value) for variable X of 0.005. This means that the error of saying there is an influence of the Current Ratio (X) on the Stock Price is very small or means smaller than the acceptable error rate of 5%. Simple Linear Regression Analysis judging from the calculation of regression coefficients can be known that the simple regression equation used is as follows: Where : Y = Stock Price X = CR

a. Constant value of 448,383. This indicates that if all independent variables are worth 0, the Stock price is worth 605,146.

b. Current Ratio (X) has a positive regression coefficient of 87,321. This indicates that any addition of 1 percent Current Ratio will increase the Stock price by Rp.84.104.

The effect of Current Ratio on The Stock Price on Trading and Retail Sector Companies can be calculated by calculation: Kd = (r)2 x 100 % = (0.619) 2 x 100% Kd = 38.32% Based on the above calculation results then other un scrutinized factors that affect the Stock price outside the Current Ratio (CR) are 61.68%.

III. RESULT AND DISCUSSION

Based on the results of the research shows that the Current Ratio has a strong influence with a positive Stock price, which means that if the Current Ratio increases it will be followed by an increase in the Stock price and vice versa. The amount of current ratio influence on the Stock price in Retail Trading companies is 38.32% while the remaining 61.68% is influenced by other factors such as return on asset (ROA), return on equity (ROE), net profit margin (NPM), price earning ratio (PER), dividend per Stock (DPS). Cr can also be conveyed as "window dressing" by management.

Management can take certain steps to make the balance sheet look good resulting in good CR value. With this possibility, investors may be cautious in choosing which ratios will be considered so there is a possibility that investors do not include CR in their considerations.

This is in line with the theory put forward [2] stating that when the company has high liquidity then investors will be interested in the company a and will also have an impact on the Stock price which is likely to rise due to the high demand on the stock. Furthermore, in line with the results of previous studies conducted [13]. Variable Current Ratio to Stock Price, based on the results of the study, it can be known that current ratio affects the Stock price of manufacturing companies. It can be explained based on the research that liquidity proxies with CR have a positive effect on the Stock price. The greater the comparison of current assets with current debt the higher the ability of the company to cover its short-term liabilities, if the bank is believed to be able to pay off its short-term liabilities then the bank is in good condition and can increase its Stock price because investors are interested in the financial condition of banks like this.

IV. CONCLUSION

Current Ratio (CR) affects the Stock Price in Retail Trading Companies For the Period 2014-2108 has a positive relationship between current ratio and Stock price, meaning that if the Current Ratio increases then the Stock Price increases as well as vice versa. There are suggestions given in this study, among others: For retail trade sub-sector companies listed in IDX it is advisable for companies to pay more attention to current ratios in order to increase the productivity of the company and increase the company's profit which will attract investors and can increase the Stock price; For Investors and prospective investors it is advisable to pay attention to the financial ratios of the company in making investment decisions in order to provide the best results. For further researchers interested in research in the field of capital markets it is advisable to consider other fundamental factors that influence changes in the Stock price as well as be able to provide additional information in predicting the Stock price.

V. ACKNOWLEDGMENTS

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