

Effect of Liquidity Ratio, Solvency Ratio, Activity Ratio, Profitability Ratio on Price Earning in Manufacturing Companies Listed on the Indonesia Stock Exchange for the period 2019 – 2022

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ABSTRACT

This study aims to determine the effect of liquidity ratio, solvency ratio, activity ratio, and profitability ratio on price earning in manufacturing companies listed on the Indonesia Stock Exchange. This research is a quantitative study using secondary data in the form of financial reports of companies listed on the Indonesia Stock Exchange for the period 2019-2022. Determination of the sample in this study using purposive sampling. The analysis carried out is Descriptive Statistical Test, Classical Assumption Test, Multiple Linear Regression Test (R²), and Determination Coefficient Test. The independent variables used in this study are liquidity ratio (X1), solvency ratio (X2), activity ratio (X3), and profitability ratio (X4). While the dependent variable is price earning (Y). The results showed that there was no significant effect of the liquidity ratio, solvency ratio, activity ratio, and profitability ratio on price earning in manufacturing companies listed on the Indonesia Stock Exchange.

Keywords: Liquidity Ratio, Solvency Ratio, Activity Ratio, Profitability Ratio, Price Earning Ratio

INTRODUCTION

The COVID-19 pandemic has significantly impacted the Indonesian economy, ranging from changes in the world supply chain to a decrease in foreign investment in Indonesia. The decline can be seen through a slowdown in economic growth, which fell from 5.02 percent in 2019 to 2.97 percent in 2020. The slowdown in economic growth was also followed by an increase in unemployment, which, according to World Bank data, increased from 5.28 percent in 2019 to 7.07 percent in 2020. 2019 to 7.07 percent in 2020 (Melati, 2023).

The condition of its capital market can reflect the condition of an economy. A country's macroeconomic conditions correlate to the condition of its capital market, but the capital market tends to be more reactive to potential crises. This tendency occurs because, in general, capital market participants are forward-looking, which is a future estimate of the company's financial performance. In Indonesia, the Covid-19 pandemic has increased economic uncertainty to a great extent. This then became one of the leading causes of the decline in investor confidence, impacting the volume of investments made.

Another study by Umsida students on financial ratios to PER (Mukhlis & Nurasik, 2023) found that the liquidity ratio affects PER, the solvency ratio affects PER, and the activity and profitability ratios both affect PER.

PHENOMENON TABLE

Saham Code	Year	Profit After Tax	Total Assets	Sale	Total Debt
AMRT	2019	1.138.888	23.992.313	72.994.988	17.108.006
	2020	1.088.477	25.868.106	75.826.880	17.853.981
	2021	1.963.050	27.370.210	84.904.301	17.942.427
	2022	2.907.478	30.746.266	96.924.686	19.275.574
DAYA	2019	18.539	730.497	1.094.836	560.812
	2020	-	708.529	886.244	588.386
	2021	-	689.124	971.296	617.180
	2022	-	687.502	1.161.587	653.464
DMND	2019	366.863	5.570.651	6.913.792	2.287.060
	2020	205.589	5.680.638	6.110.155	1.025.042
	2021	351.470	6.297.287	6.973.718	1.277.906
	2022	382.105	10.573.223	8.461.768	1.467.035
EMPT	2019	580.814.677	8.704.958.834	22.226.912.485	2.575.650.387
	2020	679.870.547	9.211.731.059	22.545.419.368	2.652.274.698
	2021	846.240.999	9.729.919.645	25.673.756.765	2.882.998.501
	2022	842.590.883	10.402.356.923	28.027.488.218	3.264.730.959

<https://www.idx.co.id/id>

LITERATURE REVIEW

A. Effect of Liquidity on Price Earning ratio

Current Ratio, a ratio that measures the Company's ability to pay current debt using current assets owned. If the cash flow in working capital reflects optimal working capital activity, it can be said that the Company's liquidity level is in good condition. With the increase in liquidity (current ratio) the company has the opportunity to increase earnings or income from the company's activities, so that the PER value is higher. Profit from the company's activities, so that the PER value is getting higher (Anggraini, 2012). The results of research conducted by (Sari et al., 2021) state that the current ratio has a positive and significant effect on price earning has a positive and significant effect on price earning ratio.

$$\text{Current ratio} = \frac{\text{Current Asset}}{\text{Current Liabilitie.}}$$

B. Effect of Dept to Equity Ratio on Price Earning Ratio

A high solvency ratio indicates that the company's assets are more heavily financed by debt. If the debt is used to increase fixed assets, sales will increase so that profits will also increase. A high debt to equity ratio indicates that the company utilizes debt more than it utilizes equity, this can lead to increased forests and decreased solvency or the company's ability to pay / pay off its debts is low.

$$\text{DER} = \frac{\text{Total Liabilitas}}{\text{Total Persediaan}}$$

C. Effect of Activity Ratio on Price Earning ratio

Activity ratios such as inventory turnover can affect the price earning ratio (PER). PER is a ratio used to assess the cheapness of shares based on the company's ability to generate net income. The higher the PER, the higher the share price. This means the performance of each share will be better. The following is the formula for finding the activity ratio:

$$\text{Inventory Turn Over} = \frac{\text{Total Penjualan}}{\text{Total Persediaan}}$$

D. Effect of Profitability Ratio on Price Earning ratio

Profitability ratios and PER have different effects on companies and stock prices. The profitability ratio shows the company's ability to generate profits from invested capital. High profitability is a positive benchmark that the company is in good condition and is able to provide prosperity for shareholders, this will attract investors to invest. PER can be a determinant of stock prices because it can predict future profits. The higher the PER, the higher the profit growth expected by investors so that stock returns will also increase. The following formula looks for profitability ratios:

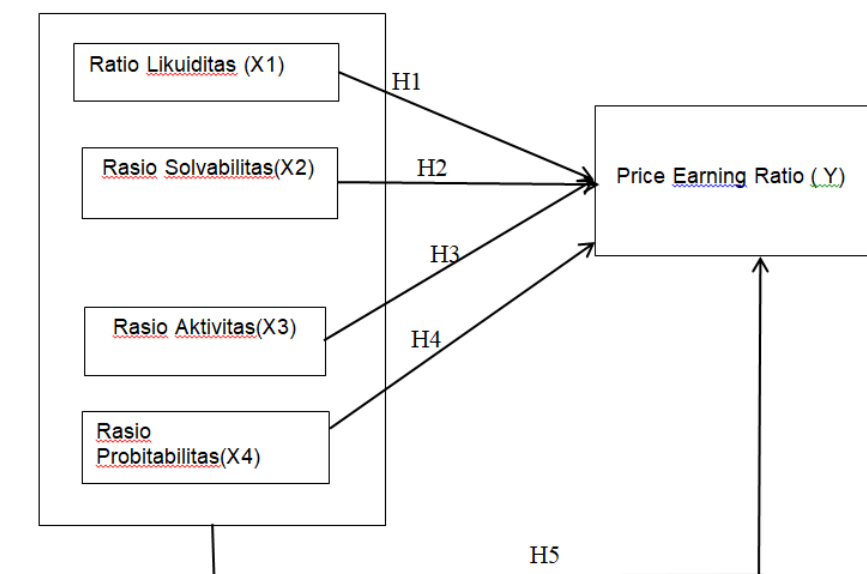
$$\text{ROA} = \frac{\text{Total Laba Bersih}}{\text{Total Aset}}$$

E. Price Earning Ratio

Price Earning Ratio affects the amount of numbers commonly used to predict the price valuation of a stock. Later this PER will become numbers that go into analyzing the financial fundamentals of a company. PER will show an indication that the current share price is equivalent to how much the net return is in one year (RHBTradesmart). within one year (RHBTradesmart, 2023).

$$\text{PER} = \frac{\text{Harga per Lembar Saham}}{\text{Laba per Lembar}}$$

CONCEPTUAL FRAMEWORK



METHODS

● Approach and Type of Research

This study uses a quantitative research approach with secondary data as the data source (Hermawan and Amirullah in Mukhlis and Nurasik, 2023). The secondary data used in this study are Annual Financial Reports on manufacturing companies, especially those engaged in the Consumer Non-Cyclicals Food and Staples Retailing Sub-sector listed on the Indonesia Stock Exchange (IDX) for the 2019-2022 period (IDX) for the period 2019-2022.

● Population and Sample

Population

The population in this study are all manufacturing companies engaged in engaged in the Consumer Non-Cyclicals Sub-sector Food and Staples Retailing which are listed on the Indonesia Stock Exchange for the period 2019-2022.

Sample

The sample selection technique used in this research is Purposive Sampling Technic with random choices chosen by the author directly.

Tabel . sampling criteria

NO	KETERANGAN	Jumlah
1	Perusahaan manufaktur yang terdaftar di BEI berdasarkan data statistic BEI tahun 2021	98
2	Perusahaan manufaktur Subsektor F&B	(72)
3	Perusahaan manufaktur Subsektor Tobacco dan Nondurable Household Product	(14)
4	Sampel perusahaan terpilih	12
	Jumlah sampel (12 x 4 Periode)	48 Sample

This research uses multiple regression analyses.

RESULTS

● Descriptive Statistics Test

		Minimum	Maximum	Mean	l. Deviation
_Current_Ratio	48	,56	8,63	1,6995	1,42845
_DER	48	,12	24,56	4,0279	5,96270
_TATO	48	,45	4,57	2,0232	,89332
_ROE	48	-807,21	43,76	-34,7924	129,15664
PER	48	-265,71	483,33	15,6458	94,45245
-Valid N (listwise)	48				

From the table above, it can be concluded as follows:

The Dependent Variable (Y) has a minimum value of up to -265.71 and a maximum value of 483.33, with a standard deviation of 94.45 and an average of 15.65. maximum value of 483.33, with a standard deviation of 94.45 and an average of 15.65. For the independent variable X1 or liquidity ratio has a minimum value of 0.56, a maximum value of 8.63, with a

standard deviation of 1.42 and an average of 1.69. The X2 variable or solvency ratio has a minimum value of 0.12, a maximum value of 24.56, a standard deviation of 1.42 and an average of 1.69. maximum value of 24.56, standard deviation of 5.96, and average of 4.02. While the X3 variable or activity ratio, has a minimum value of 0.45, a maximum value of 4.57, a standard deviation of 0.89 and an average of 2.02. And finally, variable X4 or profitability ratio has a minimum value of -807.21, a maximum value of 43.76, a standard deviation of 129.15 and has an average of -34.79.

From the tests obtained from 48 data samples and 12 companies viewed from their annual financial statements, the lowest minimum value and the highest maximum value are found in the activity ratio. Where the value in this activity ratio is obtained from profit after tax divided by total equity. During the pandemic, many companies experienced a decline which resulted in a decrease in the company's revenue which also made shares fall.

Uji Normalitas
One-Sample Kolmogorov-Smirnov Test

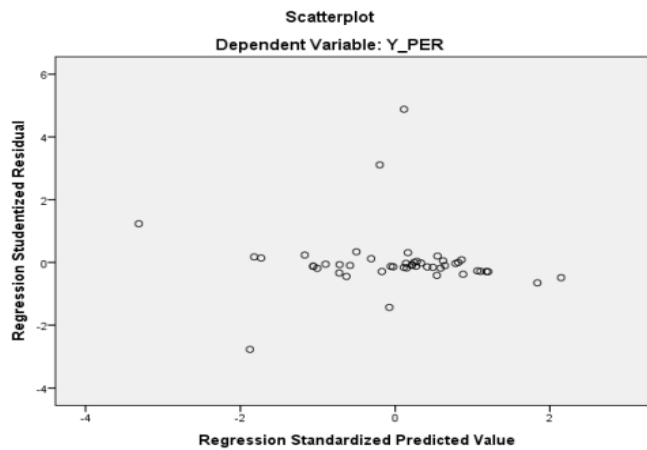
		Unstandardized Residual
N		48
Normal Parameters a,b	Mean	,0000000
	Std. Deviation	92,84309616
Most Extreme Differences	Absolute	,304
	Positive	,304
	Negative	-,268
Test Statistic		,304
Asymp. Sig. (2-tailed)		,000c

Test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

Based on the normality test using the Kolmogorov Smirnov test, the table above shows that the relationship between variables is normal. With the result of the statistical test 0.304 which means far from 5% or the significant probability is 0.05



Uji Heterokedastisitas

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	113,930	47,818		2,383	,022
X1_Current_Ratio	-10,121	10,266	-,173	-,986	,330
X2_DER	-5,667	3,894	-,404	-1,455	,153
X3_TATO	-20,602	15,332	-,220	-1,344	,186
X4_ROE	-,220	,171	-,340	-1,287	,205

a. Dependent Variable: ABRESID

Autocorrelation Test

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	-19,020	54,938		-,346	,731
X1_Current_Ratio	6,833	11,794	,103	,579	,565
X2_DER	,046	4,474	,003	,010	,992
X3_TATO	12,967	17,614	,123	,736	,466
X4_ROE	,097	,196	,132	,493	,625

a. Dependent Variable: Y_PER

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	-19,020	54,938		-,346	,731
X1_Current_Ratio	6,833	11,794	,103	,579	,565
X2_DER	,046	4,474	,003	,010	,992
X3_TATO	12,967	17,614	,123	,736	,466
X4_ROE	,097	,196	,132	,493	,625

a. Dependent Variable: Y_PER

From the Summary table above, it is known that the Durbin-Watson test result is 1.268 while the result in the t table is 1.7206. This means $DW > dU$. Another requirement, $DW < 4 - dU$ ($1.268 < 4 - 1.7206$). From the results of this test calculation, it can be concluded that between variables X and Y have autocorrelation.

The regression test results based on the above equation are explained as follows :

$$PER = -19.020 + 6.833 CR + 0.046 DER + 12.967 TATO + 0.097 ROE + 54.938$$

The above equation has meaning:

-The constant (A) of -19,020 means that if all independent variables = 0, then Price Earning is -19,020. independent variables = 0, then Price Earning is -19,020.

-Current Ratio (X1) has a regression coefficient of 6.833, which means that every increase in Current Ratio by 1 unit, the price earnings of the company manufacturing companies rises by 6.833 assuming other factors remain or ceteris paribus.

-Debt to Equity Ratio (X2) has a regression coefficient of 0.046 which means that every increase in DER by 1 unit, the price earning of manufacturing companies increases by 6.833. meaning that every increase in DER by 1 unit, the price earning of manufacturing companies increases by 0.046 with the assumption that other factors are fixed oreteris paribus. manufacturing companies increases by 0.046 assuming other factors are constant or ceteris paribus OR ceteris paribus

-Return On Asset (X4) has a regression coefficient of 0.097, which means that every increase in ROA by 1 unit, the price earning of manufacturing companies increases by 0.097, assuming other factors are constant or ceteris paribus ceteris paribus.

Test Coefficient of Determination (R²)

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,184 ^a	,034	-,056	97,06537

a. Predictors: (Constant), X4_ROE, X3_TATO, X1_Current_Ratio, X2_DER

b. Dependent Variable: Y_PER

To see the results of the Coefficient of Determination (R²) test in the table above, it is sufficient to focus on the Adjusted R Square column, because the independent variables

are more than two. In the table above the Adjusted R Square value is -0.56. This means that of the 4 independent variables, all four have no effect except in a very small percentage, namely 0.56. very small percentage of 0.56%.

Reporting Research Results

Hypothesis Test

Hypothesis testing is divided into two, namely the Partial test or t-test and F-test. Both are described as follows :

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	-19,020	54,938		-,346	,731
X1_Current_Ratio	6,833	11,794	,103	,579	,565
X2_DER	,046	4,474	,003	,010	,992
X3_TATO	12,967	17,614	,123	,736	,466
X4_ROE	,097	,196	,132	,493	,625

a. Dependent Variable: Y_PER

To see the results of the t-test or partial test, focus on the "t" and "sig" columns with the following conditions :

Variabel	Sig.	Probability	Hasil Uji	Keterangan
X1	,565	0,05	Sig. > Probability	Tidak ada pengaruh = H ditolak
X2	,992	0,05	Sig. > Probability	Tidak ada pengaruh = H ditolak
X3	,466	0,05	Sig. > Probability	Tidak ada pengaruh = H ditolak
X4	,625	0,05	Sig. > Probability	Tidak ada pengaruh = H ditolak

Based on the Significance value,

- If the Significance (Sig) value < Probability 0.05 then there is an influence of the independent variable (X) on the dependent variable (Y) or the hypothesis is accepted.

- If the Significance (Sig) value > Probability is 0.05 then there is no influence of the independent variable (X) on the dependent variable (Y) or the hypothesis is rejected.

Based on the comparison of the calculated t value with the t table

- If the t-value is calculated > t the table, then there is an influence on the independent variable (X) on the dependent variable (Y) or the hypothesis is accepted.

- If the t-value is calculated < t of the table then there is no influence on the independent variable (X) on the dependent variable (Y) or the hypothesis is rejected.

Uji-F

ANOVA^a

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	14166,940	4	3541,735	,376	,825 ^b
Residual	405132,504	43	9421,686		
Total	419299,444	47			

a. Dependent Variable: Y_PER

b. Predictors: (Constant), X4_ROE, X3_TATO, X1_Current_Ratio, X2_DER

To see the results of the F-test or Partial test, focus on the "F" and "sig" columns with the following conditions:

Based on the Significance value of the Anova output

- If the Significance (Sig) value < 0.05 then there is an influence of the independent variable (X) on the dependent variable (Y) or the hypothesis is accepted.
- If the Significance (Sig) > 0.05 then there is no influence of the independent variable (X) on the dependent variable (Y) or the hypothesis is rejected.

Sig.	Probability	Hasil Uji	Keterangan
,825 ^b	0,05	Sig. > Probability	Tidak ada pengaruh = H ditolak

Based on the comparison of the value of F calculation and F table

- If the F value is calculated > F of the table, then there is an influence on the independent variable (X) on the dependent variable (Y) or the hypothesis is accepted.

F hitung	F tabel	Hasil Uji	Keterangan
,376	2,61	F hitung < F tabel	Tidak ada pengaruh = H ditolak

- If the F value is calculated < F table then there is no influence on the independent variable (X) on the dependent variable (Y) or the hypothesis is rejected.

DISCUSSION

- From the results of the analysis that has been described in the previous sub-sections, it can be described as follows:
 1. Liquidity Ratio affects Price Earning in manufacturing companies listed on the IDX in 2019-2022. Liquidity ratio which is a metric used to measure the company's ability to pay off its short-term debt and obligations. So in this study, the Liquidity Ratio (X1) which is an independent variable has no effect on the dependent variable (Y) or Price Earning.
 2. Solvency Ratio affects Price Earning Solvency ratio is the main metric used to measure the company's ability to fulfill its debt obligations. So in this study, the Solvency Ratio (X2) which is an independent variable does not affect the dependent variable (Y) or Price Earning.

effect on the dependent variable (Y) or Price Earning. Activity Ratio affects Price Earning

3. The Activity Ratio is a financial metric that shows how efficiently the company utilizes assets on its balance sheet. efficiently the company utilizes assets on its balance sheet. So in this study the Activity Ratio Activity Ratio (X3) which is an independent variable has no effect on the dependent variable (Y) or Price Earning. dependent variable (Y) or Price Earning.
4. Profitability Ratio affects Price Earning Profitability ratio is a ratio or comparison to determine the company's ability to earn profit (profit) from revenue (earning) related to sales, assets, and equity based on certain basic measurements. So in this study, the Profitability Ratio (X4) which is an independent variable has no effect on the dependent variable (Y) or Price Earning.
5. Liquidity Ratio, Solvency Ratio, Activity Ratio, and Profitability Ratio affect Price Earning. In the previous four discussions, it has been explained that both liquidity, solvency, activity, and profitability ratios have no effect on price earnings. In this study, where data is taken from the Financial Statements of Manufacturing companies, it has absolutely no effect, especially during the Covid-19 Pandemic, the demand for manufactured goods, especially food, did not experience a negative impact or decline. This is due to the limitation of activities outside the home so that demand increases through online channels.

CONCLUSION

Based on the results of data analysis on the effect of liquidity ratios, solvency ratios, activity ratios and profitability ratios, each of which is proxied by current ratio (CR), debt to equity ratio (DER), total asset turnover (TATO), and return on equity (ROE) on price earning ratio (PER) in manufacturing companies listed on the Indonesia Stock Exchange for the period 2019-2022, it can be concluded:

- 1) Liquidity ratio has no significant effect on PER in manufacturing companies listed on the Indonesia Stock Exchange for the period 2019-2022. manufacturing companies listed on the Indonesia Stock Exchange for the 2019-2022 period.
- 2) Solvency ratio has no significant effect on PER in manufacturing companies listed on the Indonesia Stock Exchange for the 2019-2022 period.
- 3) Activity ratio has no significant effect on PER in manufacturing companies listed on the Indonesia Stock Exchange for the period 2019-2022. manufacturing companies listed on the Indonesia Stock Exchange for the period 2019-2022.
- 4) Profitability ratio has no significant effect on PER in manufacturing companies listed on the Indonesia Stock Exchange for the 2019-2022 period.
- 5) Liquidity ratio, solvency ratio, activity ratio and profitability ratio have no significant effect on PER in manufacturing companies listed on the Indonesia Stock Exchange for the 2019-2022 period.