

Monetary Performance Effect Towards the Stock Value of Automotive Subsector Company in Indonesia Stock Exchange (IDX) 2017 – 2019 Period

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ABSTRACT

The research is conducted to find out about the effect of Profitability and Liquidity towards registered subsector Automotive Industry Company Stock Value in Indonesia Stock Exchange (IDX) 2017 – 2019 Period. The factor tested in the research is Stock Value as dependent variable (not independent), whereas independent variable is Profitability variable which measured by Return on Equity (ROE) Indicator and Liquidity Variable by Current Ratio (CR). The used research type is quantitative research with research population are 13 company and sampling are 11 company by Purposive Sampling technic which appointed according to criteria. Moreover, the research using multi-regression analysis with signification 5%, which manage by Eviews 10 program. The outcome research showing that the Profitability variable (ROE) partially, have significant effect towards stock value, whereas Liquidity variable (CR) doesn't have significant effect towards stock value. However, Profitability (ROE) and Liquidity (CR) variable affected towards stock value simultaneously.

Keywords

Profitability, liquidity, stock value

Introduction

The growth in sector automotive demand the company to competing fiercely in maintaining their business. The fund should be required highly, which achieved through fund market. The contribution of automotive sector is one of sector which give high contribution to Indonesia. The high company value would attract the investor to investing in the company. Stock assessment collected from fund market is become a sign, before the investor start stock investing towards a company.

The applied stock value in stock exchange is witness fluctuation or fickle whether rising or dropping. The case is affected by the factors which affection the stock value. The affecting factors for stock value are divided into 2, internal and external factor. The external factor is conducted by something from outside company and uncontrollable by company management, whereas internal factor come from inside company and controllable by company management (Wuryaningrum, 2015).

Profitability is a company ability to produce profit using company owned sources such as, assets, fund or marketing. If company categorized as profitable or promising advantage in coming period, therefore fund would be invested by many

investors to purchase stock company, then increasing the stock value higher (Sudana, 2009).

Liquidity indicate the company ability in pay of its finance obligation soon. This ratio is usable to find out common liquid asset scale changed become cash for accidental demand paid. If company can't settle the demand, the company would be threatened bankrupt (Raghilia, 2014).

Performance analysis with monetary ratio would be help the investor for choosing a good prospect company, which delivering advantages, however not all various company can be compared with the analysis of ration. Ration analysis only give valued result, if compared between industry companies of a kind, because it depends the advantages and disadvantages of ration value of industrial company kind (Indra, 2014).

Emiten company performance and stock value movement move unidirectionally. It means, if company performances are good, the stock value would be increasing. Otherwise, if company performance bad, the stock value would be dropping (Widoatmodjo 2012).

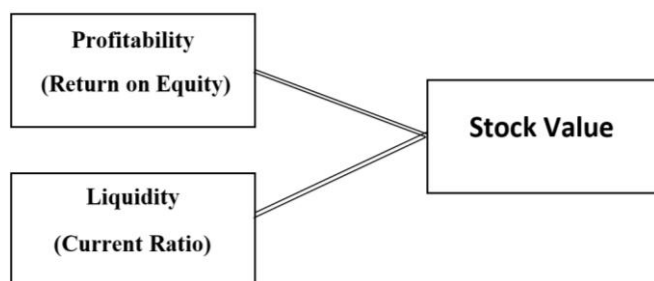
The theory is not always suit with the exist fact. In accordance with PT. INDO KORDSA TBK monetary reports one of automotive industry

company sector and the component shows case example that the unsuitable between theory and fact exist. PT. INDO KORDSA TBK record net profit in 2019 worth USD 25.538.565. Inversely proportional with the stock value. The PT, INDO KORDSA TBK stock value increase from Rp. 6.100/stock to Rp. 10.800/stock in period 2018 – 2019.

The existence of unsuitable between the recorded theory and fact in monetary of PT. INDO KORDSA TBK report. The happened phenomenon become a basic for researcher in further study about profitability and liquidity effect towards stock value. The research conducted to analyzing effect between Return On Equity and Current Ratio towards stock value closure.

Theoretical Framework

Based on Martalena and Malinda (2011), the stock value affected by internal and external factors. One of the internal factors which affecting the stock value is monetary performance. Liquidity and Profitability is measurable monetary ratio for monetary performance.



The debt is one of the factor causes bankrupt in companies, therefore companies' ability in pay the debt are very concerned by the investor. The investor wish company in liquid condition. Liquid means fit and good condition of the companies, by the reason of debt paid in time.

Profitability represents that company fit or not. Based on Brigham and Houston (2015), profitability is final result of collected policies and decisions which conducted by companies. The company with high profit is attracting the investor to invest.

If liquidity and profitability in good condition, then the company has fit and good performances. Investor would be attracted by the good and fit performance condition until the stock value increasing by the reason many investors purchased the companies' stock.

Methodology

The usage method in this research is quantitative research method. Quantitative research method is used in sample and population researching method indirectionally general. Quantitative research commonly uses explanation design which object analysis explanatory research.

Population in this research are registered automotive companies sector in Indonesia Stock Exchange (IDX) 2018 – 2019 period. Population total in this research are 13 automotive and component companies in 2017 – 2019.

Used sample by the researcher is non probability sampling/non random sampling or purposive sampling. As for selected criterion for sample in this research:

1. Registered automotive companies in Indonesia Stock Exchange (IDX) 2017 – 2019 period
2. Unregistered automotive companies in Indonesia Stock Exchange (IDX) since 2017 – 2019

Multiple Linear Regression Analysis used for measures the effect between more than one predictor variable (independent variable) and dependent variable.

$$\text{Formula: } Y = a + b_1X_1 + b_2X_2 + \dots + b_nX_n$$

Annotation:

Y = Dependent Variable

A = Constant

b₁, b₂ = Regression coefficient

X₁, X₂ = Independent variable

The hypothesis test in this research using individual significant parameter test (t test) and hypothesis test simultaneously (f test).

t test conducted towards the regression coefficient partially. The test conducted to find out the

significance role between independent variable and dependent variable partially by assumed that another independent variable is constant.

$$t = \frac{r\sqrt{n-2}}{\sqrt{1-r^2}}$$

Annotation:

t = t distribution

r = partial correlation coefficient

r² = determination coefficient

n = the amount of data

The used basic of taking decisions in t test are:

1. If probability < 0.05, therefore X variable has significant effect partially towards Y variable
2. If probability > 0,05, therefore X variable has not significant effect partially towards Y variable

(t-test) then the calculation result compared with the table by using error level 0.05. The used criterion are:

1. Ho rejected or Ha accepted, if $t_{count} > t_{table}$ / - $t_{count} < -t_{table}$.
2. Ho accepted or Ha rejected, if $t_{count} < t_{table}$ / - $t_{count} > -t_{table}$.

The F test conducted to regression coefficient simultaneously. The test applied to find out the effect of whole independent variable existed in model simultaneously towards dependent variable.

$$F = \frac{R^2 / k}{(1 - R^2) / (n - k - 1)}$$

Annotation:

R² = Coefficient of determination

K = Number of independent variables

N = Number of data member or cases

The hypothesis in the study is formulated as follows:

1. If the value of F-count > F-table, so variable X simultaneously has a significant impact to Y.
2. If the value of F-count < F-table, so variable X simultaneously does not have a significant impact to Y.

The results of F in this calculation are compared with the F table obtained by using a risk level or a

significant level of 5% or a freedom degree = k (n-k-1).

The determine of acceptance and rejection of allegations or hypothesis submitted with criteria;

1. F-count ≥ F-table: H0 is rejected and Hα is accepted.
2. F-count ≤ F-table: H0 is accepted and Hα is rejected.

Results and Discussion

Correlation Analysis

Normality test

Based on the result of normality testing using Jarque-Bera test with the help of Eviews 10 software, the results are obtained in the Figure 1.

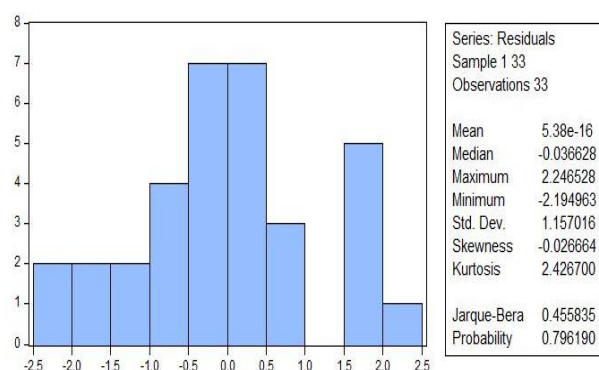


Figure 1. Normality test results

Source: Output Eviews 10 Result, 2020

Based on Figure 1, the results of normality test data show the Jarque-Bera value is 0,455835 smaller than 2 and the value of probability is 0.796190 bigger than the error rate of 0.05 or 5%. It can be included that in this study the regression model is normal distribution so that this study has met one of the requirements for submitting regression.

Multicollinearity test

In this study are using variance inflation factors (VIF) as an indicator of the existence of multicollinearity between independent variables.

Table 1. Multicollinearity test results

Variance Inflation Factors
Date: 11/22/20 Time: 00:18
Sample: 1 33
Included observations: 33

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	0.097403	2.251016	NA
X1	1.940585	1.583775	1.161118
X2	0.007693	2.562940	1.161118

Source: Output Eviews 10 Result, 2020

Based on VIF values are obtained as seen on Table 1 showed there is no strong correlation between independent variable ROE (X_1) and CR (X_2), where VIF values from both independent variables are smaller than 10 ($1.161118 < 10$) so it can be concluded that there is no multicollinearity symptoms between both independent variables.

Heteroscedasticity test

With the help of Eviews 10 software are obtained results as follows:

Table 2. Heteroscedasticity test results

Heteroskedasticity Test: White

F-statistic	1.088392	Prob. F(5,27)	0.3893
Obs*R-squared	5.535569	Prob. Chi-Square(5)	0.3541
Scaled explained SS	3.263470	Prob. Chi-Square(5)	0.6594

Source: Output Eviews 10 Result, 2020

Based on the results of Table 2, it can be concluded that regression model is free from heteroscedasticity problems, those results are showed by the probability value Obs*R-Square is 0,3541 which bigger than 0,05, so that the assumption of heteroscedasticity for regression testing has been fulfilled.

Autocorrelation test

To know that autocorrelation occurs using Durbin-Watson test with the help of Eviews 10 program in Table 3 as follows:

Table 3. Autocorrelation test results

R-squared	0.055476	Mean dependent var	7.071897
Adjusted R-squared	-0.007492	S.D. dependent var	1.190510
S.E. of regression	1.194961	Akaike info criterion	3.280613
Sum squared resid	42.83798	Schwarz criterion	3.416659
Log likelihood	-51.13011	Hannan-Quinn criter.	3.326388
F-statistic	0.881013	Durbin-Watson stat	1.739959
Prob(F-statistic)	0.424811		

Source: Output Eviews 10 Result, 2020

Based on table above obtained Durbin-Watson value of 1.739959. Because the value of $dL < D-W < 4 - dU$, or $1.38335 < 1.739959 < 4 - 1.50784 = 2,49216$ so it can be concluded that there is no autocorrelation.

Regression Analysis

The results of processing Eviews software for multiple regression analysis are presented in the table below:

Table 4. Multiple linear regression results

Dependent Variable: HARGA_SAHAM
Method: Least Squares
Date: 11/22/20 Time: 00:58
Sample: 1 33
Included observations: 33

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	7.257357	0.312095	23.25371	0.0000
ROE	1.244987	1.393049	0.893714	0.3786
CR	-0.109091	0.087711	-1.243756	0.2232

Source: Output Eviews 10 Result, 2020

Based on the calculation results on the table above, the form of multiple linear regression equation is obtained as follows:

$$Y = 7,257357 + 1,244987 X_1 - 0,109091 X_2$$

The coefficient regression values in the independent variables showed if the independent variables are estimated increased per one unit and the other independent variable value is estimated constant or equals zero, so the value of the dependent variable is estimated to increase or decrease in accordance with the sign of the regression coefficient of the independent variable.

From the equation of regression above are obtained constant value of 7,257357. It means if variable stock price (Y) cannot be influenced by both independent variables, there are Profitability (X_1) and Liquidity (X_2) (valued 0), then the size of average Stock Price (Y) will be worth 7,257357.

The coefficient regression for independent variable Profitability (X_1) valued positive showed the unidirectional connection between Profitability (X_1) and Stock price (Y). The coefficient regression of Profitability (X_1) variable is 1,244987 this means that for each increases in Profitability (X_1) by one unit, the Stock Price (Y) will increase by 1,244987.

The coefficient regression for independent variable Liquidity (X_2) valued negative showed the indirectional connection between Liquidity (X_2) and Stock Price (Y). The coefficient regression of Liquidity (X_2) variable is -0,109091 this means that for each increases in Liquidity (X_2) by one unit, the Stock Price (Y) will decrease by 0,109091.

Hypothesis Test

Partial test (t test)

Table 5. Partial test result (t test)

Dependent Variable: HARGA_SAHAM
Method: Least Squares
Date: 11/22/20 Time: 00:58
Sample: 1 33
Included observations: 33

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	7.257357	0.312095	23.25371	0.0000
ROE	1.244987	1.393049	0.893714	0.3786
CR	-0.109091	0.087711	-1.243756	0.2232

Source: Output Eviews Result 10, 2020

Based on the table above, the following results are obtained:

1. Profitability variable (X_1) has a significance value of 0.3786 and t count of 0.893714. Because the significance value ($0.3786 > 0.05$) and t count $< t$ table ($0.893714 < 1.69726$), then H_{01} is accepted, meaning that there is no significant effect of Profitability (X_1) on Stock Price (Y).
2. Liquidity variable (X_2) has a significance value of 0.2232 and t count of -1.243756. Because the significance value ($0.2232 > 0.05$) and t count $< t$ table ($-1.243756 < 1.69726$), H_{02} is accepted, meaning that there is no significant effect of Liquidity (X_2) on Stock Price (Y).

Simultaneous test (F test)

The results of the F test based on Eviews 10 software processing are presented in the following table:

Table 6. Simultaneous test results (F test)

R-squared	0.055476	Mean dependent var	7.071897
Adjusted R-squared	-0.007492	S.D. dependent var	1.190510
S.E. of regression	1.194961	Akaike info criterion	3.280613
Sum squared resid	42.83798	Schwarz criterion	3.416659
Log likelihood	-51.13011	Hannan-Quinn criter.	3.326388
F-statistic	0.881013	Durbin-Watson stat	1.739959
Prob(F-statistic)	0.424811		

Source: Output Eviews Result 10, 2020

From the table above, the significance value of F calculated is 0.424811 and f is calculated at 0.881013. Because the significance value ($0.424811 > 0.05$) and f count $> f$ table ($0.881013 < 3.33$), H_{03} is accepted, the meaning that there is no significant effect between Profitability (X_1) and Liquidity (X_2). Simultaneous to Stock Price (Y).

The condition of share price development in automotive sub-sector companies listed on the Indonesia Stock Exchange (IDX) in 2017-2019 has fluctuated. Likewise, if we look at the average stock price in the 2017-2019 period, there are 3 companies that have a share price value exceeding the average in 2019 and 8 companies that have a share price value less than the average share price in 2017-2019. This is because the price of shares is fluctuating which is determined according to the law of demand for supply or bargaining power. The more people who want to buy, the stock price tends to rise. Conversely, the more people who want to sell shares, the shares will move down.

Development conditions The current ratio in the automotive sub-sector listed on the Indonesia Stock Exchange (IDX) in 2017-2019 has increased. The data shows that the average CR ratio of the 11 Automotive Sub-Sector Companies listed on the Indonesia Stock Exchange (IDX) in 2017-2019 is 2.8079, there are 4 companies that have CR values exceeding the average CR in 2017-2019 and 7 companies that have CR value is less than the average CR in 2017-2019. These results show that CR in Automotive Sub-Sector Companies listed on the Indonesia Stock Exchange (IDX) in 2017-2019 can be said that it is in poor condition because the company exceeds the average The average CR is less than the companies that did not exceed the average in 2017-2019. Then the CR that exceeds the value exceeds the average is considered too high so that the company cannot take advantage of existing assets to generate greater profits.

The results showed that the profitability variable which is proxied by using the Return On Equity (ROE) ratio has an effect on the stock price of the automotive sub-sector companies listed on the Indonesia Stock Exchange (IDX) in 2017-2019. This means that the higher the Return On Equity (ROE) of a company, the higher the stock price will be. Return On Equity (ROE) has a strong relationship with stock prices because Return On Equity (ROE) has a strong influence on stock prices in Automotive Sub-Sector Companies listed on the Indonesia Stock Exchange (IDX) in 2017-2019.

From the research, it can be concluded that the liquidity variable, which is proxied by using the Current Ratio (CR) ratio, has a negative and insignificant effect on stock prices. The results of this study indicate a negative relationship between Current Ratio and Stock Price. This means that in normal circumstances, CR 1.5 can be considered good, while less than 1 indicates a short-term debt used to finance current assets. This ratio is calculated by dividing current assets by current liabilities. This short-term liquidity is important because it can result in the company going bankrupt.

The results of the above research indicate that profitability has an effect on stock prices. However, it is different with the liquidity as measured by CR, it can be said that it is not good and from the existing test results, CR has no effect on stock prices.

In the simultaneous test, which tests if one variable has an effect on variable Y, then the two variables have an effect so that it can be concluded that the profitability variable that uses the return on equity and liquidity indicators which uses the current ratio indicator has a simultaneous effect on stock returns in the Automotive Sub-Sector Companies listed in Indonesia Stock Exchange (IDX) 2017-2019. The results of the research are in accordance with Dewi Enggarwati (2016), Linda Ratnasari (2016), Ni Kadek Anggun Pramesthi Dewi Sujata and Ida Bagus Badjra (2020) which state that profitability and liquidity simultaneously influence the stock prices.

Conclusion

Based on the research results described above regarding the effect of profitability and liquidity on share prices in Automotive Sub-Sector Companies listed on the Indonesia Stock Exchange (IDX) 2017-2019, it can be concluded as follows:

1. The results show partially the profitability of Return on Equity (ROE) has a significant effect on stock prices. This means that investors view Return on Equity (ROE) as an important indicator of profitability.
2. The results of the study partially show Current Ratio (CR) has no significant effect on stock prices. This means that investors do not see the Current Ratio (CR) as an important liquidity indicator.
3. The results of the study simultaneously show that the profitability variable using the Return on Equity (ROE) indicator and liquidity using the Current Ratio (CR) indicator simultaneously affects stock prices in Automotive Sub-Sector Companies listed on the Indonesia Stock Exchange (IDX) in 2017-2019. The results of the study are in accordance with Dewi Enggarwati (2016), Linda Ratnasari (2016), Ni Kadek Anggun Pramesthi Dewi Sujata and Ida Bagus Badjra (2020) which state that profitability and liquidity simultaneously influence stock prices.

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