The Influence of Profitability, Liquidity, Solvency on Share Banking Sector Stock Price

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ARTICLES INFORMATION	ABSTRACT

The capital market is a place to trade financial instruments. The purpose of this study was to examine and analyze the impact of profitability, liquidity, and solvency on the share price of the banking sector listed on the IDX for the years 2018 through 2021. The sampling technique used in this study was purposive sampling which resulted in 47 companies with a total of 173 research data. Data analysis in this research used multiple linear regression models. This research resulted in the conclusions that profitability has a positive and significant impact on stock prices, while liquidity has a negative and significant impact on stock prices. The solvency variable has no impact on stock prices. For investors who want to invest in a company, they should pay attention to the profitability value in assessing a stock because profitability has the strongest influence on stock prices.

A. INTRODUCTION

As time goes by, business competition continues to grow. This will result in the publishing of new shares circulating in the capital market. The capital market, according to Harjito and Martono (2014:383), is a place where long-term finances, debt instruments, and equity capital are traded. There are approximately 159 businesses in the capital market in 2019–2021, according to data retrieved from the Indonesia Stock Exchange (IDX) website. With the capital market, people can invest in the long term or short term and become an investor in a stock. The development of the number of investors from year to year is also increasing, as evidenced by the graph of the development of the number of investors.

Graph 1. Investor Development Chart 2019-2022

Source: PT Kustodian Sentral Efek Indonesia, 2022

Based on graph 1, The fact that Indonesia has more investors each year is evidence that this research is still worthwhile. The banking industry is one area where investors pay closer attention. This is demonstrated by the fact that, among all sectors, the banking sector's total trading value, which was valued at $458,566, was the highest (Indonesia Stock Exchange, 2019). Additionally, from 2019 to 2022, equities from the banking industry such BBCA, BBRI, and BMRI dominated the top 5 businesses with the greatest market capitalization (Indonesia Stock Exchange, 2022). This proves that the banking sector has the potential to be used as an investment destination. In addition to conventional banks, the trend of digital banks has also increased in recent years. This is because digital transactions grew much higher, which amounted to 1556% in the period 2017-2020. In 2021, electronic money transactions amounted to IDR 786.35 trillion. When compared to the prior year, when this value was just IDR 504.96%, it climbed by 55.73% (Bank Indonesia, 2021).

In analyzing and predicting the price of a stock, investors can use various analysis methods, one of which is fundamental analysis. Fundamental analysis is a method of examining a business's financial performance with the goal of learning about its operational and fundamental features as a public corporation (Indonesia Stock Exchange). Fundamental analysis, which concentrates on the performance of financial statements, is used to measure financial ratios such profitability ratios, liquidity ratios, solvency ratios, activity ratios, and investment ratios. Fundamental analysis itself needs to be applied by stock investors because companies that have good fundamentals will cause stock price trends to rise and while shares from companies that have substandard fundamentals will cause the price trend of a stock to fall (Financial Services Authority).

Return on Asset, Current Ratio, and Debt to Equity Ratio were employed as independent variables in this study because based on signaling theory, these three financial ratios can affect stock prices. Signaling theory is a sign where the sender (owner of information) tries to provide relevant information to be used by the receiver (Spence; 1973). This signaling theory relates to Return on Asset since a higher Return on Asset ratio will provide investors with useful signaling information because it shows that management performance is improving at turning a profit such that it would have an impact on investors' faith in the firm. This signal theory is also related to the Current Ratio, because an increase in the current ratio can provide a good signal for investors because the company can resolve its debt issues. Investors typically are interested in stocks that generate positive signs, such as the repayment of short-term debt. Additionally, a high or growing debt-to-equity ratio sends a negative or alarming message to investors since it denotes a high degree of corporate debt, which drives up interest costs and lowers earnings for the company. Therefore, investors usually leave companies that give negative signals in the form of increased DER and choose companies with low DER levels.

Several previous researchers, including Dewi & Suwarno (2022), Amanah, et al (2014), Adikerta & Abundanti (2020), Mujiono & Prijati (2017), Pandansari (2012), Basalama, et al (2017), and Sondakh, et al (2015), have conducted research on profitability ratios projected by Return on Assets. The findings of these earlier studies demonstrate that the Return on Assets ratio influences stock prices in a favorable manner. Meanwhile, research conducted by Ekawati & Yuniati (2020), and Hamid & Dailibas (2021) demonstrates that stock prices are negatively impacted by the return on assets ratio.

The previous research on the liquidity ratio projected by Stock prices are significantly impacted by the current ratio conducted by Pratama & Erawati (2014), Mujiono & Prijati (2017), Amanah, et al (2014), Hamzah (2020), Sriwahyuni & Saputra (2017), Valintino & Sularto (2013), Setiyawan & Pardiman (2014), Batubara & Purnama (2018) shows a positive influence of Current ratio on changes in stock prices. While research conducted by Arista & Musadad (2020), Nurlia & Juwari (2019), Sitorus, et al (2020), and Amrah & Elwisam (2018) show distinct outcomes, that the current ratio has a negative influence on stock prices.

Several prior researchers, including Sondakh, et al. (2015), Ratih, et al. (2013), Dewi & Suaryana (2013), Ramadhani & Pustikaningsih (2017), Nugraha & Sudaryanto (2016), and Alifah & Diyani (2017), have undertaken study on the solvency ratio anticipated by the debt-to-equity ratio. The results of these previous studies show that the debt-to-equity ratio has a negative influence on stock prices. However, research conducted by Pratama & Erawati (2014), Dewi & Suwarno (2022), Ahmad, et al (2018), Adikerta & Abundanti (2020), Ramadhan & Nursito (2021), Pandansari (2012), and Basalama, et al (2017) shows different results, namely the debt-to-equity ratio has a positive influence on stock prices.

Researchers retested the influence of return on asset, current ratio, and debt to equity ratio on stock prices based on the phenomenon and results of earlier studies that produced conflicting findings. The advantage of this research is in the selection of the sample of companies to be studied. The samples selected in the study were types of conventional banks and digital banks. Because research on digital banks is still largely underrepresented in the literature, digital banks are also employed as study samples. So that by examining both types of banks, more accurate data can be obtained. The objective of this study was to analyze how much the influence of return on assets, current ratio, and debt-to-equity ratio had on changes in stock prices in the banking industry listed on the Indonesian Stock Exchange throughout the 2018–2021 timeframe. This research was conducted in the hope that it can be useful for investors as investment decision makers who want to invest their capital in the banking sector, both in conventional banks and digital banks, so that they can make wise stock selection decisions. Additionally, this research may serve as motivation for companies to enhance operations to provide strong

financial results. because the financial performance of the company may also affect stock prices.

B. LITERATURE REVIEW

Return on Asset

The return on the company's total assets is expressed as a ratio called return on asset (Kasmir, 2016: 201). Return on assets can also be interpreted as a tool to assess the ability of invested capital to generate returns in accordance with investor expectations (Fahmi, 2014). The higher and increasing Return on Asset value shows that the company has been successful in leveraging all its assets so that the company's profits have increased. Increasing company profits indicate that the performance of a company is getting better. Investors usually put their trust in stocks that have an increasing Return on Asset value to invest in. Investor confidence is what makes the company's share price increase. Signal theory also provides the same explanation that the increasing Return on Asset indicates that management's performance is getting better at making a profit. As a result, the rising Return on Asset value is a good indicator for investors and will influence their willingness to invest in the business, which will lead to an increase in the share price.

Additionally, earlier research by Dewi & Suwarno (2022), Amanah, et al (2014), Adikerta & Abundanti (2020), Mujiono & Prijati (2017), Pandansari (2012), Basalama, et al (2017), and Sondakh, et al (2015) that supports or is consistent with this signal theory demonstrates that the Return on Assets ratio has a positive influence on stock prices. The researchers formulate the following hypothesis considering the aforementioned information:
H1: Return on Assets (ROA) has a positive influence on stock price.

Current Ratio

According to Kasmir (2018: 134), The current ratio measures a company's ability to pay down its current liabilities or commitments when fully billed. Additionally, according to Hery (2018: 152) The current ratio assesses a company's ability to meet its short-term current liabilities through available working capital. In other words, this liquidity ratio describes the company's existing assets' availability in proportion to its current obligations.

The ability of a corporation to meet short-term obligations is a sign of its liquidity. (Wiagustini, 2014). The capacity of the company management to satisfy its immediate commitments increases with the company's current ratio. This can make an increase in stock prices due to the increasing Current Ratio, making investors feel safer and more confident to provide capital to companies that are able to pay off their short-term obligations. Signaling theory also provides the same explanation regarding the Current Ratio, namely with an increase in Current Ratio, it can provide a good signal to investors. Considering that the company can manage its debt issues. Investors are typically drawn to stocks that give off positive signals, such as the repayment of short-term debt. This is what affects the price of a stock.

Naturally, there is also historical research that is consistent with signal theory. The study was done by Pratama & Erawati (2014), Mujiono & Prijati (2017), Amanah, et al (2014), Hamzah (2020), Sriwahyuni & Saputra (2017), Valintino & Sularto (2013), Setiyawan & Pardiman (2014), and Batubara & Purnama (2018), and it demonstrated the stock price movements are positively impacted by the current ratio. In light of the aforementioned description, the researchers make the following conclusion:
H2: Current Ratio (CR) has a positive influence on Stock Price

Debt to Equity Ratio

Debt to equity ratio according to Hery (2018: 168) is a technique used to calculate the debt-to-equity ratio. Debt to Equity Ratio can also be interpreted as a source of financing that

comes from debt, which has a capital cost in the form of debt interest that must be paid when the debt matures (Nugroho, 2006).

Most investors are looking for companies that have good financial reports in stabilizing and increasing share prices. What will be the center of attention for investors is the level of debt-to-equity ratio (DER). The smaller the DER, the more interested investors are in investing because it can reduce financial risks that may occur. Signal theory explains that an elevated or high Debt to Equity Ratio signals a negative or bad signal for investors because an elevated DER indicates a high level of corporate debt, which makes the company's interest expense higher and lowers the company's profits. Therefore, investors usually leave companies that give negative signals in the form of increased DER and choose companies with low DER levels.

Of course, there are also studies that are in line with this signal theory, namely research conducted by Sondakh, et al (2015), Ratih, et al (2013), Dewi & Suaryana (2013), Ramadhani & Pustikaningsih (2017), Nugraha & Sudaryanto (2016), and Alifah & Diyani (2017) the findings of these earlier research demonstrate that the debt-to-equity ratio has a negative influence on stock prices. According on the preceding description, the following hypothesis may be formed:
H3: Debt to Equity Ratio (DER) has a negative influence on Stock Price

Based on the description of hypothesis development, the following is an overview of the theoretical framework in this study:
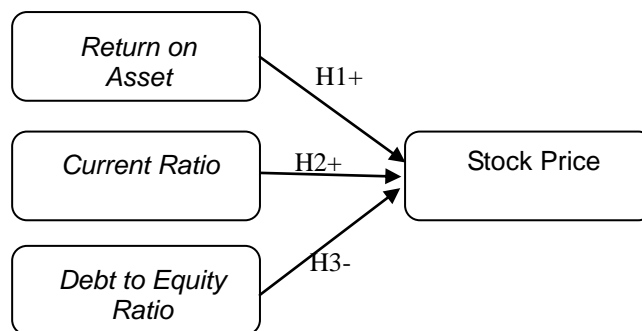
Source: Researcher (2023)
Figure 1. Theoretical Framework of Research

C. RESEARCH METHODOLOGY

This research is included in basic research with empirical research type. This is because this research uses statistical models in testing hypotheses. And the objective of empirical research itself is to test and analyze a phenomenon or set of data to see whether it is consistent with the research that will be conducted. This study was carried out at companies in the banking sector that provide stock and are available in Indonesia Stock Exchange. Secondary data includes the kind which was data used in this investigation. Secondary data, according to Sanusi (2012), is information that has been offered and gathered by individuals or organizations other than the agency under investigation. The Indonesia Stock Exchange's official website is used to collect and take data for annual financial reports (www.idx.co.id).

In this research, researchers used documentation techniques to collect data on financial statements presented as numbers and writing. Due to the rising current ratio, this may lead to an increase in stock prices. The documentation technique is used to collect data and information in the form of books, archives, papers, written numbers, and photos in the form of reports and information that might benefit research, according to Sugiyono (2018: 476). Purposive sampling methods were employed by researchers while choosing samples.

Purposive sampling, according to Sugiyono (2018: 138), is sampling that considers specific factors in line with the intended criteria to decide the number of samples that will be analyzed. In this study, the sample criteria chosen were banking sector companies, both traditional and online banks are available on the Indonesia Stock Exchange. The sample of this research was 47 companies with a total of 173 research data. The following is presented data on the names of companies that were used as samples in this study.

Table 1. List of Research Samples

Name Company
PT. Bank Raya Indonesia Tbk
PT. Bank IBK Indonesia Tbk
PT. Bank Amar Indonesia Tbk
PT. Bank Jago Tbk
PT. Bank MNC Internasional Tbk
PT. Bank Capital Indonesia Tbk
PT. Bank Aladin Syariah Tbk
PT. Bank Central Asia Tbk
PT. Allo Bank Indonesia Tbk
PT. Bank KP Bukopin Tbk
PT. Bank Mestika Dharma Tbk
PT. Bank Negara Indonesia (Persero) Tbk
PT. Bank Rakyat Indonesia (Persero) Tbk
PT. Krom Bank Indonesia Tbk
PT. Bank Tabungan Negara (Persero) Tbk
PT. Bank Neo Commerce Tbk
PT. Bank Jtrust Indonesia Tbk
PT. Bank Danamon Indonesia Tbk
PT. Bank Pembangunan Daerah Banten Tbk
PT. Bank Ganesha Tbk
PT. Bank Ina Perdana Tbk
PT. Bank Pembangunan Daerah Jawa Barat Dan Banten Tbk
PT. Bank Pembangunan Daerah Jawa Timur Tbk
PT. Bank QNB Indonesia Tbk
PT. Bank Maspion Tbk
PT. Bank Mandiri (Persero) Tbk
PT. Bank Bumi Arta Tbk
PT. Bank CIMB Niaga Tbk
PT. Bank Maybank Indonesia Tbk
PT. Bank Permata Tbk
PT. Bank Syariah Indonesia Tbk
PT. Bank Sinarmas Tbk
PT. Bank of Indonesia Tbk
PT. Bank BTPN Tbk
PT. Bank BTPN Syariah Tbk
PT. Bank Victoria Internasional Tbk
PT. Bank Oke Indonesia Tbk
PT. Bank Artha Graha Internasional Tbk
PT. Bank Multiarta Sentosa Tbk
PT. Bank Mayapada Internasional Tbk
PT. Bank China Construction Bank Indonesia Tbk
PT. Bank Mega Tbk
PT. Bank OCBC NISP Tbk
PT. Bank Nationalnobu Tbk
PT. Bank Pan Indonesia Tbk
PT. Bank Panin Dubai Syariah Tbk
PT. Bank Woori Saudara Indonesia 1906 Tbk

Source : Indonesia Stock Exchange, 2023

In classifying research variables which are expressed in the form of numbers or numbers, researchers use a ratio scale as a measurement scale in this quantitative research. This is because the variables in this study state absolute values that cannot be changed. According to Irianto (2015), "a ratio scale is a measurement scale that has an absolute zero value and has the same distance". According to Sugiyono (2017:39), independent variables (X) are those that influence, contribute to, o result in the formation of dependent variables. The study's independent variables (X) include return on asset, current ratio, and debt to equity ratio. And dependent variable (Y) is the one that the independent variable has an impact on or results in (Sugiyono, 2015: 39). In this study, the stock price is the dependent variable (Y).

An indicator of how much assets contribute to generating net income is the ratio known as return on assets. To put it another way, this ratio measures the amount of net profit that will be produced from each rupiah of money contained in total assets (Hery, 2018:193). According to Hery (2018: 193) the formula used to calculate return on assets is:

$$Return\ on\ Asset = \frac{Net\ Profit}{Total\ Asset}$$

The current ratio is a measure of a company's capacity to pay short-term commitments or obligations payable immediately upon invoicing, according to Kasmir (2018:134). Kasmir (2018:135) provides the following formula for calculating the current ratio:

$$Current\ Ratio = \frac{Current\ Asset}{Current\ Debt}$$

According to Mudrajad Kuncoro (2016: 288), the definition of Debt-to-Equity Ratio (DER) is as follows: " This ratio is used to calculate the proportion of money coming from owners of the firm to money coming from creditors". According to Mudrajad Kuncoro (2016:288), the Debt-to-Equity Ratio can be formulated as follows:

$$Debt\ to\ Equity\ Ratio = \frac{Total\ Debt}{Total\ Equity}$$

This study employed several linear regression analytic techniques to analyze and evaluate hypotheses on the influence of independent variables (Return on Asset, Current Ratio, and Debt to Equity Ratio on the dependent variable (Stock Price). Multiple linear regression analysis is used to look at the simultaneous impact of two or more independent variables on a single dependent variable using an interval scale (Umi Narimawati, 2008:5). The following equation represents a multiple linear regression analysis:

$$Y = a + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e$$

Description:

Y = Stock Price

a = Constant

$\beta_{1,2,3}$= Coefficient of Independent Variable

X_1 = *Return on Asset*

X_2 = *Current Ratio*

X_3 = *Debt to Equity Ratio*

e = Residual

Software called IBM SPSS Statistic 26 will be used to evaluate the data. The outcomes of the data analysis will then be checked once again using multiple linear regression tests, classical assumption tests, and descriptive statistical tests.

D. RESULT AND DISCUSSION

Descriptive Test of Variables

According to Ghozali (2018: 19) descriptive statistics are analytical techniques that describe or describe research data through minimum, maximum, average (mean) values, standard deviation, sum, range, kurtosis, and distribution skewness. Table 2 displays the findings of the descriptive variable test.

Table 2. Descriptive Statistical Analysis

	Min	Max	Mean	St. Dev
ROA	-0,18	0,09	0,0036	0,02746
CR	0,08	4,43	0,4373	0,56635
DER	0,19	16,08	5,0528	3,00042
Ln_Stock Price	3,91	9,68	6,6004	1,45707

Source : SPSS 26, 2023

Based on table 2, Variable Y which is the stock price has different units, so the data is first transformed into natural logarithm form to minimize the data scale (Dedi Rosyadi, 2012: 24). The minimum value of the stock price variable (Y) after being transformed into Ln_Stock Price is 3,91 and the highest value is 9,68. The Standard Deviation of the Ln_Stock Price variable is 1,45707 and this value is smaller than the mean value of 6,6004. The Ln_Stock Price variable values have a decent distribution and there is no variation from the Ln_Stock Price variable data, as shown by the standard deviation being less than the mean.

The profitability ratio (Return on Asset), which is the X1 variable, ranges from a minimum value of -0,18 to a maximum value of 0,09. With a standard deviation of 0,02746 and the standard deviation value is greater than the mean, which is 0,0036. A big distribution for the X1 variable is indicated by a standard deviation value that is higher than the mean. So that the data deviation is said to be unfavorable.

The X2 variable, which is the liquidity ratio (Current Ratio) has a minimum value of 0,08 and a maximum value of 4,43. With a standard deviation of 0,56635 its mean the value of the standard deviation is higher than the mean, which is 0,4373. The X2 variable has a broad distribution, as seen by the measure of standard deviation being higher than the mean. So that the data deviation is said to be not good.

The solvency ratio (Debt to Equity Ratio), which is variable X3, ranges from a minimum of 0,19 to a high of 16,08. 3,00042 is the standard deviation, which is less than the mean of 6,6004 and is less than the standard deviation. The measure of standard deviation that is smaller than the mean indicates that there is no considerable difference between the values of the solvency ratio's minimum and maximum.

Data Normality Test

Use the normality test to determine whether the dependent variable and independent variable regression model have a normal distribution (Ghozali, 2018:145). A regression model is deemed to be normal if the significance level is more than 0,05, and the data are

deemed to not be normally distributed if it is lower than 0,05. Table 3 in the study's results shows the outcomes of the data normality test.

Tabel 3. Data Normality Test

	unstandardized residual
N	173
Test Statistic	*0,052*
Asymp. Sig (2-tailed)	*0,2*

Source : SPSS 26, 2023

Considering the outcomes of the Kolmogorov-Smirnov test after transforming the stock price data (Y) into natural logarithm form (Ln_Y), It may be deduced that the data in this study are normally distributed because the significance level value is 0,2 (higher than 0,05).

Multicollinearity Test

The regression model is tested for substantial correlation using the multicollinearity test. In a suitable regression model, there should be no relationship between the independent variables. The value of Variance Inflation Factor (VIF) and Tolerance may be used to assess the multicollinearity of the independent variables. Table 4 displays the outcomes of this study's multicollinearity test.

Table 4. Multicollinearity Test

	Colinearity Statistic	
	Tolerance	VIF
ROA	0,961	1,041
CR	0,860	1,163
DER	0,879	1,138

Source : SPSS 26, 2023

According to table 4, each X variable's tolerance value is more than 0,1 (0,961 > 0,879 > 0,860 > 0,1) and its VIF value is less than 10 (1,041< 1,138 < 1,163 < 10). There are no signs of multicollinearity in the data or any association between the independent variables (X) if each X variable's Both the tolerance value and its VIF value are more than 0,1 and less than 10, respectively.

Autocorrelation Test

According to Ghozali (2018: 111), The autocorrelation test is employed in the linear regression model to assess if confounding errors in period t and confounding errors in period t-1 (previous) are connected. The Run Test is one method for detecting whether autocorrelation exists or not. A regression model with a significance value higher than 0,05 is devoid of autocorrelation.

Table 5. Autocorrelation Test

	Unstandardized Residual
Test Value	-0,1336
Z	-0,228
Asymp. Sig (2-tailed)	0,819

Source : SPSS 26, 2023

The significance value in table 5 is 0,819, which is larger than 0,05. Therefore, it may be said that the research data does not exhibit any autocorrelation signs.

Heteroscedasticity Test

The heteroscedasticity test checks to see if the variance and residuals in the regression model differ from one observation to the next. The Park Test can be used to determine whether heteroscedasticity symptoms are present or absent. The Park test method involves regressing the independent variables on the natural logarithm of the squared residuals (Lne2). There are no signs of heteroscedasticity if each independent variable's significance value is greater than 0,05.

Table 6. Heteroscedasticity Test

	t	Sig
ROA	-1,207	0,229
CR	0,324	0,746
DER	0,036	0,972
Y = Ln_Squared Residuals		

Source : SPSS 26, 2023

According to table 6, A significance value of 0,229 (greater than 0,05) is found for X1, a significance value of 0,746 (greater than 0,05) is found for X2, and a significance value of 0,972 (greater than 0,05) is found for X3. The data are heteroscedasticity-free by the park test if each independent variable's significance value is greater than 0,05.

Multiple Linear Regression Test

Multiple linear regression analysis is used to identify both the direction and the size of the influence the independent variable has on the dependent variable. Table 7 displays the outcomes of the test for multiple linear regression.

Tabel 7. Multiple Linear Regression Test

	Unstandardized Coefficients		Sig
	B	t	
Constant	6,881	26,609	0,000
ROA	14,714	3,771	0,000
CR	-0,454	-2,270	0,024
DER	-0,027	-0,717	0,474

Source: SPSS 26, 2023

Based on table 7, the multiple linear regression equation can be described as follows:
Y = 6.881 + 14.714X1 - 0.454X2 - 0.027X3 + e

Variable X1 (Return on Asset) has a regression coefficient value of 14,714, which suggests that Return on Asset positively influences stock prices, according to the findings of the regression equation. Additionally, the current ratio has a negative influence on stock prices, as seen by the variable X2 (Current Ratio) regression coefficient value of -0.454 (current ratio). Finally, variable X3 (Debt to Equity Ratio) has a regression coefficient value of -0,027, which indicates that it has a negative influence on stock prices.

Determination Coefficient Test

The Coefficient of Determination (R2) test measures how much an independent variable may influence the dependent variable.

Tabel 8. Determination Coefficient Test

Model	R	R square	Adjusted. R square
1	0,349	0,122	0,106

Source : SPSS 26, 2023

The adjusted R square value, which is based on table 8, is 0.106, or 10.6%. This indicates that 10.6% of the stock price can be accounted for by the research's independent variables, including Return on Asset, Current Ratio, and Debt to Equity Ratio, while 89.4% is explained by factors other than those employed in the study.

T-Statistic Test

To ascertain how much of an impact one independent variable has on the dependent variable, utilize the t-statistic test. If the significance level of the t test is 0.05, H0 is disregarded, and Ha is accepted. This indicates that the unrelated variable and the dependent variable are influenced by one another.

Table 9. T-Statistic Test

	Unstandardized Coefficients		
	B	t	Sig
(*Constant*)	6,881	26,609	0,000
ROA	14,714	3,771	0,000
CR	-0,454	-2,270	0,024
DER	-0,027	-0,717	0,474

Source : SPSS 26, 2023

Table 9 indicates that a significance value of 0.000 (less than 0.05) was obtained when the X1 (Return on Asset) hypothesis was tested. Therefore, it is evident that the variable X1 (Return on Asset) has a large impact on stock prices. A significant value of 0.024 (less than 0.05) is obtained while testing the X2 (Current Ratio) hypothesis. Considering this, it can be said that the X2 (Current Ratio) variable also has a large impact on stock prices. A significance value of 0.474 (more than 0.05) was obtained when the X3 (Debt to Equity Ratio) hypothesis was tested. Considering this, it may be said that the X3 (Debt to Equity Ratio) variable has no impact on stock prices.

influence of Return on Asset on stock price

The return on assets has a t value of 3.771 and a significance value of 0.000 (less than 0.05), according to the t test findings. Thus, it may be said that return on assets influences stock prices in a positive way. Since return on assets impacts stock prices positively, the first hypothesis (H1) is accepted.

Return on Asset evaluates a company's efficiency in utilizing its resources to generate the greatest possible revenues. Investors are naturally interested in firms that can make maximum profits since this demonstrates that the company has a promising future and can continue to expand in the future. The bigger of Return on Asset value, the better performance of the company is. So that with so many investors investing in companies that have a high Return on Asset value, the demand for a stock increase which results in an increase in the price of a share. Conversely, if a company's Return on Asset value is

substandard, investors would flee and lose interest in investing in it since a low Return on Asset value implies a company's failure to create profits and permits investors to suffer losses.

Signal theory provides evidence for the study's findings, which explain that the increasing Return on Asset indicates that management performance is getting better at making a profit. Thus, with the increase in the value of Return on Asset, this is a positive signal for investors so that it will affect investor confidence in investing in the company and make the share price increase. Additionally, this study is consistent with other studies carried out by Salamona. D & Agus Endro. S (2022), Raghilia Amanah, et al (2014), I Made Angga. A & Nyoman Abundanti (2020), Hangga Pradika. M (2017), Fillya Arum. P (2012), Ihsan S. Basalama, et al (2017), and Frendy Sondakh, et al (2015) which show that Return on Asset has a positive influence on stock prices.

Influence of Current Ratio on stock price

The t test findings indicate that the Current Ratio has a t value of -2.270 and a significant value of 0.024 (less than 0.05). It suggests that the current ratio has a negative impact on stock prices in this study. So that the second hypothesis (H2), which asserts that the current ratio positively impacts stock prices is refuted.

Due to the low current ratio number indicating that the firm lacks sufficient cash to service its short-term debt, the liquidity ratio could not be predicted by the current ratio in this research. A high current ratio can also indicate that a lot of money is sitting idle in the firm, which is not helpful for the business and may even be a poor indicator for investors. With so many idle funds, it indicates that the company's performance in managing asset funds is not effective so that in the end investors are no longer interested in investing their capital in companies with substandard financial management performance. So that if the Current Ratio increases, investors are not interested in the company's shares.

The study's conclusions indicate that the current ratio has a negative influence on stock prices. This study supports studies by Nurlia & Juwari (2019), Sitorus et al (2020), Amrah & Elwisam (2018), and Arista & Musadad (2020) that show how variations in stock prices are negatively influenced by changes in current ratio.

Influence of Debt-to-Equity Ratio on stock price

According to the third hypothesis (H3), the Debt-to-Equity Ratio has a negative impact on stock values. The relevant value of the debt-to-equity ratio is 0.474 (higher than 0.05), according to the findings of the t test. implying that the third hypothesis (H3) is disproved since the debt-to-equity ratio has no impact on stock prices.

The findings of this study are adversely related to studies done by Sondakh, et al (2015), Ratih, et al (2013), Dewi & Suaryana (2013), Ramadhani & Pustikaningsih (2017), Nugraha & Sudaryanto (2016), Alifah & Diyani (2017), Pratama & Erawati (2014), Dewi & Suwarno (2022), Ahmad, et al (2018), and Adikerta & Abundanti (2020) which demonstrate the influence of the debt-to-equity ratio on stock prices. This is due to differences in research sample selection. In this study, the sample selected was a banking sector company where high debt from the banking sector is a natural thing. This is because banks have deposit products, and bonds which are a form of bank debt to customers. So that investors already know that an elevated debt-to-equity ratio is characteristic of the banking sector. Therefore, the share price is not influenced by the debt-to-equity ratio because investors pay more attention to other financial ratios than the debt-to-equity ratio in assessing shares in the banking sector.

E. CONCLUSION

Research and study on the influences of Return on Asset, Current Ratio, and Debt to Equity Ratio on Stock Prices lead to the following findings. Return on Asset has a substantial positive influence on stock prices, whereas Current Ratio has a significant negative influence. Debt to Equity Ratio has no influence on stock prices because it cannot be used to evaluate shares in the banking sector.

Based on these conclusions, it is intended that this research may assist investors in understanding corporate fundamentals, particularly Return on Asset. This is because the Return on Asset ratio is the ratio that has the most influence on changes in stock prices. Investors can prepare to buy shares when the Return on Asset of a company increases. And the likelihood that investors will receive a stock return increases with the Return on Asset. Companies can also continue to manage their finances more effectively so that there is no idle money, and they can pay attention to their profitability as it is one of the key factors that investors consider when deciding whether to purchase a stock.

For upcoming researchers who plan to investigate the influence of the debt-to-equity ratio on stock prices once again, it is better to choose a sector other than banking because the high debt of the banking sector is a natural thing, so investors are not focused on the Debt-to-Equity ratio in assessing the quality of banking sector shares. Therefore, the Debt-to-Equity Ratio is not suitable for the banking sector. In addition, future researchers can add other independent variables outside the Return on Asset, Current Ratio, and Debt to Equity Ratio variables. This is because the limitations in this study also lie in the selection of too few independent variables, resulting in the coefficient of determination obtained of only 10.6%. This indicates that just 10.6% of the stock price is explained by the study's independent variables, Return on Asset, Current Ratio, and Debt to Equity Ratio, while 89.4% is explained by variables other than those employed in the study.

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