Jurnal Ekonomi Perusahaan
ISSN: 0854-8154 (print), 2830-1560 (online)

The influence of liquidity, profitability and solvency on share prices in banking sector companies listed on the IDX in 2019-2021

Denny[1*], Abdullah Rakhman[2]

[1,2] Management Department, Kwik Kian Gie School of Business and Information Technology, Jl. Yos Sudarso Kav 87, Sunter, Jakarta, Indonesia 14350
Email Address: [1]dennysman13jkt@gmail.com, [2]abdullah.rakhman@kwikkiangie.ac.id
*Corresponding author

ARTICLE INFORMATION

Flow:
Received: Feb 22, 2025
Reviewed: Aug 1, 2025
Accepted: Aug 21, 2025
Published: Aug 30, 2025

Keywords:
stock price, liquidity, profitability, solvency

How to cite:
Denny, D. & Rakhman, A. (2025). The influence of liquidity, profitability and solvency on share prices in banking sector companies listed on the IDX in 2019-2021. *Jurnal Ekonomi Perusahaan*, *32*(1), 27-44
https://doi.org/10.46806/jep.v32i1.1105

ABSTRACT

The company's stock price is an indicator of the company's success in assessing its good or bad performance. If the stock price in the market increases, the company successfully manages its business activities well. The theory contained in this study consists of banks, stocks, stock prices, liquidity, profitability, and solvency. This study also has a framework that will formulate research hypotheses. The research object used is banking sector companies listed on the Indonesia Stock Exchange in 2019-2021. The data used is secondary data with sample selection using a non-probability sampling technique with a judgment sampling approach. Hypothesis testing was carried out using descriptive statistical analysis, a regression coefficient convenience test to test data pooling, a classical assumption test, and multiple linear regression analysis with the help of IBM SPSS Statistics 25 software. The results of this study indicate that liquidity has no significant effect on stock prices, profitability has a positive and significant impact on stock prices, and solvency has no significant effect on stock prices. The conclusions of this study are (1) liquidity has no significant effect on stock prices, (2) profitability has a positive and significant effect on stock prices, and (3) solvency has no significant effect on stock prices.

INTRODUCTION

Banks according to Law Number 10 of 1998 Amendment to Law Number 7 1992 (*Undang–Undang Nomor 10 Tahun 1998 Perubahaan Undang–Undang Nomor 7 Tahun 1992*) concerning banking, is a business entity that collects funds from the public in the form of savings and distributes them to the public in the form of credit and/or other forms in order to improve the standard of living of many people.

Banking is one of the influential institutional sectors that help improve the Indonesian economy because banks are financial intermediaries or are called *intermediary institutions.* According to Martha *et al.* (2018), *an Intermediary Institution* is an institution that is able to channel funds originating from parties with excess funds (surplus) to parties who need funds (deficit).

One of the benefits of banking in everyday life is as a means for investing; in general, when talking about investment, it is closely related to shares. Apart from being used as a place to save, people can also become part of a bank by buying or owning some or all of the shares sold by the bank. Before an investor makes an investment, the investor will see the performance of the company and whether the company can provide benefits for investors or be detrimental to investors. One of the benchmarks for investors before investing is the share price. It will be very profitable for an investor if the price of the shares they sell is higher than the share price when the investor buys it. Apart from that, an investor can assess whether a company is good or bad through developments in the company's share price on the capital market.

The increasing price of a company's shares is an indicator that the company's shares are in high demand on the capital market by investors. Share prices that tend to be high determine that the company's financial performance is in good condition because it influences the company's share price on the capital market. A company's good financial performance can attract the interest of investors because it increases the possibility of distributing high dividends from the company to its investors.

The first factor that influences share prices is the level of liquidity of the company itself. Liquidity usually reflects the financial condition of a company because it shows the amount of company assets that can be liquidated. If a company has a high level of liquidity, the company will gain trust from internal and external parties. Previous research conducted by Octaviani & Komalasarai (2017), Susanto (2012), Ridha *et al* . (2019), Yuhani (2021), Rahma *et al* . (2021), and Sari & Siahaan (2021) state that liquidity does not have a significant effect on stock prices. Meanwhile, other research conducted by Rahayu & Triyonowati (2021), Fahlevi (2013), Octaviani & Trilaksono (2022), and Wahyuni *et al* . (2020) stated that liquidity has a positive and significant effect on company share prices. Therefore, this research wants to prove whether the company's ability to pay immediately (liquid) for immediate obligations affects the company's share price.

The second factor that influences the rise or fall of share prices is profitability. Profitability is considered very important for the sustainability of a company because, without profitability, it is difficult for a company to obtain capital from external parties. Therefore, companies must utilize all existing resources as best as possible in order to generate optimal profits. Previous research conducted by Octaviani & Komalasarai (2017), Ridha *et al* . (2019), Yuhani (2021), Fahlevi (2013), and Octaviani & Trilaksono (2022) state that profitability has a significant effect on stock prices. However, this is in contrast to research conducted by Rahayu & Triyonowati (2021), Susanto (2012), Rahma *et al* . (2021), and Wahyuni *et al* . (2020), which shows that profitability has no effect on share prices.

The third factor that influences share prices is solvency. To carry out its operational activities, the company certainly needs large enough funds to be able to run them. Additional funds coming in from debt are an option when the company does not have sufficient funds to finance all its operational activities. Solvency is one of the factors that need to be considered when a company has debt to external parties. Previous research conducted by Rahayu & Triyonowati (2021) and Rahma *et al* . (2021) shows that solvency has a negative and significant effect on company share prices. However, other research conducted by Octaviani & Komalasarai (2017), Noviana (2020), Susanto (2012), Fahlevi (2013) and Octaviani & Trilaksono (2022) shows that solvency does not significantly influence a company's share price.

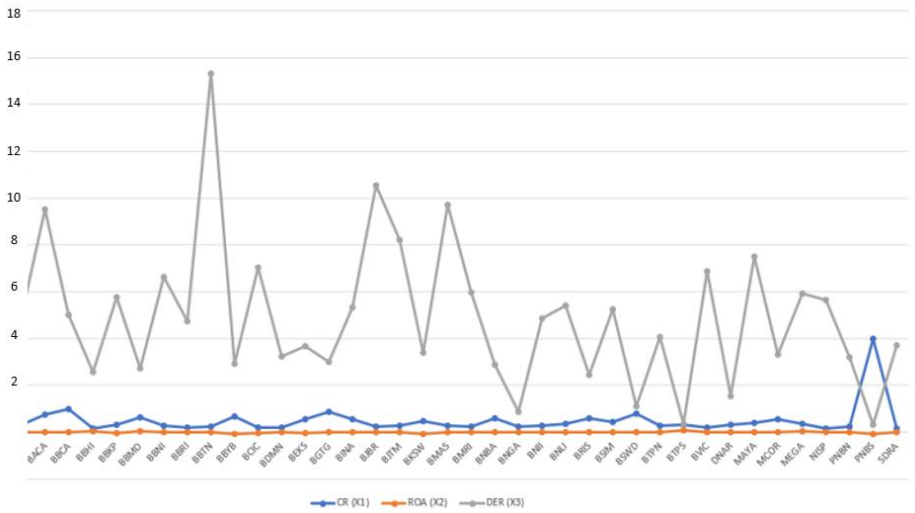

Figure 1. CR, ROA, and DER in Banking Sector Companies Listed on the IDX in 2021

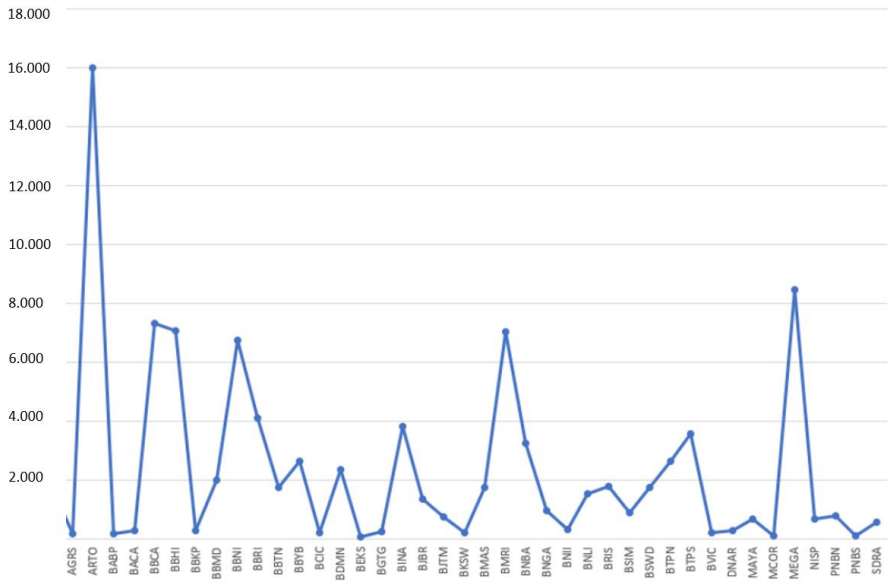

Figure 2. Share Prices in Banking Sector Companies Listed on the IDX in 2021

Figures 1 and 2 describe the CR, ROA, DER and share prices of banking sector companies listed on the IDX in 2021. It can be seen that the share prices of each company vary greatly. The highest share price is the ARTO company, with a share price of IDR 16,000, while the lowest share price is the BEKS company, with a share price of 54. The CR and ROA values of the ARTO company are not too high compared to its very high share price. However, the BEKS company has a negative ROA value, which is one of the factors that contribute to the company's share price being so low. Based on this, the objectives of this research are to determine (1) the effect of liquidity on share prices in banking companies listed on the Indonesia Stock Exchange, (2) the effect of profitability on share prices in banking companies listed on the Indonesia Stock Exchange, and (3) the influence of solvency on share prices in banking companies listed on the Indonesia Stock Exchange.

LITERATURE REVIEW

Bank

According to Zain & Akbar (2020), a bank is a financial intermediary institution that is generally established with the authority to accept money deposits, lend money, and issue promissory notes or what is known as *a banknote*. According to Fadlan (2022), a bank is a financial institution whose main activity is accepting current accounts, deposits and savings. Banks are also a place to borrow money. Banks are also known as places to exchange money, transfer money, or accept various forms of payments and money deposits, such as paying electricity bills, water, taxes, school/college fees, telephone and so on. Hery (2021) stated that in order for people to want to save their money in the bank, the bank provides incentives in the form of remuneration that will be given to the depositors. The remuneration can be in the form of interest, profit sharing, gifts, shopping vouchers, services, or other remuneration. The higher the remuneration provided by the bank, the more people will be interested in saving their money. The Bank's current activities are as follows: collecting public funds (*funding*), distributing funds to the community (*lending*), and providing other bank services (*services*). From the several definitions of banks above, the author concludes that a bank is a financial institution that stores public funds and distributes them back to the community in order to improve the economic welfare of the community.

Share

Handini (2020) states several definitions of shares, namely as follows: Shares are proof of ownership of capital/funds in a company; shares are paper that clearly states the nominal value of the name of the company and is followed by the rights and obligations explained to each holder; and stock is inventory that is ready to be sold. Shares are divided into two types, namely ordinary shares and special shares. Ordinary shares or *common stock,* according to Handini (2020), are securities sold by a company that specify the nominal value (rupiah, dollar, yen and so on) where the holder is given the right to participate in the GMS (General Meeting of Shareholders) and EGMS (General Meeting Extraordinary Shareholders) and have the right to determine whether to purchase *a rights issue* (sale of limited shares) or not, and then at the end of the year they will receive profits in the form of dividends. According to Handini (2020), special shares or *preferred stock* are securities sold by a company that specifies the nominal value (rupiah, dollar, yen, and so on) where the holder will receive a fixed income in

the form of dividends which will be received every quarter (three months). Payments to shareowners also take priority over ordinary share dividends. However, when the dividend increases, special share owners cannot receive the dividend increase. The dividend value or interest rate percentage for special share owners is determined from the nominal value of their shares each year and is fixed. So when the dividend given by the company increases, *preferred stock* owners must be satisfied with the dividend amount as previously determined.

Stock price

According to Jogiyanto (2013), the share price is the price that occurs on the stock market at a certain time, which is determined by market players and is determined by the demand and supply of the shares concerned in the capital market. Share prices can change very quickly, whether the share price is increasing or decreasing. Changes in share prices on the stock exchange depend on the demand and supply that occurs between share buyers and share sellers. According to Zuliarni (2012), share prices are an indicator of the success of company management. If the share price of a company always increases, then investors or potential investors will judge that the company is successful in managing its business. If the share price is high, it can be interpreted that the shares are very actively bought and sold on the market, and vice versa. Potential investors also need to pay attention to the share price of a company before investing in that company because the share price shows the performance of the company itself. According to Muchtar (2021), high share prices create high company value and increase market confidence not only in the company's current performance but also in the company's future prospects. By choosing to invest in companies that have good performance, the profits that investors can get can be even greater. There are six terms for stock prices in the market, namely: *Open* (Opening), *Close* (Closing), *High* (Highest), *Low* (Low), *Bid* (Intention to Buy), and *Ask* (Intention to Sell).

The Effect of Liquidity on Stock Prices

Liquidity, in general, is the ability of a company to meet its short-term obligations. To measure the level of liquidity of a company, *the Current Ratio* (CR) is used, namely dividing current assets by the company's current liabilities. If a company's *Current Ratio* (CR) is higher, it means the company is in good condition and able to meet its short-term debt. The condition of a company that has a high *Current Ratio (CR)* will certainly attract investors' interest in investing in the company; with this, the company's share price will increase in the market. Rahayu and Triyonowati (2021) stated in their research that liquidity, as measured using *the Current Ratio* (CR), has a positive and significant effect on stock prices. These results are in line with other research conducted by Fahlevi (2013), Octaviani & Trilaksono (2020), and Wahyuni *et al.* (2020). Based on the explanation that has been presented, the hypothesis that can be proposed is as follows.

H1: Liquidity has a positive effect on the share prices of banking companies on the IDX.

The Effect of Profitability on Share Prices

Profitability is the ability of a company to obtain maximum profits with existing assets. There are several ratios to measure the level of company profitability, such as *Gross Profit Margin, Net Profit Margin, Return on Assets* and *Return on Equity*. In this research, the author chose *Return on Assets* (ROA) to measure the level of profitability of banking companies. The higher the Return on Assets (ROA) ratio of a company, the more effective the company can be in utilizing its assets to generate net profits. With a high level of *Return on Assets* (ROA), a company can certainly attract investors' interest in investing in the company, and with that, the demand for the company's share price will increase. In their research, Ridha *et al.* (2019) show that profitability, as measured using *Return on Assets* (ROA), has a positive effect on share prices. The results of this research are the same as other research conducted by Octaviani & Komalasarai (2017), Yuhani (2021), Fahlevi (2013), and Octaviani & Trilaksono (2022). Based on the explanation that has been presented, the hypothesis that can be proposed is as follows.

H2: Profitability has a positive effect on banking company share prices on the IDX.

The Effect of Solvency on Stock Prices

Solvency, in short, is the ratio of the company's total liabilities to the assets it owns. *Debt to Equity Ratio* (DER) is used to measure a company's level of solvency. According to Hidayat (2018), the *Debt to Equity Ratio* is a measure used in analyzing financial reports to show the amount of collateral available to creditors. Rahayu & Triyonowati (2021) in their research show that solvency, as measured using *the debt-equity ratio* (DER), has a negative and significant effect on stock prices, in line with the results of research conducted by Rahma *et al* . (2021). Based on the explanation that has been presented, the hypothesis that can be proposed is as follows.

H3: Solvency has a negative effect on banking company share prices on the IDX.

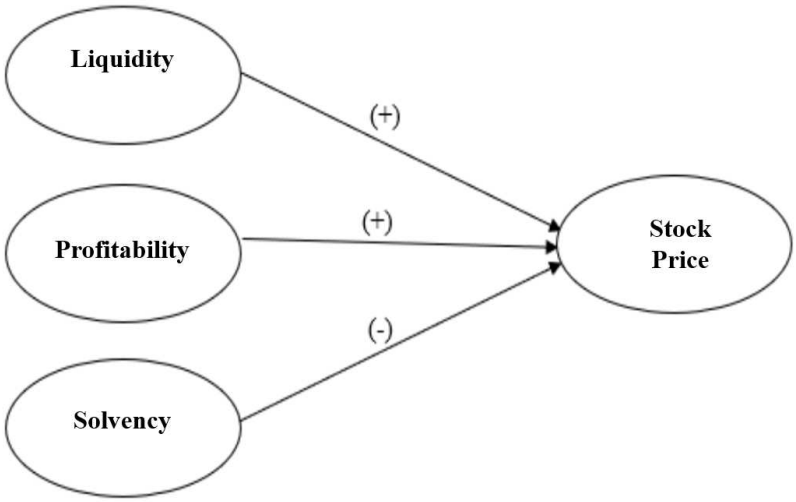

Figure 3. Framework

METHODS

Object of research

The research object in this study is data originating from banking sector companies listed on the Indonesia Stock Exchange (BEI). The objects observed are secondary data originating from financial reports published from 2019 to 2021.

Research variable

Stock price
According to Jogiyanto (2013), it is the price that occurs on the stock exchange market at a certain time, which is determined by market players and determined by the demand and supply of the shares concerned in the capital market. Referring to research conducted by Yuhani (2021), Ridha et al. (2019), and Sari (2017), the share price used in the research is the share price at the closing price, namely on December 31. The closing price *is* considered very important because it is a guide for the opening price *the* following day. Apart from that, the Closing Price *is* also used to estimate stock prices in the next period.

Liquidity
According to Hasan *et al* . (2022), liquidity is the ability to fulfill all obligations that must be paid immediately within a short time, which is defined as the company's ability to fulfill its short-term obligations. To measure the extent of a company's ability to pay its short-term obligations, *the Current Ratio* (CR) is used in this research. The following is the formula for calculating *the Current Ratio.*

$$Current\ ratio = \frac{Current\ assets}{Current\ debt}$$

Profitability
Sugeng (2017) states that profitability is how a company is able to provide sufficient working capital to maintain and encourage the growth of the company's profitability. This profitability is generated through sales made by the company and is used for the sustainability of the company's operations. In this research, to measure the profitability ratio, *Return on Assets* (ROA) is used. The following is the formula for calculating *Return on Assets* (ROA) according to Asnawi & Wijaya (2016):

$$\text{Return on Assets} = \frac{Net\ Profit\ After\ Tax}{Total\ assets}$$

Solvency
Sa'adah (2020) states that solvency shows a company's ability to fulfill its financial obligations, both short-term and long-term obligations, if the company is liquidated. A company can be said to be a solvable company if it has assets that are able to pay off its debts. In this research, *the Debt to Equity Ratio* (DER) is used to measure the solvency ratio. *Debt to Equity Ratio* can be calculated using the formula:

$$\text{Debt to Equity Ratio} = \frac{Total\ debt}{\text{Total equity}}$$

Sampling technique

The sampling technique used in this research is a *non-probability sampling technique*. According to Sugiyono (2018), *non-probability sampling* is a sampling technique that does not provide equal opportunities or opportunities for each element or member of the population to be selected as a sample. Sumargo (2020) stated that samples prepared using a *probability sampling approach* can represent the population, and the opposite is not true with a *non-probability sampling approach*. This research will focus more on using judgment *sampling* . According to Cooper and Schindler (2017) in a book entitled "Business Research Methods", *judgment sampling* occurs when a researcher selects sample members to fit several criteria. Several criteria for companies that will be used as samples in this research are as follows: 1) Banking sector companies listed on the Indonesia Stock Exchange, 2) Companies that publish their company financial reports for 3 consecutive years in the 2019-2021 period.

Table 1. Research Sample

Number of Banking Sector Companies on the IDX 2019-2021	47
Number of Banking Sector Companies on the IDX That Did Not Publish Consecutive Financial Reports for 2019-2021	(6)
Number of Banking Sector Companies on the IDX That Published Consecutive Financial Reports in 2019-2021	**41**

Data collection technique

The data collection technique in this research is an observation technique using secondary data collected from existing sources. The secondary data is in the form of: 1) Financial reports from banking sector companies listed on the IDX for the 2019-2021 period obtained via the official website of the Indonesia Stock Exchange. 2) Information and news from www.finance.yahoo.com which is used to search for additional data. 3) The official website of each sampled company to search for additional data.

Data analysis technique

Descriptive Statistical Test

A descriptive statistical test is a method used to analyze data, usually quantitative data, and is carried out to create a picture of each variable in the research. Ghozali (2018:19) states that the measures that can be used in descriptive statistical tests are Mean, Std. Deviation, Minimum, and Maximum. The mean or average is the average value of the variable being studied. Standard deviation is a description of the variation in data from the variables studied. The minimum is the smallest value of the variable being studied, while the maximum is the largest value of the variable being studied. This analysis emphasizes discussing data and research subjects by presenting data statistically and not concluding research results.

Data Pooling Test

When testing data to determine the effect of the independent variable on the dependent variable, you must know whether research data pooling (combining cross-sectional data with time-series data) can be carried out or not. The decision making criteria that will be used are as follows: 1) If the sig dummy $\alpha <$ value (0.05) then there is a difference in the coefficient which means reject H0 then cannot be done. 2) If the sig dummy $\alpha >$

value (0.05) then there is no significant difference in the coefficient reject H0 then it can be done.

$$\text{Stock Price} = \beta 0 + \beta 1CR + \beta 2ROA + \beta 3DER + \beta 4D1 + \beta 5D2 + \beta 6D1CR + \beta 7D1ROA + \beta 8D1DER + \beta 9D2CR + \beta 10D2ROA + \beta 11D2DER + \varepsilon$$

Where CR is *Current Ratio ;* ROA is *Return on Assets ;* DER is *Debt to Equity Ratio ;* β is the Regression Coefficient ; ε is Error ; D1 is a Dummy Variable (value 1 = year 2019; value 0 = other year 2019) ; and D2 is a Dummy Variable (value 1 = year 2020; value 0 = other year 2020)

Classic assumption test

Normality test . According to Ghozali (2018), the normality test is carried out with the aim of testing whether, in the regression model, confounding or residual variables have a normal distribution or not because the t-test and F-test assume that the residual values follow a normal distribution. If this assumption is violated, then the statistical test becomes invalid for small sample sizes. The PP Plot Test Method, or normal probability plot test, was chosen to assist in explanations via graphs. The result is that if the points spread around the diagonal line and follow the direction of the diagonal line, the residual value resulting from the regression is said to be normal. On the other hand, if the data spreads far from the diagonal line and/or does not follow the direction of the diagonal line, then the regression model is said to not meet the assumption of normality.

This test is carried out by comparing the probabilities obtained with a significance level of $\alpha = 0.05$. If the calculated significance is > 0.05, then the data is normally distributed. Meanwhile, if the opposite is true, then the data is not normally distributed. However, according to Bowerman (2017:334) in his book entitled " *Business Statistics in Practice* " in his theory " *The Central Limit Theorem* " it is said that:

> *"If the sample size n is quite large, then the population of all possible samples means is approximately normally distributed (with mean μx = μ and standard deviation x= /n1/2), no matter what probability distribution describes the sampled population. Furthermore, the larger the sample size n is, the more nearly normally distributed is the population of all possible sample means."*

So it can be concluded that if the research uses samples that comply with *The Central Limit Theorem* , the data results will be closer to normal.

Multicollinearity Test . According to Ghozali (2018), the multicollinearity test was carried out to test whether the regression model found a correlation between the independent variables. A good regression model should not show multicollinearity or correlation. And if the independent variables are correlated with each other, then these variables are not orthogonal. Orthogonal variables are independent variables whose correlation value between independent variables is equal to zero. Whether there is multicollinearity in the regression model can be detected from the tolerance value or Variance Inflation Factor (VIF).

The basis for decision making is as follows: 1) If the tolerance value ≥ 0.10 or VIF value ≤ 10, it is concluded that there is no multicollinearity between the independent variables in the regression model. 2) If the tolerance value is ≤ 0.10 or the

VIF value is ≥ 10, it is concluded that there is multicollinearity between the independent variables in the regression model.

Heteroscedasticity Test . According to Ghozali (2018), the heteroscedasticity test aims to test whether, in the regression model, there is an inequality of variance from the residuals of one observation to another. A good regression model should not have symptoms of heteroscedasticity. The heteroscedasticity test used in this research uses a scatterplot graph.

The decision making criteria are as follows: 1) If there is a certain pattern, such as points that form a certain pattern (wavy, widening then narrowing), then it can be concluded that heteroscedasticity has occurred. 2) If there is no clear pattern, and the points spread above and below the number 0 on the Y axis, then heteroscedasticity does not occur.

Autocorrelation Test. According to Ghozali (2018), the autocorrelation test aims to test whether in a linear regression model there is a correlation between confounding errors in period t (now) and period t-1 (previous). A good regression model should not contain autocorrelation. The presence of autocorrelation will cause the confidence interval for the estimation results to widen so that the significance test becomes less strong. The autocorrelation test in this research was carried out using the Durbin Watson Test (DW-Test) statistical test, and if no decision can be made, then proceed with the run test.

The basis for decision making is as follows: 1) If the value of d (Durbin Watson) lies between du and (4-du) it means that there is no autocorrelation. 2) If the value of d (Durbin Watson) < dl means positive autocorrelation occurs. 3) If the d value (Durbin Watson) > (4-dl) means negative autocorrelation occurs. 4) If the d (Durbin Watson) value lies between (4-du) and (4-dl) it means that it does not produce a definite conclusion.

According to Ghozali (2018), the autocorrelation test can also be carried out through a Run Test, the basis for decision making is as follows: 1) If the Asymp.Sig (2-tailed) value is > 0.05 then it can be concluded that there is no autocorrelation. 2) If the Asymp.Sig (2-tailed) value <0.05 then it can be concluded that there is autocorrelation.

Multiple Linear Regression Model

Multiple linear regression is a regression model that involves more than one independent variable. Multiple linear regression analysis was carried out to determine the direction and how much influence the independent variable has on the dependent variable (Ghozali, 2018). Multiple Linear Regression is used if there is more than one independent variable and to measure the influence of the independent variable on the dependent variable.

Data analysis using the Multiple Regression method was carried out by researchers using the *Statistical Program for Social Science* (SPSS) program. The multiple linear regression equation in this research is formulated as follows:

$$Y = \beta 0 + \beta 1X1 + \beta 2X2 + \beta 3X3 + \varepsilon$$

Where X1 is Liquidity (CR) ; X2 is Profitability (ROA) X3 is Solvency (DER) ; Y is the Share Price ; β is the Regression Coefficient ; and ε is Error .

Hypothesis testing
Hypothesis testing is carried out to state the relationship between the dependent variable, namely share price, and the independent variables CR, ROA, and DER.

Simultaneous Significance Test (F Statistical Test). According to Ghozali (2018), the F statistical test is used to test whether all the independent variables in the regression model have a simultaneous or joint influence on the dependent variable. The test was carried out by comparing the Sig F value in the Anova table with the level of significance or error probability set by the researcher at 5% ($\alpha = 0.05$).

The decision making criteria are as follows: 1) If the Sig F value > α (0.05), then the hypothesis is rejected. This means that together all the independent variables (X) have no effect on the dependent variable (Y). 2) If the Sig F value < α (0.05), then the hypothesis is accepted. This means that together all the independent variables (X) have an effect on the dependent variable (Y).

Partial Regression Coefficient Test (t Statistical Test). According to Ghozali (2018), the t statistical test basically shows how much influence an independent variable individually has in explaining variations in the dependent variable. The test was carried out by comparing the calculated t value of each independent variable with the t table value with a significance level or probability of error set by the researcher at 5% ($\alpha = 0.05$). The decision making criteria are as follows: 1) If Sig. > 0.05, then the hypothesis is rejected. This means that there is no influence of the independent variable (X) on the dependent variable (Y). 2) If Sig. < 0.05, then the hypothesis is accepted. This means that there is the influence of the independent variable (X) to the dependent variable (Y).

Coefficient of Determination Test (R2). According to Ghozali (2018), the coefficient of determination is used to measure how far the model's ability is to explain variations in the dependent variable. The coefficient of determination value is between zero and one. A small R2 value indicates that the ability of the independent variables to explain variations in the dependent variable is very limited, while a coefficient of determination value close to 1 indicates the ability of the independent variables to provide almost all the information needed to predict variations in the dependent variable. The coefficient of determination value is $0 \leq R2 \leq 1$, which indicates: 1) If R2 = 0, it means that the regression model formed is not perfect, where the independent variables cannot explain variations in the dependent variable. 2) If R2 = 1, it means that the regression model is perfectly formed, where the independent variables can explain variations in the dependent variable correctly. 3) If R2 is close to 1, it means that the regression model formed is increasingly appropriate provides almost all the information needed to predict variations in the dependent variable.

RESULTS AND DISCUSSION

Descriptive Analysis

Descriptive analysis presents a general description of the research variables. This analysis focuses on minimum values, maximum values, average values, and standard deviation values. A descriptive analysis based on the sample management of 47 companies can be seen in table 2.

Table 2. Descriptive Analysis Results

Variabel	N	Minimum	Maximum	Mean	Std. Deviation
CR	123	8.18	443.17	46.1828	63.20342
ROA	123	-18.06	9.1	0.1657	3.03272
DER	123	19.29	1607.86	506.177	303.36483
HARGA.SAHAM	123	50	33850	2450.55	4777.867

Liquidity

In Table 2, it is known that the lowest *Current Ratio* (CR) value is 8.18%, namely for the company Bank Mestika Dharma Tbk. with company code BBMD. Meanwhile, the largest *Current Ratio (CR)* value was 443.17% for the company Bank Panin Dubai Syariah Tbk. The average value of *the Current Ratio* (CR) for banking sector companies listed on the Indonesia Stock Exchange (BEI) in 2019-2021 was 46.18% with a standard deviation of 63.20%.

Profitability

Profitability in this research is proxied using *Return on Assets* (ROA) with a minimum value of -18.06 % for the company Bank Raya Indonesia Tbk. with the company code AGRO in 2021. Meanwhile, the maximum value of *Return on Assets* (ROA) in this study was 9.10 % , namely for the company Bank BTPN Syariah Tbk. in 2019. The average value of *Return on Assets* (ROA) for the 41 banking sector companies sampled was 0.17 % with a standard deviation of 3.03%.

Solvency

Based on table 2, the minimum *Debt to Equity Ratio* (DER) value for banking sector companies listed on the Indonesia Stock Exchange (BEI) in 2019-2021 is 19.29% for Bank Panin Dubai Syariah Tbk., while the maximum value is 1,607 .86% in the company Bank Tabungan Negara (Persero) Tbk. with company code BBTN. The average value of *Debt to Equity Ratio* (DER) in this study was 506.18 % with a standard deviation of 303.36%.

Stock price

Table 2 shows that the lowest share price is 50 which is the share price of several companies, namely Bank MNC International Tbk. in 2019 and 2020, Banten Regional Development Bank Tbk. in 2019, and Bank Panin Dubai Syariah Tbk. in 2019. Meanwhile, the highest share price was 33,850, namely for the company Bank Central Asia Tbk. in 2020. The average share price for banking companies listed on the Indonesia Stock Exchange (BEI) from 2019 to 2021 was 2,450.55, with a standard deviation of 4,777.87.

Research result

Data Pooling Test

Based on Table 3 which displays the results of the data pooling test, the significance value from Dummy 1 which is proxied by D1 to Dummy 2 multiplied by the *Debt to Equity Ratio* (DER) which is proxied by D2DER produces a significance value greater than 0.05. So it can be concluded that if the data in this study does not contain differences in coefficients which means that H0 is rejected then data pooling can be carried out.

Table 3. Data Pooling Test Results

	B (Unstandardized)	Std. Error	Beta (Standardized)	t	Sig.
(Constant)	3052.366	1819.731		1.677	0.096
CR	1.275	13.719	0.017	0.093	0.926
ROA	193.653	191.708	0.123	1.01	0.315
DER	-1.519	2.692	-0.096	-0.564	0.574
D1	-1272.005	2643.387	-0.126	-0.481	0.631
D2	-1078.861	2546.56	-0.107	-0.424	0.673
D1CR	8.948	18.334	0.083	0.488	0.626
D1ROA	470.444	381.74	0.138	1.232	0.22
D1DER	1.252	3.838	0.079	0.326	0.745
D2CR	9.393	19.07	0.08	0.493	0.623
D2ROA	338.823	383.222	0.094	0.884	0.379
D2DER	1.551	3.724	0.098	0.416	0.678

Classic assumption test

Normality test. The normality test is used to test whether the regression model in the study is normally distributed or not. The regression model in research is said to be good if it is distributed normally or close to normal. The data normality test in this study was carried out by statistical data analysis using the Kolmogorov-Smirnov test (1-Sample KS). Based on the test results in table 4, the Asymp. Sig (2-tailed) is 0.000, which means that the data in this study is not normally distributed.

Table 4. Normality Test Results

Parameter		Hasil
Normal Parameters	Mean	0
	Std. Deviation	4636.563699
Most Extreme Differences	Absolute	0.26
	Positive	0.237
	Negative	-0.26
Test Statistic		0.26
Asymp. Sig. (2-tailed)		.000°

Multicollinearity Test. The multicollinearity test aims to determine whether the linear regression model in the research experiences multicollinearity or not. This test uses the Variance Inflation Factor (VIF) for each independent variable in the study. The tolerance and VIF values for the three independent variables in this study in table 5 show the results of a tolerance value ≥ 0.10 and a VIF value ≤ 10, it can be concluded that there is no multicollinearity between the three independent variables in the linear regression model.

Table 5. Multicollinearity Test Results

Variabel	Tolerance	VIF
CR	0.855	1.17
ROA	0.963	1.038
DER	0.882	1.134

Heteroscedasticity Test. In this research, the heteroscedasticity test uses *scatterplots graphs* which show that the points in the graph do not have a clear pattern, and the points are spread above and below the number 0 on the Y axis, so it can be concluded that heteroscedasticity does not occur.

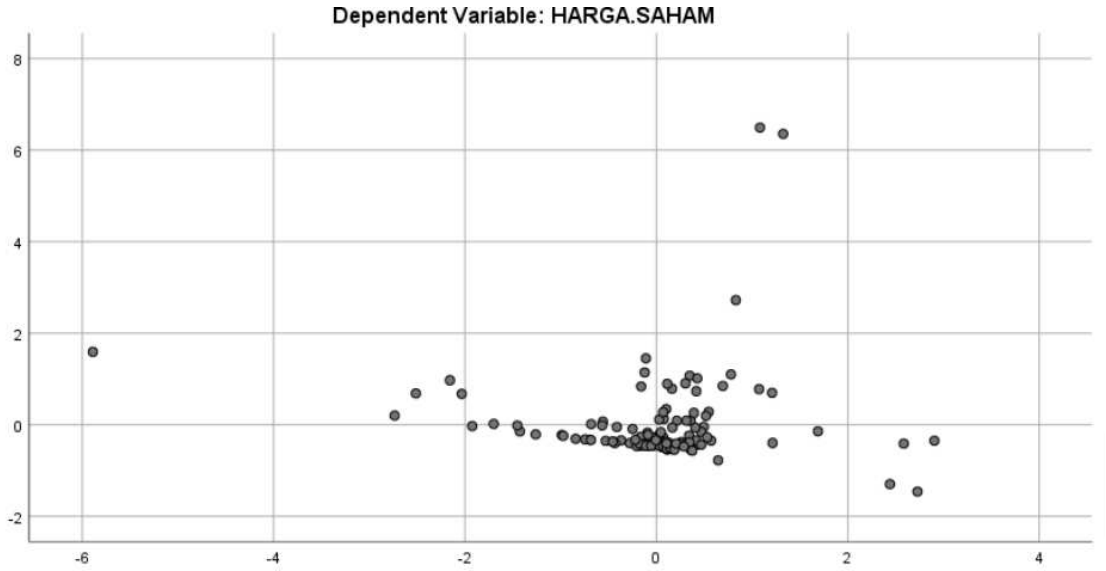

Figure 4. Heteroscedasticity Test *Scatterplots* Graphic Image

Autocorrelation Test. Durbin Watson value is used to test autocorrelation. In this study, the Durbin Watson value was 2.218. The d value is located between du and (4-du), meaning that autocorrelation has occurred in this linear regression model. Then, the value of d < dl means that positive autocorrelation occurs. The d value does not lie between (4-du) and (4-dl), meaning this research produces definite conclusions.

Table 6. Autocorrelation Test Results

R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
.241a	0.058	0.035	4694.644	2.218

Multiple Linear Regression Analysis

Multiple linear regression analysis testing was carried out in this research to examine the relationship between a dependent variable and several independent variables. In this research, the dependent variable is share price, while the independent variables are *Current Ratio* (CR), *Return on Assets* (ROA), and *Debt to Equity Ratio* (DER).

$$\mathbf{Y = 2{,}386.252 + 7.197X1 + 360.347X2 + 0.648X3 + \varepsilon}$$

Where X1 is Liquidity (CR); X2 is Profitability (ROA); X3 is Solvency (DER); Y is Share Price; β is the Regression Coefficient; ε is Error.

Hypothesis testing

F Statistical Test. Table 7 shows that the Sig. F is 0.067 which is smaller than α = 0.1 , so the hypothesis is accepted. This means that together all the independent variables, namely *Current Ratio* (CR), *Return on Assets* (ROA), and *Debt to Equity Ratio* (DER) have an effect on the dependent variable, namely Share Prices.

Table 7. F Statistical Test Results

	Sum of Squares	df	Mean Square	F	Sig.
Regression	162295276.8	3	54098426	2.455	.067
Residual	2622722198	119	22039682		
Total	2785017474	122			

Statistical Test t. Based on table 8 it can be concluded as follows: 1) Sig value. t *Current Ratio* (CR) is 0.1625 after dividing by two for one-way testing. This value is greater than α (0.05) , then the hypothesis is rejected. This means that there is no influence from the *Current Ratio* (CR) variable on the Share Price variable. 2) 2. Sig value. t *Return on Assets* (ROA) is 0.0065 after dividing by two for one-way testing. This value is smaller than α (0.05) , then the hypothesis is accepted. This means that there is a positive and significant influence from the *Return on Assets* (ROA) variable on the Share Price variable. 3) Sig value. t *Debt to Equity Ratio* (DER) is 0.3325 after dividing by two for one-way testing. This value is greater than α (0.05) , then the hypothesis is rejected. This means that there is no influence from the *Debt to Equity Ratio* (DER) variable on the Share Price variable.

Table 8. Statistical Test Results t

	B (Unstandardized)	Std. Error	Beta	t	Sig.
(Constant)	2386.252	1021.397		2.336	0.021
CR	7.197	7.275	0.095	0.989	0.325
ROA	360.347	142.801	0.229	2.523	0.013
DER	-0.648	1.492	-0.041	-0.434	0.665

Coefficient of Determination Test. Based on table 9, the value of R Square is 0.058 or 5.8%, meaning that only 5.8% of the *Current Ratio* (CR), *Return on Assets* (ROA), and *Debt to Equity Ratio* (DER) variables influence the Stock Price and the remaining 94.2% was influenced by other variables outside this research.

Table 9. Coefficient of Determination Test Results

R	R Square	Adjusted R Square	Std. Error of the Estimate
.241a	0.058	0.035	4694.644

Discussion

The Effect of Liquidity on Stock Prices

Based on the results of the t test, the liquidity variable measured using *the Current Ratio* (CR) has a significant value of 0.1625, this value is greater than the real level of 0.05. It can be concluded that the liquidity variable as measured by the Current Ratio (CR) does not have a significant influence on the stock price variable. The results of this test explain that *the Current Ratio* (CR) which is calculated by comparing Current Assets to Current Liabilities cannot determine the proportion of a company's share price. This variable is considered unable to influence an investor's view of the fundamental value

of a company. A high *Current Ratio (CR) also shows that there are a lot of* idle funds in the company.

These results are in line with research conducted by Octaviani & Komalasarai (2017), Susanto (2012), Ridha et al. (2019), Yuhani (2021), Rahma et al. (2021), and Sari & Siahaan (2021) which states that liquidity does not have a significant influence on stock prices.

The Effect of Profitability on Stock Prices

The results of the t test on the profitability variable which was proxied by *Return on Assets* (ROA) produced a significant value of 0.0065 . This value is smaller than the real level of 0.05 . It can be concluded that the profitability variable as measured by *Return on Assets* (ROA) has a positive and significant influence on the stock price variable. *Return on Assets* (ROA) shows the company's ability to generate profits in one period. The higher a company's *Return on Assets* (ROA), of course the company is considered good because it has succeeded in generating profits by utilizing the company's existing resources. Investors also of course hope to be able to enjoy the profits achieved by the company. The high interest and expectations of investors in companies that have a good level of profitability will of course increase the company's share price.

The results of this test are in line with research conducted by Octaviani & Komalasarai (2017), Ridha *et al* . (2019), Yuhani (2021), Fahlevi (2013), and Octaviani & Trilaksono (2022) who state that profitability has a significant influence on share prices.

The Effect of Solvency on Stock Prices

The solvency variable which is proxied by *the Debt to Equity Ratio* (DER) has a significant value of 0.3325 after carrying out the t test. This value is greater than the significance level of 0.05. It can be concluded that the solvency variable as measured by *the Debt to Equity Ratio* (DER) does not have a significant influence on the share price variable. Even though the high or low solvency of a company does not affect the company's share price, the company must still pay attention to the level of solvency. A high level of solvency has a negative impact on company performance, because with a high level of solvency the company's debt will also be higher. A higher level of debt will reduce the company's profits because the company has to pay interest expenses, this can cause the company's share price to decline in the market. Therefore, the higher the level of solvency of a company, the company must increase profits as much as possible in order to be able to pay off its obligations.

This result is the same as previous research which stated that solvency does not have a significant effect on company share prices conducted by Octaviani & Komalasarai (2017), Noviana (2020), Susanto (2012), Fahlevi (2013) and Octaviani & Trilaksono (2022).

CONCLUSIONS

Based on the test results from this research, the conclusions that researchers can draw are as follows: 1) A company's liquidity does not have a significant influence on a company's share price. 2) The profitability of a company has a positive and significant influence on the share price of a company. 3) The solvency of a company does not have a significant influence on a company's share price.

Suggestion 1) for investors, before investing, it is a good idea for an investor to search for information through information published by the company to serve as a guide in making investment decisions, such as by looking at the company's annual financial report. In this case, what an investor needs to pay attention to is the company's performance which can be seen through the development of its profitability, because in this study profitability is proxied by *Return on Assets* (ROA) shows that this variable has a positive and significant influence on the share price of a company. 2) For companies that sell their company shares on the market to pay more attention to and improve the company's performance, because investors will be more interested in companies that are able to continue to grow, not just generate large profits in that period. Based on the results of this research, companies need to pay attention to factors that significantly influence their company's share price namely profitability. By paying attention to factors that significantly influence its share price, the company will be able to maximize share prices and be able to realize the company's goals, namely achieving shareholder welfare and attracting new investors to invest in the company.

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