



The Effect Of Current Ratio, Debt To Equity, And Earnings Per Share On Stock Price Of Construction Companies Listed On The Indonesia Stock Exchange From 2018 To 2022 : A Conceptual Model

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ABSTRACT: Stock prices reflect the value of a company. Stock investors hope that stock prices will increase in order to obtain returns. This paper discusses the relationship between the Current Ratio, Debt to Equity Ratio, and Earnings Per Share in relation to the Stock Prices of Construction companies listed on the Indonesia Stock Exchange from 2018 to 2022. The conceptual model depicts the interconnectedness of these variables. Three hypotheses are formulated based on the model. The research employs a quantitative approach, with the sampling use method purposive sampling, with a sample size of 15 companies. The data analysis method employed is the Panel Data Regression model using EViews-12 software. The research findings indicate that: (1) Current Ratio does not have a significant effect on Stock Prices. (2) Debt to Equity Ratio does not significantly affect Stock Prices. (3) Earnings Per Share has a positive and significant effect on Stock Prices.

KEYWORDS: Current Ratio, Debt to Equity Ratio, Earnings Per Share, Stock Prices

I. INTRODUCTION

Stock prices reflect the value of a company. Stock investors hope that stock prices will increase in order to obtain returns. The average share price of Construction companies on the Indonesian Stock Exchange for the 2018-2022 period tends to decrease from 912 rupiah in 2018 to 295 rupiah in

2022. Meanwhile, production growth (added value) in the Construction sector in the same period also tends to decrease, namely from 6.09 percent in 2018 to 2.01 percent in 2022 (Biro Pusat Statistik, 2022 and 2024). Share prices on the Stock Exchange fluctuate and are influenced by supply and demand. Initial share offerings by issuers are influenced by the need for funding for company development, while secondary share offerings on the Stock Exchange or selling shares by investors and demand for secondary shares or buying actions by investors are influenced by the company's prospects and domestic and global macroeconomic prospects. The company's prospects can, among other things, be seen from the company's financial ratios. The company's financial ratios basically reflect the conditions of liquidity, leverage, activity, and profitability. Liquidity conditions are usually measured by the Current ratio (CR), company leverage conditions are often measured by the Debt to Equity Ratio (DER), and company profitability conditions can, among other things, be measured by Earnings Per Share (EPS).

The average development of the Current Ratio, Debt to Equity Ratio, Earnings Per Share, and Share Prices of Building Construction companies on the Indonesian Stock Exchange for the 2018-2022 period is listed in Table 1. The current Ratio tends to be stable, the Debt to Equity Ratio fluctuates, Earnings Per Share tends to decrease, and share prices tend to decrease.



Table 1: Current Ratio (CR), Debt to Equity Ratio (DER), Earnings Per Share (EPS), Stock Price (P) of Construction Companies listed on Indonesia Stock Exchange, 2018-2022

Variables*	2018	2019	2020	2021	2022
CR (%)	165	160	164	165	166
DER (%)	171	136	230	163	170
EPS (Rupiah)	73	53	-78	-4	8
P (Rupiah)	912	729	681	444	295

Source: IDX

Notes : * Average measures of 15 Companies listed on Indonesia Stock Exchange

The results of previous research on the influence of the Current Ratio (CR) on stock prices show contradictory results. Sukayasih (2019) concluded that the Current Ratio (CR) had a negative effect on the share prices of property and real estate companies for the 2013-2017 period. Suryana (2019) and Sari (2021) state that the Current Ratio (CR) has no effect on the share prices of construction and building companies for the 2013-2017 period. Hamzah (2020) stated that the Current Ratio had a positive influence on the Share Prices of Pharmaceutical Companies 2015-2018. Demor (2021) concluded that the Current Ratio had an influence on the Share Prices of Food and Beverage Companies for the 2015-2018 period.

The results of previous research on the influence of the Debt to Equity Ratio (DER) on share prices show contradictory results. Based on the results of research on the Indonesian Stock Exchange, Suryana (2019) and Sari (2021) stated that the Debt to Equity Ratio (DER) had no effect on the share prices of construction and building companies for the 2013-2017 period. Likewise, the research results of Wulandari (2023) stated that the Debt to Equity Ratio (DER) had no effect on the share prices of property and real estate companies in 2018-2022. On the other hand, Sukayasih (2019) concluded that the Debt to Equity Ratio (DER) had a positive effect on prices. Property and Real Estate Company Shares for the 2013-2017 period, likewise, Sari (2022) shows that the Debt to Equity Ratio (DER) has an effect on Building Construction Company Share Prices for the 2017-2020 period. Demor (2021) concluded that the Debt to Equity Ratio (DER) had a negative effect on the share prices of Food and Beverage Companies for the 2015-2019 period.

The results of previous research on the influence of Earnings Per Share (EPS) on share prices show contradictory results. Suryana (2019) states that Earnings Per Share (EPS) influences the

share prices of building construction companies for the 2013-2017 period. Demor (2021) concluded that Earnings Per Share (EPS) had a positive effect on Food Beverage Company Share Prices for the 2015-2018 period. Sari (2022) states that Earnings Per Share (EPS) has a positive effect on the share prices of building construction companies for the 2017-2020 period. Wulandari (2023) states that Earnings Per Share (EPS) has an effect on the Share Prices of Property and Real Estate Companies 2018-2022. On the other hand, Hamzah (2020) states that Earnings Per Share (EPS) has no effect on the Share Prices of Pharmaceutical Companies 2015-2018.

II. LITERATURE REVIEW

Signaling Theory states that companies use financial reports as a "signal" to external parties (creditors and investors) about the company's current condition and future prospects (Alfredo & Nasution, 2021). This signal will be interpreted by external parties. If the signal is considered by external parties to be a positive signal, there will be a positive response or action to buy shares so that the company's share price increases. However, if the signal is considered by external parties to be a negative signal, it will respond negatively or sell shares so that the company's share price will fall (Jogiyanto, 2010).

The current ratio is used to assess the company's ability to pay short-term obligations (debts) that are approaching maturity using current assets owned such as cash and cash equivalents, securities, receivables, and inventory. Current Ratio = Current Assets / Current Liabilities (Gitman, 2015).

Debt to Equity Ratio measures the percentage of debt to equity (Rebin Sumardi and Suharyono, 2020:26). Debt to Equity Ratio (DER) = Total Liabilities/Total Equity.

Earnings Per Share is a ratio analysis that is used as a way to calculate the amount of net profit



obtained from ordinary shares (Weygandt et al., 2019). According to Kasmir (2019), the success of achieving profits by management for investors is seen by the profit per share ratio. Earnings Per Share (EPS) = Net Profit/Number of Shares Outstanding (Muis Fauzi Rambe, 2016:85).

The share price is the estimated value of a piece of paper which is proof of company ownership (Azis, Mintarti, and Nadir, 2015). The share price that will be used in this research is the closing price.

III.CONCEPTUAL MODEL

Considering past research and literature, there is a relationship between the Current Ratio, Debt to Equity Ratio, and Earnings Per Share concerning Stock Price. As a result, as seen in Figure 1, the research could build a conceptual model.

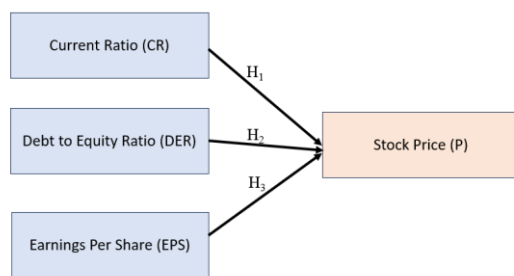


Figure 1. The Conceptual Model

IV.HYPOTHESIS

This research was created by analyzing the phenomena between the variables researched to establish hypotheses. Based on previous research investigations and existing literature, it is believed that a correlation exists between the Current Ratio, Debt to Equity Ratio, and Earnings Per Share in relation to Stock Price. three hypotheses were formulated based on the conceptual model depicted in Figure 1.

H₁: Current Ratio (CR) has a direct positive and significant effect on Stock Price (P)

H₂: Debt to Equity Ratio (DER) has a direct positive and significant effect on Stock Price (P)

H₃: Earnings Per Share (EPS) has a direct positive and significant effect on Stock Price (P)

V.METHODOLOGY

The method used in this study is quantitative and will be carried out at Construction Companies Listed on the Indonesia Stock Exchange from 2018 to 2022. In the context of this research, the population is 19 companies. The sampling

technique chosen was purposive sampling, so the number of samples in this study was 16. The secondary panel data analysis method used in this research is the panel data regression analysis using E-Views 12 software.

VI.CONCLUSION

This paper aims to develop a conceptual model to determine the relationship between the Current Ratio, Debt to Equity Ratio, and Earnings Per Share concerning the Stock Price of Construction Companies Listed on the Indonesia Stock Exchange from 2018 to 2022. This conceptual paper consists of a research background, literature review, conceptual model, hypotheses, and research methodology of Current Ratio, Debt to Equity Ratio, and Earnings Per Share concerning Stock Price Construction Companies Listed on the Indonesia Stock Exchange from 2018 to 2022. This implementation of this paper aims to provide information on the relationship between the Current Ratio, Debt to Equity Ratio, and Earnings Per Share concerning Stock Price Construction Companies Listed on the Indonesia Stock Exchange from 2018 to 2022.

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