INTERNATIONAL HUMANITIES and APPLIED SCIENCES JOURNAL (IHASJ)
e-ISSN 2622-5808; p-ISSN 2655-6553, Volume 3, Issue 1, January, 2020

10.22441/ihasj.2020.v3i1.03

THE EFFECT OF CURRENT RATIO, DEBT TO EQUITY RATIO, RETURN ON ASSETS AND EARNING PER SHARE ON STOCK PRICE OF CONVENTIONAL TAXI AND BUS COMPANIES IN INDONESIA STOCK EXCHANGE 2013-2017

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Abstract *– This study aims to examine and analyze the effect of current ratio, debt to equity ratio, return on assets and earning per share on the stock price. The object of this study is conventional taxi and bus companies in Indonesia Stock Exchange on 2013-2017. The sample selection is using purposive sampling and got six companies that match the criteria. The method used is panel data regression analysis and found that the appropriate model to use is a common effect. From the result of this study obtained the variable of earning per share has a positive and significant effect on the stock price.*

Keywords: *current ratio; debt to equity ratio; return on assets; earning per share; stock price*

INTRODUCTION

Transportation has a strategic role in the national economy, on the other hand, transportation is also a business area as another sector. The development of the transportation sector can be seen from the contribution of each type of transportation to the Gross Domestic Product (GDP). As the news published in ekonomi.bisnis.com on data reported by BPS that Indonesia’s economic growth reached 5.07% throughout 2017. By sector, transportation and warehousing are among the most auspicious sector. Data shows that transportation and warehouse scored annual growth of 8.49% or the second-highest growth after the information and communication sector which raised 9.81%. (economy.bisnis.com/2018). In 2015 was a phenomenal period for the development of online transportation services in Indonesia. Transportation on-demand or commonly called online transportation. In Indonesia, there are three major transportation services companies, namely Go-Jek, Grab, and Uber. Online transportation is well welcomed at the beginning of appearance considering to become innovative and useful that certainly attracts people to use it.

Along the skyrocketing in growth and development of online transportation has not followed by the development of non-online (conventional) transportation services as well. Conventional transportation, in this study mentioned as taxi and bus who previously existed and used experiences the declining in company performance, most caused by the decline of passengers to use the service. According to data by Organda Jakarta, in 2015, a decrease of passengers in almost all kind of transportation mode, taxis dropped to 30% as well as buses which have dropped to 30%, and Bajaj dropped to 40%. If average, the decline in several passengers of conventional transportation reaches 33% - 34%. The decreasing number of passengers not only being one of the factors that conventional transportation companies received from the impact of online transportation presence. The stock price of conventional transport companies gets the impact as well, most directly affected. The average stock price itself tends to decrease from year to year. The companies, namely PT Blue Bird Tbk, PT Express Trasindo Utama Tbk, PT Ekasari Lorena Transport Tbk, PT Steady Safe Tbk, PT Weha Transportasi Indonesia, PT Zebra Nusantara Tbk.

Some of the things that become news related to the declining of conventional transportation company's stock price are; first, the inclusion of Uber Taxi which started in August 2014. Second, Ojek Online, competition for taxi companies increasingly fierce with the rise of the conventional taxi. Third, the online tax rate applied. Fourth, lower rates of online taxi canceled. Fifth, the company's performance.

Many researchers associated and support with the variables in this research. Some of the research results as follows: Research conducted by Sari (2013) shows that DER, CR, ROA, EPS did not significantly influence the stock price. Adipalguna (2016) shows that CR, DER, ROA have not significant effect on stock price, while EPS has a significant and positive effect on the stock price.

LITERATURE REVIEW

Financial management is concerned with the acquisition, financing, and management of assets with some overall goal (Horne, 2012). According to Keown et al (2010), financial management is concerned with the maintenance and creation of economic value or wealth. The goal of financial management in a for-profit business is to make a decision that will increase the value of the stock, generally, increase the market value of equity (Ross et al, 2016). According to Brigham and Houston (2012), the financial statement describes how are ratios are used to analyze the financial statement to identify the weaknesses that needed to maximize the stock price. The financial statement consists of several types, namely; balance sheet; income statement; statement of cash flow; statement of stockholders equity.

The stock price is the current market value the stock at a given time determined by the demand and supply of shares concerned the capital market (Jogiyanto, 2008). Stock price occurs on the stock exchange at certain times. The stock price can go up or down in a fast period. The stock price can change in minutes or even seconds (Darmadji and Fakhruddin, 2012). According to Tandelilin (2010), the stock price is a reflection of investor expectation of earnings factors, cash flow and level of return required by investors, which highly influenced by macroeconomics performance. A ratio is how to measure the effectiveness of management as reflected in rewards or investment returns through the activities of the company or in other words measure the overall performance of the company and efficiency in managing the obligations and capital (Nusraningrum & Suwesti, 2018).

The current ratio is the ratio calculated by banning current assets with current liabilities. A high current ratio generally indicates a very strong, safe liquidity position, it might also indicate that the firm has too much old inventory that will have to be written off and too many old account receivable that may turn into bad debts. (Amelia & Asmara, 2018). The ratio of total debt to assets, commonly called the debt ratio, measures the percentage of funds granted by creditors (Nusraningrum & Suwesti, 2018). The higher return on equity often reflects the firm's acceptance of strong investment opportunities and effective expense management. the dividend payout ratio is the number of dividends relative to the company's net income or earnings per share (Amelia & Asmara, 2018).

METHODS

Data obtained based on an annual report that audited and published by a researcher from the official website of the Indonesia Stock Exchange (IDX). The analytical method used in this research is panel data regression analysis with the assist of software E-views 9. E-views is a computer program used to process statistical data and econometric data. According to Gujarati and Porter (2012) panel data are a special form of pooled data (accumulating time-series observations with individuals), combinations of time and individual time data.

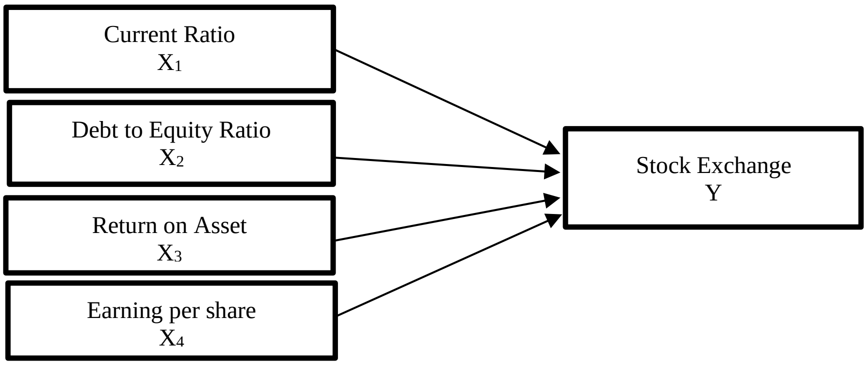

Figure 1. Research Model

Hypothesis
Based on the framework then researcher formulates the hypothesis as follows:
H_1: There is an effect of the current ratio to stock price.
H_2: There is an effect of debt to equity ratio to stock price.
H_3: There is an effect of return on asset to stock price.
H_4: There is an effect of earning per share to stock price.

RESULT and DISCUSSION

Table 1. Stationary Test

No	Variable	Unit Root Test in	ADF Test Statistic	Prob.	Critical Value 5%	Information
1	SP	1st difference	-5.638883	0.0001	-2.971853	Stationary
2	CR	1st difference	-6.983088	0.0000	-2.971853	Stationary
3	DER	1st difference	-9.765319	0.0000	-2.971853	Stationary
4	ROA	1st difference	-8.534361	0.0000	-2.971853	Stationary
5	EPS	1st difference	-5.682094	0.0001	-2.971853	Stationary

Source: Output E-views 9

From the result table above, the probability value obtained that all variables are stationary on the degree of level integration.

Table 2. Common Effect Model Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1314.994	409.2307	3.213331	0.0036
CR	-178.9829	357.4978	-0.500655	0.6210
DER	91.99073	70.91404	1.297214	0.2064
ROA	-801.1673	391.9680	-2.043961	0.0516
EPS	14.24790	1.926955	7.393997	0.0000
R-Squared	0.686728	Mean dependent var		1222.767
Adjusted R-squared	0.636604	S.D. dependent var		2449.318
S.E. of regression	1476.506	Akaike info criterion		17.58376
Sum squared residue	54501728	Schwarz criterion		17.81729
Log-likelihood	-258.7563	Hannan-Quinn criteria		17.65847
F-statistic	13.70069	Durbin-Watson stat		1.178582
Prob(F-statistic)	0.000005			

Source: Output E-views 9

Common Effect Model or Ordinary Least Square is an approach to estimating panel data model parameters by combining cross-section and time-series data as a whole and without regard to time and individual differences.

From the result, it can be seen that the value Adjusted R-Square is 0.636604 or 64% which interpreted that the independent variables in this research can be explained by the dependent variable.

Table 3. Lagrange Multiplier Test

	Test Hypothesis Cross-section	Time	Both
Breusch-Pagan	2.111223	1.863251	3.974474
	(0.1462)	(0.1723)	(0.0462)

Source: Output E-views 9

Lagrange Multiplier Test aims to determine whether the random effect model or common effect model is appropriate to use in the panel data regression model. The significance test was developed by Breusch-Pagan. The Breusch-Pagan method is a significance test is based on the residual value of OLS (Ordinary Least Square). In this test done by the following hypothesis:

H_0: Common Effect Model (CEM)
H_a: Random Effect Model (REM)

From the result above, the probability value of Breusch-Pagan is 0.0462 >0.05. Then H_0 is accepted and H_a is rejected means common effect model is appropriate to use in this research.

Result

From the result output in common effect model, the regression equation model as follow:

$$Y = a + bx1 + bx2 + bx3 + bx4$$
$$SP = 1314.994 – 178.9829\ CR + 91.99073\ DER – 801.1673\ ROA + 14.24790\ EPS$$

Analysis of coefficient panel data regression:
$H_{a:}$ model is true
H_0: model is not true
Criteria probability is less than 0.05

1. The effect of the current ratio on the stock price obtained from probability value is 0.06210 greater than the level of significance 0.05 means H0 is accepted and Ha is rejected. This interpreted that the current ratio does not affect the stock price of conventional taxi and bus companies in the period 2013-2017.

2. The effect of debt to equity ratio on the stock price obtained from probability value is 0.2064 greater than the level of significance 0.05 means H0 is accepted and Ha is rejected. This interpreted that the debt to equity ratio does not affect to the stock price of conventional taxi and bus companies in the period 2013-2017.

3. The effect of return on asset on the stock price obtained from probability value is 0.0516 greater than the level of significance 0.05 means H_0 is accepted and H_a is rejected. This interpretation of return on an asset does not affect the stock price of conventional taxi and bus companies in the period 2013-2017.

4. The effect of earning per share on the stock price obtained from probability value is 0.0000 smaller than the level of significance 0.05 means H0 is rejected and Ha is accepted. This interpreted that earning per share does effect to stockpile of conventional taxi and bus companies in the period 2013-2017.

CONCLUSION

Based on the analysis of current ratio; debt to equity ratio; return on the asset; earning per share on a stock price of conventional taxi and bus companies listed in Indonesia Stock Exchange (IDX) in period 2013-2017 can be conclude as follows: 1) current ratio does not affect to the stock price of conventional taxi and bus companies in period 2013-2017; 2) debt to equity ratio does not affect to the stock price of conventional taxi and bus companies in period 2013-2017; 3) return on an asset does not affect to the stock price of conventional taxi and bus companies in period 2013-2017; 4) earnings per share does effect to the stock price of conventional taxi and bus companies in period 2013-2017.

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