

The Effect of Liquidity and Profitability On Stock Prices of Pharmaceutical Companies listed On The IDX Period 2021-2024

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ABSTRACT

This study aims to analyze the effect of liquidity and profitability on the stock prices of pharmaceutical companies listed on the Indonesia Stock Exchange (IDX) for the 2021–2024 period. Liquidity is measured using the Current Ratio (CR), while profitability is measured by Return on Assets (ROA), and stock prices are proxied by Price to Book Value (PBV). This study uses quantitative methods with secondary data in the form of the financial statements of eight pharmaceutical companies. The results show that liquidity has a negative and significant effect on stock prices, indicating that excessively high levels of liquidity may be perceived by investors as inefficient in asset management. Conversely, profitability has a positive and significant effect on stock prices, indicating that a company's ability to generate profits from its assets can increase investor confidence and drive stock prices upwards.

Keywords: : *Current Ratio; Indonesia Stock Exchange; Liquidity; Profitability Return on Assets.*

1. INTRODUCTION

Amid the rapid pace of current economic growth, many individuals choose investment as a means to generate future returns. The primary objective of investors in allocating funds to companies is to obtain profits through the purchase and sale of shares they own. If the stock price falls below the purchase price, investors will incur losses.

Stocks are one of the most popular investment instruments among investors. Before deciding to invest, investors need to carefully consider the company's performance. This is important because investors generally prefer to invest in companies with good management, which are expected to generate favorable returns. To evaluate a company's financial performance, appropriate methods are required to measure the potential future stock price. The methods employed in this study are liquidity and profitability ratios.

Liquidity ratios function to evaluate how effectively a company can meet its short-term financial obligations in a timely manner. Liquidity plays a crucial role in enabling companies to manage daily operational needs through the effective management of assets that can be readily converted into cash. If a company is able to fulfill its short-term obligations when they become due, it is considered liquid. Conversely, if a company fails to meet these obligations as

scheduled, it is regarded as illiquid (Hidayat, 2024:34). Liquidity reflects a company's capacity to settle liabilities within a short period and how it manages its cash flow. In contrast, solvency ratios assess a company's long-term ability to meet its outstanding debts. A company is categorized as having strong liquidity if it can meet its short-term obligations on time, indicating that it has sufficient funds to support operations and investments (Ramadhani & Rachma Zannati, 2018).

Liquidity ratios can be assessed using various methods, one of which is the current ratio. This ratio is used to measure the extent to which a company is able to fully settle its due liabilities in a timely manner (Khanifah & Budiyo, 2018). Notama et al. (2021) explain that the current ratio indicates the extent to which a company can meet its short-term financial responsibilities, including operational expenses. The following formula is used to calculate the current ratio:

$$\text{Current Ratio} = \text{Current Assets} / \text{Current Liabilities}$$

Profitability refers to a company's capacity to generate profits from its business activities within a certain period. Profitability indicates the extent to which a company operates effectively and efficiently in maximizing the resources it possesses to achieve earnings. It is a crucial indicator in assessing a company's financial performance and is frequently used as a reference by investors, creditors, and management to monitor the progress and sustainability of corporate operations (Siahaan, 2025:22). Profitability ratios can be used to compare various components in financial statements, particularly the balance sheet and the income statement. Such evaluations can be conducted over several periods of operational activity (Astuti, 2021:117).

Profitability ratios demonstrate the extent to which a company successfully manages its operations effectively and assess its potential to generate adequate profits from its activities over a given period (Febriana, 2021:121). There are several types of profitability ratios that can be used to evaluate a company's ability to generate profits, one of which is Return on Assets (ROA). Investors tend to be more interested in investing in companies that demonstrate strong profitability, as this ultimately contributes to an increase in stock value. The following formula is used to calculate ROA :

$$\text{ROA} = \text{Net Income} / \text{Total Assets}$$

Stock is a financial instrument that represents ownership by an individual or an entity in a portion of a company. By holding shares, an individual is recognized as part of the company. Therefore, when an investor purchases shares, they are acknowledged as an owner or shareholder of the company (Aryawati, 2022:61).

According to Darmadji and Fakhrudin (2012:102), stock price refers to the price quoted in the market at a particular point in time. The value of a stock can change drastically, either increasing or decreasing, within a very short period. Such changes may occur within minutes or even seconds. This phenomenon is driven by the active interaction between buyers and sellers in stock trading activities. Stock price fluctuations are highly dependent on the level of demand and supply. When many investors are interested in buying shares, prices generally increase. Conversely, when many investors intend to sell, prices tend to decline. Changes in stock prices affect market value and create future opportunities for investors. Stock prices reflect the information available in the capital market, assuming that the market operates efficiently.

Stock price movements in the capital market follow the level of demand and supply for the respective shares. Stock price fluctuations are significantly influenced by factors considered by buyers and sellers regarding both the internal and external conditions of the company (Khanifah & Budiyo, 2018). Firm value represents investors' perceptions of how effectively a company operates, which is commonly reflected in its stock price. One approach to measuring firm value is by using a ratio known as Price to Book Value (PBV) (Susilowati et al., 2019):

$$\text{PBV} = \text{Market Price per Share} / \text{Book Value per Share}$$

2. RESEARCH METHOD

The method employed in this study is a quantitative approach. A quantitative approach is a research method based on positivist principles, which is used to examine a particular population or sample. The data in this study were collected using specific instruments and subsequently processed through mathematical or statistical techniques, with the objective of testing predetermined hypotheses (Sugiyono, 2021:16). Quantitative methods emphasize phenomena that possess measurable characteristics in human social life, which are referred to as variables (Sujarweni, 2019:15). The conceptual framework of this study aims to provide a clear overview, namely:

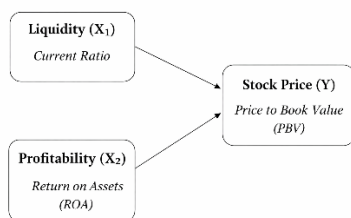
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Picture 1. Conceptual Framework

RESULTS AND DISCUSSION

RESULT

The following table presents a recap of the Current Ratio for pharmaceutical companies, consisting of eight firms:

Table 1. Recapitulation of the Current Ratio for the 2021–2024 Period

No	Kode Saham	2021 (%)	2022 (%)	2023 (%)	2024 (%)
1.	DVLA	2.57	3.00	2.86	2.69
2.	INAF	128.19	79.10	16.16	8.80
3.	KAEF	1.05	94.12	62.56	49.48
4.	MERK	2.71	3.33	5.74	6.52
5.	PEHA	129.7	117.5	112.7	95.2
6.	PYFA	1.29	1.81	1.92	1.28
7.	SIDO	4.1	4.1	4.5	5.4
8.	TSPC	329.19	248.33	269.48	308.53

Source : Data processed by the researcher

The following table presents a recap of Return on Assets (ROA) for pharmaceutical companies, consisting of eight firms:

Table 2. Recapitulation of Return on Assets for the 2021–2024 Period

No	Kode Saham	2021 (%)	2022 (%)	2023 (%)	2024 (%)
1.	DVLA	7.00	7.40	7.17	7.22
2.	INAF	1.52	-30.89	-94.89	-54.11
3.	KAEF	1.70	-0.64	-10.36	-8.07
4.	MERK	12.83	17.33	18.61	16.04
5.	PEHA	0.6	1.5	0.4	-20.3
6.	PYFA	0.68	18.12	-5.58	-5.68
7.	SIDO	31.0	27.1	24.4	29.7
8.	TSPC	8.54	8.84	10.41	11.59

Source : Data processed by the researcher

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The following table presents stock price data for pharmaceutical companies, consisting of eight firms:

Table 3. Recapitulation of Stock Prices (PBV) for the 2021–2024 Period

Kode Saham	Tahun	Harga Saham (a)	Total Ekuitas (b)	Jumlah Saham Beredar (c)	NBVS (d) b/c	PBV (a/d)
DVLA	2021	2.750	1.391.412.139	1.120.000.000	1,2423	2213,5785
	2022	2370	1.403.620.581	1.120.000.000	1,2532	1891,1093
	2023	1.665	1.404.432.093	1.120.000.000	1,2540	1327,7965
	2024	1.600	1.448.972.508	1.120.000.000	1,2937	1236,7384
INAF	2021	2.380	508.309.909.506	3.099.267.500	164,0097	14,5113
	2022	1.150	86.348.511.713	3.099.267.500	27,8609	41,2764
	2023	605	804.152.258.266	3.099.267.500	259,4653	2,3317
	2024	126	1.144.041.808.773	3.099.267.500	369,1330	0,3413
KAEF	2021	2.430	7.231.872.635	5.554.000.000	1,3021	1866,2137
	2022	1.085	9.339.290.330	5.554.000.000	1,6815	645,2407
	2023	1.445	4.778.240.335	5.566.585.490	0,8584	1683,4055
	2024	605	3.428.808.544	5.566.585.490	0,6160	982,2025
MERK	2021	3.690	684.043.788	448.000.000	1,5269	2416,6874
	2022	4.750	757.241.649	448.000.000	1,6903	2810,1994
	2023	4.180	795.878.793	448.000.000	1,7765	2352,9211
	2024	3.600	807.273.556	448.000.000	1,8019	1997,8358
PEHA	2021	1.105	740.977.263	840.000.000	0,8821	1252,6700
	2022	685	771.816.074	840.000.000	0,9188	745,5144
	2023	640	676.756.569	840.000.000	0,8057	794,3772
	2024	324	393.122.351	840.000.000	0,4680	692,3036
PYFA	2021	1.015	167.100.567.456	535.080.000	312,2908	3,2502
	2022	865	442.357.487.241	535.080.000	826,7128	1,0463
	2023	1.145	357.059.703.979	535.080.000	667,3015	1,7159
	2024	210	1.039.546.109.398	11.236.680.000	92,5136	2,2699
SIDO	2021	865	3.471.185.000	30.000.000.000	0,1157	7475,8332
	2022	755	3.505.475.000	30.000.000.000	0,1168	6461,3212
	2023	525	3.385.941.000	30.000.000.000	0,1129	4651,5873
	2024	590	3.487.844.000	30.000.000.000	0,1163	5074,7683
TSPC	2021	1.500	6.875.303.997.165	4.509.864.300	1524,5035	0,9839
	2022	1.410	7.550.757.105.430	4.509.864.300	1674,2759	0,8422
	2023	1.835	8.065.636.792.302	4.509.864.300	1788,4433	1,0260
	2024	2.500	9.150.826.562.797	4.509.864.300	2029,0692	1,2321

Source : Data processed by the researcher

Based on the data presented above, the conclusions of this study can be summarized as follows:

Table 4. Descriptive Statistic

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Current Ratio	32	1.05	329.19	65.7525	96.77995
Return on Assets	32	-94.89	31.00	1.2244	24.53820
Harga Saham	32	.34	7475.83	1520.0979	1943.17539
Valid N (listwise)	32				

Source : Data processed by the researcher

Based on the available statistical data, the total number of observations analyzed in this study is 32. The Current Ratio (CR) ranges from a minimum value of 1.05 to a maximum of 329.19, with an average of 65.75. This indicates that the level of liquidity among the sampled companies varies considerably, as reflected by the relatively high standard deviation of 96.78.

Return on Assets (ROA) is estimated to range from -94.89 to 31.00, with an average of only 1.22. This suggests that, overall, the companies' ability to generate profits from their assets remains relatively low and experiences substantial fluctuations, as indicated by a standard deviation of 24.54.

Meanwhile, stock prices show values ranging from 34 to 7,475.83, with an average of 1,520.10 and a standard deviation of 1,943.18. This reflects a wide variation in stock prices among companies during the research period.

Table 5. Results of the Coefficient of Determination Calculation

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.682 ^a	.464	.428	1470.26638
a. Predictors: (Constant), Return on Assets, Current Ratio				

Source : Data processed by the researcher

Based on the Model Summary, the correlation coefficient (R) is 0.682, indicating a relatively strong relationship between ROA and CR and the dependent variable. The R Square value of 0.464 implies that 46.4% of the variation in the dependent variable can be explained jointly by ROA and CR, while the remaining 53.6% is influenced by other factors outside this model.

The Adjusted R Square value of 0.428 indicates that after adjusting for the number of variables and the sample size, the model's ability to explain the dependent variable remains fairly strong. Meanwhile, the Std. Error of the Estimate of 1,470.27 reflects the magnitude of the model's prediction error, suggesting that although the model performs reasonably well, there are still differences between the predicted and actual values of the dependent variable.

Table 6. Results of the Model Feasibility Test (F-Test)

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	54365034.85	2	27182517.43	12.575	.000 ^b
	Residual	62688813.30	29	2161683.217		
	Total	117053848.2	31			

Source : Data processed by the researcher

Based on the ANOVA table, it can be explained that the regression model used in this study is both appropriate and statistically significant. This is evidenced by the F-value of 12.575 with a significance level of 0.000, which is well below the threshold of 0.05. This indicates that all independent variables included in the model simultaneously have a significant effect on the dependent variable.

Therefore, it can be concluded that the regression model successfully explains the relationship between the independent and dependent variables, and the results of the analysis demonstrate that the observed effect is not merely due to chance but is supported by strong statistical evidence.

Table 7. Multiple Linear Regression Results

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2038.207	315.884		6.452	.000
	Current Ratio	-8.680	2.730	-.432	-3.179	.003
	Return on Assets	43.004	10.769	.543	3.993	.000

a. Dependent Variable: Harga Saham

Source : Data processed by the researcher

Based on the results of the regression coefficient analysis, the constant value is 2,038.207, indicating that if the Current Ratio (CR) and Return on Assets (ROA) are assumed to be constant or equal to zero, the stock price is estimated to be at this level.

The Current Ratio variable shows a negative regression coefficient of -8.680 with a significance level of 0.003 , indicating that the Current Ratio has a statistically significant negative effect on stock prices. In other words, an increase in the Current Ratio tends to be associated with a decrease in stock prices.

Meanwhile, Return on Assets (ROA) has a regression coefficient of 43.004 with a significance level of 0.000 , indicating that ROA has a significant positive effect on stock prices. This suggests that the higher a company's ability to generate profits from its assets, the higher the stock price tends to be. Overall, these results indicate that profitability plays a crucial role in enhancing firm value, while excessively high liquidity may exert downward pressure on stock prices.

DISCUSSION

The Effect of Liquidity on Stock Prices

Based on the overall results of the descriptive statistical analysis, model summary, ANOVA, and regression coefficient tests, it can be concluded that liquidity has a significant effect on stock prices. This is evidenced by the regression results indicating that the Current Ratio has a negative and statistically significant effect on stock prices, with a significance value of 0.003

(< 0.05). This finding implies that changes in a company's liquidity level statistically influence stock price movements and are not merely due to random variation.

However, the effect is negative, suggesting that excessively high liquidity may be perceived by investors as an indication of inefficient asset management. As a result, such conditions may reduce market interest and lead to a decline in stock prices. Therefore, it can be concluded that liquidity does affect stock prices, but the direction and magnitude of this effect depend heavily on how effectively a company manages its current assets.

The results of this study are consistent with previous research by Kosim and Maya Safira (2020), Muthia et al. (2021), and Ramadhani and Rachma Zannati (2018), which found that liquidity, as measured by the Current Ratio, influences stock prices and can affect investors' interest in allocating capital to a company.

The Effect of Profitability on Stock Prices

Based on the comprehensive results of the descriptive statistics, model summary, ANOVA, and regression coefficient tests, it can be concluded that profitability has a significant effect on stock prices. This is indicated by the Return on Assets (ROA) variable, which shows a positive regression coefficient of 43.004 with a significance value of 0.000 (< 0.05). These results suggest that a company's ability to generate profits from its total assets has a statistically significant impact on stock price movements. In other words, the higher the company's profitability, the greater the level of investor confidence in the firm's performance, which increases demand for its shares and consequently drives up stock prices in the market.

Furthermore, the results of the Model Summary and ANOVA indicate that ROA, together with the Current Ratio, is able to explain variations in stock prices reasonably well, and the regression model is statistically significant. This finding reveals that profitability is a crucial aspect considered by investors when making investment decisions, as profits reflect both current performance and future potential of the company. Thus, it can be concluded that profitability not only affects stock prices but also plays an important role in enhancing firm value and attracting investor interest.

These findings are in line with studies conducted by Notama et al. (2021), Kosim and Maya Safira (2020), and Khanifah and Budiyo (2018), which confirm that profitability, particularly Return on Assets, has a positive influence on stock prices. This implies that an increase in company profits will have a favorable impact on stock price appreciation.

3. CONCLUSION

Based on the research findings, it can be concluded that liquidity, as measured by the Current Ratio, has a significant negative effect on stock prices. This indicates that changes in a company's liquidity level genuinely influence stock price movements in the market. Excessively high liquidity may be perceived by investors as inefficient management of current assets, as available funds are not optimally utilized to generate profits. Such conditions can reduce investor interest and ultimately lead to a decline in stock prices. This conclusion is consistent with previous studies suggesting that liquidity affects corporate stock prices.

Profitability, measured by Return on Assets (ROA), is also proven to have a positive and significant effect on stock prices. The higher a company's ability to generate profits from its assets, the greater the level of investor confidence in the firm's performance and future prospects, thereby increasing demand for shares and driving stock prices upward in the market. Overall, this study demonstrates that both liquidity and profitability play important roles in influencing stock prices. Therefore, companies should maintain a balance between their ability to meet short-term obligations and their efficiency in generating profits in order to enhance firm value and investor perception.

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