The Effect of Current Ratio and Earning Per Share on Stock Prices in Manufacturing Companies in the Agricultural Sector

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Abstract: *This study aims to determine the effect of (1) the effect current ratio on stock prices (2) the effect of earning per share on stock prices (3) the effect current ratio and earning per share on stock prices both partially and simultaneously on stock prices in agricultural sector manufacturing companies listed on the Indonesia stock Exchange. The research method used is multiple linear regression analysis method correlation coefficient (R), The coefficient of determination (R2), f test and t test data types used are secondary data with a total sample size of 4 companies. The results of this study were obtained with a correlations value of (R) of 0,581 so there is a very strong relationship between the variable stock price and the variabel current ratio. The coefficient of determination (R2) is 0,338. Which means that 0f the variable stock price can be explained by the variable current ratio and earnings per share remaining can be explained by other variables not not axamined. In test f the f-count is and f table value of (4,334 > 3,59) with a significant value of (0,014 < 0,05) the current ratio and earning per share together have a significant effect on stock prices. X1 t-count 2,752 > t-table 2,109 means that current ratio has and effect but not significant on stock prices and the X2 t-test is 1,294 < 2,109 means that earning per share has but not effect but is not significant on stock in agricultural sector manufacturing companies listed on the IDX, one and two rejected while the fifth hypothesis is accepted.*

Keywords: *Current ratio, earning per share and stock price.*

1. Introduction

In measuring the soundness of a company, an analytical tool called financial ratio analysis can be used. In carrying out this analysis, the financial ratios needed are financial ratios that reflect certain aspects. Financial ratios can be calculated based on the numbers in the balance sheet and income statement. The elements in the two reports are combined to obtain a ratio. Placement of investment in the capital market requires accurate information so that investors cannot be trapped in conditions that can be detrimental because investment in the stock exchange is a type of investment with relatively high risk, although it can promise relatively large profits. The information needed by investors is related to financial ratios. The capital market includes investments with high liquidity so that capital owners can maximize company value.

Analyzing financial ratios that are obtained from financial reports will be used by investors in predicting the investment returns that will be received. In this case, one of the ratios in the analysis is the liquidity ratio (current ratio). This current ratio can be measured by how far a company's current assets are used to fulfill its current asset obligations. If a company can pay its short-term obligations, the company can be said to be liquid.

Therefore, in making investments every investor must consider the trade-off

relationship between return and risk. The higher the return expected or obtained by the investor, the greater the risk that must be borne by the investor. The most important component that must be considered in the analysis of a company is earnings per share or better known as Earning per share (EPS). The number of earnings per share in a company can be seen from the company's financial statement information. Although some companies do not include the number of earnings per share of the company in question in their financial reports, the number of earnings per share of a company can be calculated based on information on a company's balance sheet and income statement.

Investors can measure the level of financial performance in a company based on the company's ability to manage its resources to generate profits. If a company has good financial performance or can be said to be a liquid company, investors will be able to invest their capital, because it is certain that they will be able to benefit from this investment. One strategy that has been widely used by a financier or investor to invest is by owning shares in a company listed on the capital market. The share price is the selling price of one investor to another investor. A high enough stock price will provide benefits in the form of capital gains and a good image for the company, making it easier for management to obtain funds from outside the company. One of the resources that greatly determines the success of a company's operations is the availability of capital, so companies must be able to cover capital shortages by making loans from outside parties or issuing and selling shares to the public or institutions with excess funds.

One of the things that become the focus of consideration of investors is the stock price. The share price is the present value of the income that will be received by the shareholder in the future. The stock price that investors expect is a stable stock price with a pattern of movement that tends to rise from time to time. Therefore, the research entitled "The Influence of Current Ratio and Earning Per Share on Stock Prices in Manufacturing Companies in the Agricultural Sector Listed on the Indonesia Stock Exchange".

2. Literature review
a. Current Ratio
According to Fahmi (2015: 121) says that the current ratio is a general measure that can be used for short-term solvency, for a company's ability to meet the need to pay debts at maturity. So, the Current ratio is a very useful ratio to be able to measure the level of ability of a company to pay off its short-term obligations, where it can be seen to what extent the actual amount of current assets of a company can guarantee its current debt.

According to Kasmir (2019: 134) it has been stated that: Current ratio or current ratio is a ratio that can be used in measuring the level of a company's ability to pay its short-term

obligations or debts that are due soon when collected as a whole. In other words, how much current assets are available to cover short-term obligations or debts that are due soon.

b. Earning Per Share (Earning Per Share)

According to Fahmi (2017: 138) states that Earning per share or earnings per share is a form of giving benefits that can be given to shareholders in each share they have owned. Investors investing in the capital market require accuracy in making decisions related to stocks. An accurate stock valuation can minimize risk so that you don't make wrong decisions. Therefore, investors need to analyze the company's financial condition before making decisions in investing in stocks. To evaluate the financial condition of a company, investors can calculate the company's financial risk (EPS), It can be seen that earnings per share (EPS) is the company's ability in the form of giving benefits to shareholders.

c. Stock price

Shares are proof of ownership of capital or funds in a company. Or it could also be said to be a paper that clearly states the nominal value, and the name of the company, and is followed by the rights and obligations that are explained for each shareholder in a company. Hartono (2017: 141) states that "Share price is the price of a share that occurs on the stock market at a certain time determined by market participants and determined by the demand and supply of the relevant shares in the capital market." Then according to Sartono (2017: 9) stated that "The stock market price is formed through a demand and supply mechanism in the capital market. In an efficient capital market, all securities are traded at market prices. The two previous statements are supported by the statement presented by Brigham and Houston (2018: 7) which states that: "Share prices determine the wealth of shareholders.

Maximization of shareholder wealth translates into maximizing the company's stock price. The price of a stock at any given time will depend on the future cash flows expected to be received by the "average" investor if the investor buys the stock. From the understanding of stock prices according to experts, it can be concluded that stock prices are prices that are influenced by demand and supply in the buying and selling market of shares so that they form market power for the company that issues them and is usually the closing price.

Zulfikar (2020: 91) argues that several factors influence stock prices, namely:

Internal Factors

a. Announcements about marketing, production, and sales such as advertising, details in contracts, price changes, new product recalls, production reports, product safety reports, and reports on each sale.
b. Announcements and financing (financing announcements) are like announcements

that have to do with equity and debt.

c. The announcement of the executive body presides over the declaration of the head such as amendments and changes to the head, board, and authoritative constructs.

d. Enhanced takeover declarations, for example, consolidated statements, value speculation, and taking control of reports by acquirer and procurement. The management body presides over overhead declarations such as head changes and changes, boards, and hierarchical designs.

e. Distinguished takeover declarations, for example, consolidated statements, value speculation, taking control of reports by the acquirer and acquired. Investment announcements include factory expansion, research development, and other business closures.

f. Labor announcements such as new negotiations, new contracts, and others.

g. Announcement of company financial statements, such as profit forecasting before the end of the fiscal year and after the end of the fiscal year, Earning per Share, Dividend Per Share, price earning ratio, net profit margin, return on assets, return on equity, Debt to Equity Ratio, and others - other

External Factors

a. Announcements from the government such as changes in interest rates on savings and time deposits, foreign exchange rates, inflation, as well as various economic regulations and deregulations issued by the government.

b. Legal announcements, such as employee claims against the company or its managers and company claim against their managers.

c. Securities announcements, such as annual meeting reports, insider trading, trading volume or stock prices, trading restrictions/delays.

d. Domestic political turmoil and exchange rate fluctuations are also factors that have a significant influence on stock price movements on a country's stock exchange.

e. Various issues both from within and outside the country.

The framework is a model (illustration) in the form of a concept about the relationship between one variable and various other factors. The meaning and definition above that the framework is a description of the concept of how a variable has a relationship with other variables. Based on the theoretical basis and problem formulation that has been described previously, the presentation of a framework in which the current ratio (CR) and earnings per share (EPS) are x (independent) and stock prices are Y (dependent) variables, and a research result will likely be obtained that later can be recommended to the company.

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Figure 1: The frame of mind

Current Ratio		Earning Per Share

Stock Price
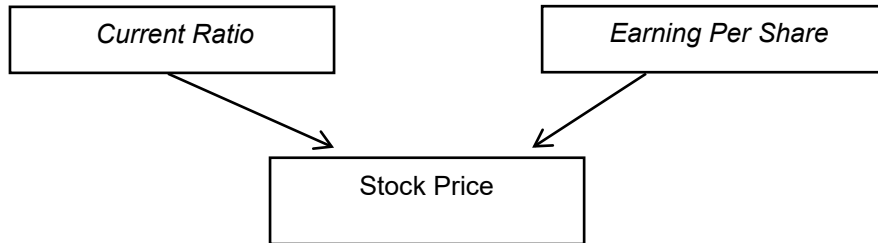
3. Research methods

The Source of data used in this research is secondary data (secondary data). Secondary data is data obtained from existing sources. Secondary data in this study include company financial reports downloaded via the IDX website or via directly on the company's website. Or written reports that are made periodically, such as financial reports for the last 5 years.

The population is a generalized area consisting of items/subjects that have a certain number and attributes that have been dictated by scientists to concentrate and then reach a determination. (Sugiyono 2016:148). The sample is part of the number and characteristics that the population can have. If the population is large, the researcher can't study everything in the population, for example, due to limited funds, manpower, and time, the researcher can use samples taken from that population. For this reason, samples taken from the population must be truly representative (Sugiyono, 2015: 168). The criteria used as samples in this study are:

a. Companies that have been listed on the Indonesia Stock Exchange consecutively for the last 5 years
b. Companies that have provided data related to research variables.
c. Companies that have not suffered losses in the last 5 years.

The sample data in this study are several agricultural sector manufacturing companies listed on the Indonesia Stock Exchange (IDX), namely: PT. Salim Ivomas Pratama, Tbk., PT. Sawit Sumbermas Sarana, Tbk., PT. Tunas Baru Lampung, Tbk., and PT. PP London Sumatra Indonesia, Tbk. To collect information data needed in writing this research using several methods of collecting library research data, namely by searching and studying literature, books, references, and documents that are relevant to the problem being studied. The analytical method used in this study is a quantitative analysis carried out by collecting data and then used to analyze and manage the available data so that a clear picture of the facts studied with existing data is obtained, which will be processed using formulas. The method that can be used to answer the main problem and prove the hypothesis put forward in this study is multiple linear regression. This method is used to analyze the effect of the Current ratio (CR) and Earning per share (EPS) on stock prices in agricultural manufacturing

companies listed on the Indonesia Stock Exchange (IDX).

4. Research Results and Discussion
a. Multiple Linear Regression Analysis

Multiple linear regression analysis has been used to answer the problem formulation and hypothesis, namely, to determine the effect of the current ratio (CR) and earnings per share (EPS) on stock prices in agricultural sector manufacturing companies listed on the Indonesia Stock Exchange (IDX). Both partially and simultaneously, to solve the multiple linear regression equation, the data has been processed using the SPSS version 26 application to facilitate calculations for each variable.

The results that can be obtained are:

Table 1: Multiple Linear Regression

		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
Model		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	510.869	212.926		2.399	.028		
	CR	1.652	.600	.545	2.752	.014	.992	1.008
	EPS	2.482	1.918	.256	1.294	.213	.992	1.008
a. Dependent Variable: harga saham								

Coefficients^a

Source: Output results (data processed, 2021)

Based on table 1 above, the multiple linear regression equation can be compiled for the current ratio and earnings per share variables as follows:

$$Y = 510,869 + 1,652X1 + 2,482X2$$

The multiple linear regression equation will be explained as follows:

1) The value of the constant (α) is IDR 510,869. This shows that if the variable current ratio and earnings per share are zero (0), then the stock price is IDR 510,869.
2) The regression coefficient for $\beta1$ (CR) is 1.652, which means that there is a positive influence between the current ratio variable on stock prices. For every 1 percent increase in the Current Ratio variable, the share price also increases by IDR 1.652 assuming the variable earnings per share is constant.
3) the regression coefficient for $\beta2$ earnings per share is IDR 2.482, which means there is a positive influence between the earnings per share variable on stock prices. For

every 1 percent increase in the earnings per share variable, the share price will increase by IDR 2.482 assuming a constant current ratio variable.

Analysis of the Correlation Coefficient (R) and the Coefficient of Determination (R2)

The correlation coefficient test and the Determination Coefficient are used to find out how much influence the current ratio and earnings per share variables have on the stock price variable, the R-value is between 0 to 1. If the R2 value is close to 1, it means that the relationship between the current ratio variable and earnings per share with the stock price variable is currently. Vice versa, if the value is close to 0, it means that the relationship between the variable current ratio and earnings per share with the variable stock price will be weaker.

Table 2: Test results of the correlation coefficient (R) and the coefficient of determination (R2)

Model Summary^b				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.581^a	.338	.260	413.702
a. Predictors: (Constant), EPS, CR				
b. Dependent Variable: harga saham				

Source: Output results (data processed, 2021).

Based on table 2 above, it can be concluded that the correlation coefficient (R) is 0.581, this indicates that there is a very strong influence between the current ratio variable and earnings per share on stock prices. Furthermore, to determine variations in the ups and downs of stock prices or the contribution of the current ratio and earnings per share variables to stock prices, the coefficient of determination (R2) has been used. Based on the research results, it has been obtained that the coefficient of determination (R2) is 0.338 or 33.8%, the variable current ratio and earnings per share affect stock prices and the remaining 66.2% is influenced by other variables not explained in this study.

b. Hypothesis Test
1) Simultaneous test (Test F)

The simultaneous F test shows whether all current ratios and earnings per share variables have a simultaneous effect on stock price variables in agricultural sector manufacturing companies listed on the IDX.

a) Determine the Hypothesis

Ho: β1=β2=0 means that there is no significant effect simultaneously between the current ratio and earnings per share on stock prices in agricultural sector

manufacturing companies listed on the IDX.

Ha: one $\beta i \neq 0$ (i = 1 and 2) means that there is a simultaneous significant influence between the current ratio and earnings per share on stock prices in agricultural sector manufacturing companies listed on the IDX.

b) Determine the decision area

determining the decision area has been carried out by finding the F-table value for the simultaneous F test carried out with a significant level of 0.05 or 5% with a value of df1 (k - 1 or 3 - 1 = 2) and df 2 (n - k or 20 - 3 = 17), the F-table result obtained is 3.59.

c) Determine the F-count value

Table 3: Simultaneous F test results

	Model	Sum of Squares	Df	Mean Square	F	Sig.
	Regression	1483496.864	2	741748.432	4.334	.030[b]
1	Residual	2909541.686	17	171149.511		
	Total	4393038.55	19			

ANOVAa

a. Dependent Variable: harga saham

b. Predictors: (Constant), EPS, CR

Source: Output results (data processed, 2021).

Based on table 3 of the results of the simultaneous F test above, there is an F-count value obtained of 4.334. The calculated F-value obtained is greater than the F-table (4.334 > 3.59) and a significant value (0.014 <0.05). This simultaneously the current ratio and earnings per share together have a significant effect on stock prices in agricultural sector manufacturing companies listed on the Indonesia Stock Exchange, which means that the hypothesis proposed in this study has been accepted.

The results of this study are supported by previous studies such as those conducted by Anbiya and Saryadi (2018) entitled "The effect of ROE, EPS, CR, and DER on stock prices in coal mining sub-sector companies listed on the IDX" which states that the current ratio and earnings per share simultaneously and significantly affect stock prices. Based on the results of this study, the variable that has the most dominant level of influence is the variable current ratio (CR) with a significant level of 0.014 <0.05. If the profits generated by the company increase, then the results obtained from the company are high, so it can invite investors to buy and sell shares, because seeing the results of the company, namely good profits and profitability for the company. The better the company's ability to pay off its obligations means the smaller the liquidation risk experienced by the company and the smaller the risk borne by the company and the smaller the risk that will be borne by the shareholders.

2) Partial test (t-test)

A partial t-test has been used to determine how significance level or influence between the current ratio and earnings per share variables partially on stock prices in agricultural sector manufacturing companies listed on the Indonesia Stock Exchange.

Table 4: Hypothesis Test Results t

Coefficientsa					
Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	510.869	212.926		2.399	.028
CR	1.652	.600	.545	2.752	.014
EPS	2.482	1.918	.256	1.294	.213
a. Dependent Variable: harga saham					

Source: Output results (data processed, 2021)

a) The effect of the current ratio on stock prices in agricultural sector manufacturing companies listed on the Indonesia Stock Exchange.

Based on the output results in the table above, the significant value of the current ratio (X1) is 0.014, meaning it is smaller than 0.05 and the t-count value is 2.752 (t-count > t-table), meaning that the current ratio (X1) has a significant effect on prices stock means according to the hypothesis in this study. The results of this study have similarities with previous research conducted by Armania (2017) with the title "the effect of financial performance on stock prices in property and Real State companies listed on the IDX" stating that the current ratio partially has a positive and significant effect on stock prices.

If the profit to be generated by the company increases, then the results obtained from the company are high profits, so it can invite investors to buy and sell shares because they see the results of good and profitable profits for the company. The better the company's ability to pay off its obligations means the smaller the liquidation risk experienced by the company and the smaller the risk borne by the shareholders. This is not in line with the opinion of Rahayu and Dana (2016) who say that a high current ratio indicates a good company performance in increasing firm value and followed by an increase in stock prices.

b) the effect of earnings per share on stock prices in agricultural sector manufacturing companies listed on the Indonesia Stock Exchange.

To test partially the effect of earnings per share on stock prices in agricultural sector manufacturing companies listed on the Indonesia Stock Exchange, the hypothesis is used. Based on the output in the table above, the significant value of earnings per share (X2) is 0.213, this value is greater than 0.05 and the t-count value

is 1.294 (t-count < t-table), meaning that earnings per share (X2) effect but not significant on stock prices. This the hypothesis proposed in this study was rejected.

The results of this study have similarities with the results of previous research conducted by Wiwi (2019) with the research title "the effect of earnings per share (EPS) on stock prices at PT. Astra International, Tbk." The results of his research stated that earnings per share (EPS) had an effect but was not significant on stock prices at PT. Astra International, Tbk. In this case, it is caused by the company's ability to generate a return on capital invested by shareholders so that it can have a positive influence on share prices. The higher the value of earnings per share, the investors will be more interested in investing, with the hope of a large dividend distribution.

In this case, it is in line with Tandelilin's opinion in Kulsum (2018) saying that if the company's profits are high, investors will be interested in buying these shares, so these shares will experience an increase. From this explanation, it can be seen that earnings per share and stock prices are very close. The higher the value of earnings per share (EPS), the more satisfying the shareholders and the possibility of increasing the number of dividends that will be received by the shareholders. In this case, it is not in line with the results of Imelda Khairani's research (2016) with the title "Effect of Earning per share (EPS) and Dividend per share (DPS) on Share Prices in mining companies listed on the IDX" which concluded that earnings per share do not significantly affect partial to stock prices because even though high stock prices are not influenced by earnings per share or dividends because investors invest their shares not from the perspective of earnings per share and dividends but from the price of the goods.

5. Conclusion

This research is to examine how the effect of the Current Ratio and Earning Per Share on Stock Prices in manufacturing companies in the agricultural sector listed on the IDX, this research can be concluded as follows:

a. Current Ratio (CR) has a partial and significant effect on stock prices with a significant value of 0.014 in agricultural sector manufacturing companies listed on the IDX
b. Earning Per Share (EPS) has an effect but is not significant on stock prices with a significant value of 0.213 in agricultural sector manufacturing companies listed on the IDX
c. Current Ratio (CR) and Earning Per Share (EPS) for Current Ratio (CR) have a significant influence on stock prices with a significant value of 0.014 and Earning Per Share (EPS) have an effect but not significant on stock prices with a significant value of 0.213 in agricultural sector manufacturing companies listed on the IDX

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