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The Effect of Profitability, Company Size, and Liquidity on Stock Prices IDX30 in the Indonesia Stock Exchange

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A B S T R A C T

This study examines the effect of profitability, firm size, and liquidity on the stock prices of IDX30-listed companies on the Indonesia Stock Exchange (IDX) during the 2020–2023 period. The research utilizes secondary data obtained from IDX official sources and employs multiple linear regression analysis to assess the relationship between independent variables (profitability, firm size, and liquidity) and the dependent variable (stock price). Classical assumption tests, including multicollinearity, heteroscedasticity, autocorrelation, and normality tests, are conducted to ensure the validity of the regression model. The findings indicate that profitability and firm size have a positive and significant impact on stock prices, while liquidity negatively and significantly affects stock prices. These results suggest that companies with higher profitability and larger firm size attract more investors, leading to increased stock prices. Conversely, excessive liquidity is perceived negatively by investors, as it may indicate inefficient fund utilization. This study contributes to the understanding of stock price determinants and provides valuable insights for investors, financial analysts, and corporate decision-makers in capital market investments.

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INTRODUCTION

Coronaviruses are a type of virus that can cause illness in both animals and humans. Several coronaviruses have been found to infect the human respiratory system, causing minor symptoms such as coughing and colds to more serious infections such as Middle East Respiratory Syndrome (MERS) and severe acute respiratory syndrome (SARS) (World Health Organization, 2021). A newly discovered type of coronavirus is the cause of Covid-19. This virus originally appeared in Wuhan, China, in December 2019 and has since spread worldwide, causing a pandemic that has had widespread impacts across various sectors, including the economy and capital markets (Dwiantari, 2020).

The world economy, particularly Indonesia, has been significantly impacted by the Covid-19 pandemic. One of the affected sectors is the stock market, which has experienced price fluctuations in response to global economic uncertainty. The Indonesia Stock Exchange (IDX), as the center of stock trading in Indonesia, has also been affected by this pandemic. According to Data Sebaran Covid-19 (2020), more than 31,000 cases of Covid-19 infections were reported, and Indonesia was recorded as the country with the second-highest number of cases in ASEAN (CNN Indonesia, 2020). This condition triggered panic in the capital market and led to unstable stock price movements.

IDX30 is one of the stock indices used as a benchmark in the Indonesian capital market. This index tracks the price performance of 30 equities with substantial liquidity and market size, which are underpinned by good company fundamentals (Investing.com, 2022). At the beginning of 2020, IDX30 experienced a significant decline due to the Covid-19 pandemic, reaching a level of 311.24. However, from 2021 to early 2022, the index moved sideways with a significant increase in January 2022, reaching 553.06. In addition to the impact of the pandemic, the Russia-Ukraine conflict also exerted pressure on the movement of this index.

Stock price movements reflect a company's financial condition and investors' expectations regarding the company's future prospects. Factors influencing stock prices include profitability, firm size, and liquidity (Nur Komalasari, 2017). Profitability refers to a business's capacity to generate stable profits, which can attract investors to invest (Winata et al., 2021). Firm size is also an important factor, as companies with large assets tend to have more stable stock prices compared to smaller companies (Sofilda & Subaedi, 2006). Meanwhile, Liquidity reflects a company's capacity to satisfy its short-term commitments, which also affects investor confidence (Arifin & Agustami, 2016).

Based on the aforementioned background, this study aims to analyze the influence of profitability, firm size, and liquidity on the stock prices of companies included in IDX30 on the Indonesia Stock Exchange. This study is expected to provide insights for investors and relevant stakeholders in understanding the factors affecting stock price movements and assisting in making more informed investment decisions.

LITERATURE REVIEW

Profitability

Profitability is a financial performance indicator that reflects a company's ability to generate profits based on sales levels, assets, and equity, as well as its operational efficiency (Faoziyyah & Laila, 2020). Unlike profit, which is merely the difference between revenue and expenses, profitability indicates the extent to which a company can utilize available resources, such as capital, workforce, and branches, to generate earnings (Harahap, 2011). Profitability plays a crucial role in determining stock prices as it reflects a company's success in managing operations and competitiveness in the market (Zaki, Islahuddin, & Shabri, 2017). Highly profitable companies are more attractive to investors as they demonstrate growth potential and financial stability while contributing to profit distribution among shareholders, making profitability a key factor in investment decisions.

Firm Size

Firm size is a crucial factor in assessing a company's financial structure and growth prospects, classified based on revenue, number of employees, total assets, and total capital. Larger firms have broader access to funding compared to smaller ones, which typically rely on internal capital and short-term debt (Oktaviani, 2015). Moreover, larger firms find it easier to secure funds from capital markets, possess greater bargaining power, and benefit from economies of scale to enhance cost efficiency and returns (Oktaviani, 2015). Prasetyantoko (2008) states that total assets reflect firm size, with larger asset holdings indicating a larger company scale. Similarly, Jogiyanto (2007) asserts that firm size can be measured using the logarithm of total assets. Consequently, as a firm's assets grow, investor interest in its share's increases, contributing to a rise in stock prices.

Liquidity

Liquidity is a crucial indicator in assessing a company's ability to meet its short-term obligations, measured by the ratio of current assets to current liabilities. Companies with high liquidity levels tend to be more transparent in disclosing financial information, as they maintain a positive public image due to their ability to repay debts on time. Conversely, firms with low liquidity face financial difficulties and potential bankruptcy risks, which can affect stock price movements. The inability to meet short-term obligations reduces public and investor confidence, ultimately impacting the company's revenue and stability in the future. Therefore, liquidity is an essential factor that not only reflects a company's financial health but also influences investor interest in its stock.

Ratio Analysis

Stock represents ownership in a company and is issued to raise capital for business expansion. Its market value reflects the company's financial health and investor perception, with price fluctuations influenced by market conditions, economic trends, and supply-demand dynamics (Nurjanti & Ukky, 2010; Darmadji & Fakhrudin, 2012). High demand drives stock prices up, while low demand causes declines (Simatupang, 2010). Investors seek returns through

dividends profit distributions determined by shareholder meetings—and capital gains, which arise from stock price appreciation (Sihombing, 2010). While stocks offer profit opportunities, their volatility and market uncertainties present inherent investment risks.

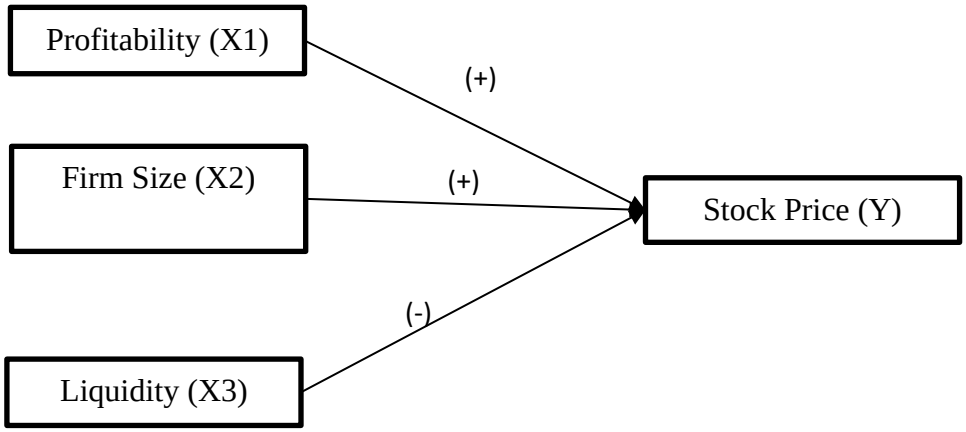

Figure 1. Conceptual Framework

METHODOLOGY

Three variables are used in this study: the independent variables profitability (X1), firm size (X2), and liquidity (X3), and the dependent variable stock price (Y). Secondary data from the Indonesia Stock Exchange (IDX) were used in this investigation. The study population comprises companies listed in IDX30 during the period 2020-2023.

The research sample consists of 24 companies that were consistently listed in IDX30 from 2020 to 2023 and met the criteria for financial report disclosure. Purposive sampling, a type of non-probability sampling, is the approach used in this study to select the sample. The selection criteria include companies that have been continuously listed in IDX30 from 2020 to 2023 and have published complete financial reports during this period.

Multiple linear regression analysis is the analytical technique used to examine the relationships between the variables. This model is applied to determine the impact of the independent variables on the dependent variable, following the framework suggested by Ghozali (2011). The regression model is validated through classical assumption tests to ensure the reliability and accuracy of the analysis.

Data obtained from the companies are processed using SPSS software to identify relationships among variables. The SPSS approach shifts the analysis from merely estimating model parameters to assessing the precision and validity of predictions. The focus is on ensuring the robustness of the model through statistical verification and hypothesis testing.

RESEARCH RESULTS

Based on the data provided from 2020 to 2023, the development of ROA for companies listed in IDX30 shows fluctuating trends. Furthermore, the financial statements indicate that the firm size, observed from the total assets,

experienced variations over the years. Additionally, the liquidity ratio, as measured by the current ratio, also displayed fluctuations within the observed period. Subsequently, the results of processing the company data using SPSS are as follows:

a. Analysis and Hypothesis Test

Multicollinearities Test

Table 1 Multicollinearities Test

Coefficients[a]			
Model		Collinearity Statistics	
		Tolerance	VIF
1	Profitability	0,878	1,139
	Firm Size	0,814	1,229
	Liquidity	0,897	1,115
a. Dependent Variable: IDX30			

The table above displays the multicollinearity test findings for all independent variables (Profitability, Firm Size, and Liquidity), with a tolerance value > 0.1 and a Variance Inflation Factor (VIF) < 10. As a result, the regression model shows no evidence of multicollinearity.

Heteroskedasticities Test

The heteroscedasticity test in the regression model determines whether there is a variance inequality in the residuals between observations. Regression models, there should be no relationship among independent variables. Heteroscedasticity can be identified using the Glejser test, as follows:

Table 2 Heteroskedasticities Test

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-3,205	4,009		-0,799	0,426
	Profitability	0,027	0,067	0,044	0,401	0,690
	Firm Size	1,240	1,312	0,108	0,945	0,347
	Liquidity	0,088	0,120	0,081	0,739	0,462
a. Dependent Variable: ABS_Res						

Using the findings of the heteroscedasticity test in the picture above, the significance values for Profitability, Firm Size, and Liquidity are 0.690, 0.347, and 0.462, respectively, or significance values > 0.05. Therefore, it can be concluded that heteroscedasticity is not present in the regression model.

Autocorrelation Test

The autocorrelation test is used for time series data. The regression model in this study utilizes time series data, where the autocorrelation test is conducted

to examine the link among independent variables at a specific time. If autocorrelation is present in the regression model, the model cannot be used to estimate the value of a particular independent variable. The presence of autocorrelation can be determined using the Durbin-Watson value, as follows:

Table 3 Autocorrelation Test

Model Summary					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0,471[a]	0,222	0,197	1,07565	0,754
a. Predictors (Constant), Profitability, Firm Size, and Liquidity					
b. Dependent Variable: IDX30					

Based on the autocorrelation test findings in the figure above, the Durbin-Watson value is 0.754. Referring to the theory proposed by Santoso (2012), with the decision rule of -2 < 0.216 < 2, It is possible to conclude that the regression model contains no autocorrelation.

Normality Test

The normality test determines if the regression model's independent and dependent variables are regularly distributed. The Kolmogorov-Smirnov Test table contains values that can be used to analyze the normalcy test.

Table 4 Normality Test

One-Sample *Kolmogorov-Smirnov Test*

		Unstandardized Residual
N		96
Normal Parameters[a,b]	Mean	0,0000000
	Std. Deviation	1.05852796
Most Extreme Differences	Absolute	0,092
	Positive	0,092
	Negative	-0,040
Kolmogorov-Smirnov Z		0,902
Asymp. Sig. (2-tailed)		0,390
a. Test distribution is Normal.		
b. Calculated from data.		

According to the table above, the results of the normalcy test in the Kolmogorov-Smirnov Test table are greater than 0.05. This shows that the study's data follows a normal distribution.

b. Regression Analysis

Multiple Linear Regression Results

Table 5 Multiple Linear Regression Results

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3,738	6,847		-0.546	0,586
	Profitability	0,448	0,115	0,384	3.914	0,000
	Firm Size	5,036	2,241	0,229	2.248	0,027
	Liquidity	-0,588	0,204	-0,279	-2.874	0,005
a. Dependent Variable: IDX30						

The multiple linear regression equation generated from the table above is as follows:

$$Y = \beta0 + \beta1X1 + \beta2X2 + \beta3X3 + \beta4X4 + e$$

$$IHSG = 3.738 + 0.448X1 + 5.036X2 - 0.588X3 + e$$

The explanation of the equation above is as follows:

a) The constant (β0) of 3.738 indicates that if all independent variables in this study remain constant or unchanged, the dependent variable will have a value of 3.738.
b) The regression coefficient of the independent variable Profitability (X1) is 0.448. This indicates that if Profitability increases by one point, IDX30 will increase by 0.448 points, assuming other independent variables remain constant.
c) The independent variable, Firm Size (X2), has a regression coefficient of 5.036. This means that if Firm Size grows by one point, IDX30 will rise by 5.036 points, providing all other independent variables remain constant.
d) The regression coefficient of the independent variable Liquidity (X3) is -0.588. This indicates that if Liquidity increases by one point, IDX30 will decrease by -0.588 points, assuming other independent variables remain constant.

Coefficient of Determination Results

Table 6 Coefficient of Determination Results

Model Summary[b]				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0,471[a]	0,222	0,197	1,07565
a. Predictors: (Constant), Profitability, Firm Size, and Liquidity				
b. Dependent Variable: IDX30				

Based on the table above, the R Square value is 0.222. This indicates that IDX30 is influenced by the independent variables (Profitability, Firm Size, and Liquidity) by 22.2%. Meanwhile, the remaining 77.8% is influenced by other variables outside the independent variables examined in this study.

c. Hypothesis Test

Partial Test (T-Test)

The T-test is required to determine the partial effect of independent variables (profitability, firm size, and liquidity) on the dependent variable (IDX30). The T-test conducted in this study uses a significance level of 5% (0.05).

Table 6 Partial Test (T-Test)

Coefficients[a]			
Model		t	Sig.
1	(Constant)	-0,546	0,586
	Profitability	3,914	0,000
	Firm Size	2,248	0,027
	Liquidity	-2,874	0,005
a. Dependent Variable: IDX30			

DISCUSSION

The Effect of Profitability on IDX30

Based on the results of the partial test, it was found that the significance value is less than 0.05 and the t-count coefficient is positive. This indicates that H0 is rejected and H1 is accepted, meaning that, partially, profitability (X1) has a significant positive effect on IDX30 (Y).

Furthermore, based on the hypothesis testing conclusions, it is confirmed that profitability has a proven positive and significant effect on stock prices. This means that the higher the profitability, the greater the increase in the stock price of an entity. Conversely, lower profitability leads to a decline in the stock price of an entity in the capital market.

This finding indicates that profitability, or an entity's ability to generate profits within a given period, serves as a crucial indicator for investors when deciding whether to invest or refrain from investing in a particular entity. A high profitability ratio signifies that the entity's management effectively manages capital and other resources to generate high profits, thereby attracting more investors to invest in the entity.

The increasing interest of investors in investing consequently drives the company's stock price higher, as it not only generates profits for investors but also increases the certainty of the entity's business continuity compared to entities with lower profitability ratios.

The conclusion of this research aligns with previous studies conducted by Harnanto et al. (2019), Octaviani & Komalasarai (2017), and Putranto & Darmawan (2018), which state that profitability has a positive and significant effect on stock prices.

The Effect of Firm Size on IDX30

Based on the results of the partial test, it was found that the significance value is less than 0.05, leading to the rejection of H0 and the acceptance of H1, with a positive t-count coefficient. This indicates that, partially, firm size (X2) has a significant positive effect on IDX30 (Y).

Furthermore, according to hypothesis testing, firm size is proven to have a positive and significant effect on stock prices. This means that a larger firm size contributes to an increase in stock prices. Conversely, a smaller firm size leads to a decline in stock prices.

A company with a larger size indicates that it possesses high asset value and superior financial capability compared to a smaller company. A company with strong financial resources and substantial assets can more easily undertake large-scale and continuous productive investments to generate profits without significant financial constraints.

This condition naturally drives greater investor interest in investing in companies with a larger size. The increasing number of investors willing to invest in such companies further boosts the stock prices offered in the capital market.

Additionally, a company with a larger size serves as an indication of its strong ability to maintain financial health, thereby further encouraging investor confidence in making investments. This, in turn, leads to an increase in the company's stock price.

The findings of this research align with previous studies conducted by Novari & Lestari (2016), Putranto & Darmawan (2018), and Shafira & Retnani (2017), which concluded that firm size has a positive and significant effect on stock prices.

The Effect of Corporate Liquidity on IDX30

Based on the results of the partial test, it was found that the significance value is less than 0.05, leading to the rejection of H0 and the acceptance of H1, with a negative t-count coefficient. This indicates that, partially, liquidity (X3) has a significant negative effect on IDX30 (Y).

Furthermore, based on the hypothesis testing conclusion, liquidity is proven to have a negative and significant impact on stock prices. This means that higher liquidity levels actually lead to a decline in a company's stock price. Conversely, lower liquidity levels contribute to an increase in stock prices.

This finding suggests that within IDX30, which consists of the 30 best-performing companies, investors tend to prefer firms with moderate liquidity rather than excessively high liquidity. Excessive liquidity indicates that a significant amount of funds remains idle within the company rather than being allocated to investments that could enhance profitability and stock value in the capital market.

This condition leads to the perception among investors that the company's management lacks the capability to efficiently manage idle funds for generating long-term returns. A high amount of idle funds results in decreased productive investments, leading to stagnation in corporate profits and limited financial growth.

Stagnant corporate profits are generally unattractive to investors, reducing their interest in investing in companies with excessively high liquidity levels. The decline in investor interest consequently results in a decrease in the company's stock price in the capital market.

The conclusions of this study are consistent with previous research conducted by Klai & Omri (2010) and Manik (2017), which found that liquidity has a negative and significant impact on stock prices.

CONCLUSIONS AND RECOMMENDATIONS

Based on the tests carried out in this study, several conclusions can be drawn. First, profitability has a positive and significant effect on IDX30, as companies with high profitability tend to attract more investors, subsequently increasing stock prices. Second, firm size also has a positive and significant effect on IDX30, as larger firms with substantial assets and strong financial capabilities are generally more appealing to investors, leading to stock price appreciation. Lastly, liquidity has a negative and significant impact on IDX30, as excessively high liquidity levels are perceived negatively by investors, indicating idle funds that are not optimally utilized for productive investments.

Based on these findings, several recommendations can be proposed. Future researchers are encouraged to expand the scope of the study by incorporating additional variables that may influence IDX30, such as leverage, corporate growth, or macroeconomic factors. Conducting research over a longer time period would also be beneficial in assessing the consistency of the impact of profitability, firm size, and liquidity on IDX30. Employing different or more advanced analytical methods, such as panel data analysis or econometric approaches, could further strengthen research findings. Comparative studies with other stock indices in Indonesia or similar indices in other countries could also provide a more comprehensive understanding. For academics, these findings can be integrated into educational materials related to capital markets and investment analysis at the undergraduate level, fostering discussions and further research on factors influencing stock index movements, particularly IDX30. Additionally, in terms of

theoretical development, a more in-depth literature review is necessary to identify gaps in understanding the determinants of blue-chip stock indices like IDX30. Future studies could focus on developing theoretical models that explain the interaction between profitability, firm size, and liquidity in the context of the Indonesian capital market. Lastly, in terms of methodological refinement, future researchers may consider employing different sampling techniques to enhance sample representativeness. Exploring more advanced statistical analysis tools could also help capture the complexity of the relationships among variables more effectively.

ADVANCED RESEARCH

Future research can expand the analysis of IDX30 by incorporating additional variables such as leverage, company growth, market sentiment, and macroeconomic factors to provide a more comprehensive understanding of stock index movements. Extending the research period and conducting comparative studies with other indices could offer deeper insights into market dynamics. Additionally, employing advanced analytical methods, such as panel data regression or machine learning, may enhance accuracy in predicting IDX30 fluctuations. Sector-specific analysis, investor behavior studies, and assessments of policy and regulatory impacts could further enrich the findings. These explorations will contribute valuable insights for investors, policymakers, and academics in understanding stock market behavior.

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