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The Effect of Current Ratio and Debt to Asset Ratio on Net Profit Margin and Stock Prices: A Study of Basic Industry and Chemicals Companies

Sudirman[1], Muhammad Wahyuddin Abdullah[1], Muhammad Obie*[2]
[1]Faculty of Islamic Economics and Business, State Islamic University of Alauddin Makassar, Indonesia
[2]Department of Sociology, State Islamic University of Sultan Amai Gorontalo, Indonesia
Corresponding Author Email: obiclimber@gmail.com

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ABSTRACT

This study examined the effect of current ratio and debt to asset ratio on net profit margin and stock prices of the sector basic industry and chemicals companies listed on the Indonesia Stock Exchange in the period 2015-2019. The object of research was the stock prices of companies in the Basic Industry and Chemicals sector, which have been published through the official website of the Indonesian capital market. It was used secondary data derived from the monthly statistics, including Current Ratio data, Net Profit Margin, Debt to Asset Ratio, and data on closing prices for the period 2015-2019. In analyzing data, it was used path analysis of secondary data obtained from the basic industry sector financial statements of 60 companies. The company's performance in this sector is considered quite good when seen from the movement of the index value in the last five years. The results show that direct current ratio had a positive and significant effect on the net profit margin, and the debt to equity ratio did not significantly influence the net profit margin. The current ratio has a positive and significant effect on stock prices, and the debt to equity ratio has a negative and not significant effect on stock prices. In contrast, the net profit margin has a significant effect on stock prices in the basic industry sector companies on the Indonesia Stock Exchange. Indirectly the current ratio has a positive and significant effect on stock prices. In contrast, the debt to asset ratio has a negative and not significant effect on the company's stock prices in the basic industry sector on the Indonesia Stock Exchange.

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I. INTRODUCTION

The capital market is one place that can be used to invest. Investing in the capital market promises a very high level of profit, but behind that, there is also the potential for considerable risk. Stock is an investment instrument that has a high potential return, and the potential risk is quite deep. Meanwhile, investors always want to optimize revenue from every investment activity undertaken. Therefore, every investment decision should begin with a series of analysis processes to minimize the occurrence of risks and maximize the returns from each investment activity undertaken.

Efforts to optimize the level of income (return) and minimize the occurrence of risk in the stock portfolio, then each investment decision should begin with a series of analysis processes on various factors. It will affect the level of income and the level of risk that will occur in each investment instrument, both in the form of factors internal as well as external factors that can influence the magnitude of the rate of return and the level of risk of investment. Internal factors are in the form of a performance by each issuer and external factors that include macroeconomic variables. This view is in line with what Markowitz (1952) stated that business is influenced by the business environment, namely the internal and external environment. The internal environment is fundamental, namely the company's financial ratios, which are also commonly called unsystematic risk. In contrast, the external environment is a macroeconomic variable, which is also widely called systematic risk.

Changes in financial ratios will affect individually, while changes in macroeconomic factors will generally affect issuers. The macroeconomic factors that are intended, among others: exchange rates, inflation, foreign investment, the level of interest rates on deposits, and other macroeconomic factors. While, internal factors include Net Profit Margin (NPM), Groos Profit Margin (GPM), Current Ratio (CR), Debt to Equity Ratio, Debt to Asset Ratio (DAR), Return on Investment (ROI), Return on Equity (ROE), and other financial ratios (Kasmir, 2015: 196).

Current Ratio (CR) is a measuring tool to see the company's ability to meet its current liabilities that are due (Kasmir, 2014: 134). Meanwhile, the Net Profit Margin (NPM) measures the level of net income from each sale (Harahap, 2010: 304). Next, Debt to Equity Ratio (DER) is used to measure the level of ability of own capital to cover loan capital (Harahap, 2010: 303). Furthermore, Debt to Asset Ratio (DAR) is used to assess the ability of assets to include all the company's obligations (Kasmir, 2014: 156).

Analysis of financial ratios is useful for measuring individual company performance (Sudana, 2011: 22). Thus, these ratios can help investors to determine the best issuers because they are related to the high level of income to be obtained. The level of return and risk of stock investment is largely determined by the performance of the issuer and market conditions. Companies that have good performance will affect the value of the company, which is reflected in an increase in the company's stock price (Darmaji & Fakhruddin, 2006). A good-performing company becomes a reference for investors in estimating the level of income from the distribution of dividends to be obtained. Besides, an increase in the value of the company will also promise potential income from capital gains as a result of the increase in the value of the company's stock price.

Based on this description, it is interesting to do further study to see the extent of the influence of financial ratios structurally on the stocks of companies in the basic industry and chemicals sector as one of the sectoral index groups on the Indonesia Stock Exchange that are performing well. In this sector, it is divided into several sub-sectors, namely animal feed, cement, ceramic, glass, and porcelain, chemical, metal and allied products, plastic and packaging, pulp and paper, and wood industry. Companies in this sector tend to perform well. This condition is supported by products that are produced or traded. In the basic industry sector, companies produce products that will be used as raw materials in producing various other products. So, the presence of companies in the basic industry sector will determine the existence of other products as well as other industrial companies.

Table 1. Number of Issuers, Trading Volume, Market Capitalization, Transaction Volume, Transaction Value, and Stock Price Index of the Basic Industry and Chemicals Sector Period (2015-2019)

Year	Number of Issuers	Market Capitalization (Rupiah)	Transaction Volume (Million)	Transaction Value (Million)	Stock Price Index
2015	64	286.951	190.522	101.707	407.839
2016	66	399.488	81.239	105.101	538.189
2017	69	524.668	105.926	124.803	584.997
2018	71	666.874	126.922	180.976	854.733
2019	77	774.839	129.424	198.735	978.127

Source: Monthly Statistics, 2015-2019

Accordingly, if observed in the past five years, the performance of companies in the sector tends to increase, as indicated in the value of the stock price index of the basic industry and chemicals sector. Although the performance in the basic industry sector has tended to increase in the last five years, it was also followed by the growth of the number of issuers in the same period. So that at the same time, encouraging the increase in transaction volume, transaction value, and market capitalization, which in turn also pushed up the Index basic industry sector stock prices on the Indonesia Stock Exchange (IDX). In this regard, further research is still needed in order to see the extent to which the structural impact of financial ratios on stock prices in the basic industry and chemical sectors in the Indonesia Stock Exchange (IDX).

According to Joel G. Siegel and Joel K. Shim (Fahmi, 2012: 106) explained that the value of financial ratios is interrelated between the value of one ratio with the value of other ratios. Like, changes in the current ratio and debt to equity ratio will affect the value of the net profit margin. Then, changes in the value of the net profit margin will also affect the company's stock price, related to the increasing demand for stocks as a result of the large level of return to be received. In addition, changes in the current ratio will also affect the company's liquidity and productivity. The greater the funds held to maintain liquidity, the greater the unproductive funds, as a result, can affect the amount of profit earned by the company. Although Joel G. Siegel and Joel K. Shim have explained that financial ratios are interrelated with one another, but in some previous research results, it

still tends to test the effect of financial ratios on stock prices directly. So, it cannot explain the further influence of the structural financial ratios on the company's stock price.

Windria (2018: 10) and Pratama and Titik (2015: 1) found that the current ratio had a partial effect on the net profit margin. While the current ratio and debt to asset ratio simultaneously do not affect the net profit margin. Furthermore, research conducted by Padli (2018: 116) found that the current ratio and debt to asset ratio simultaneously influence the net profit margin. While partially, the current ratio variable has a positive and significant effect on the net profit margin, and the debt to asset ratio variable does not significantly influence the net profit margin.

Research conducted by Andriyani (2012) found that Current Ratio (CR) has no effect on stock prices, while net profit margins have a significant effect on food and beverage stock prices listed on the Indonesia Stock Exchange. Then a study conducted by Errosa (2013) found that the current ratio had a positive and significant effect on the net profit margin of food and beverage companies listed on the Indonesia Stock Exchange (IDX) for the period 2008-2012. While the debt to asset ratio does not have a positive effect on food and beverage companies listed on the Indonesia Stock Exchange (IDX) for the 2008-2012 period. Furthermore, the research conducted by Manoppo et al. (2017) was found that the Net Profit Margin (NPM) variable had a significant effect on stock prices. While the Current Ratio (CR) and Debt to Equity Ratio (DER) variables did not significantly influence the stock prices of food and beverage companies listed on the Indonesia Stock Exchange (IDX).

In contrast to the results of research conducted by Utama (2018). In this study, it was found that the net profit margin did not significantly influence the company's stock price of PT. Unilever Tbk., Period of 2011-2016. Then, research conducted by Sriwahyuni (2017). In this study, it was found that the current ratio, debt to equity ratio partially and simultaneously had a positive effect on the stock prices of pharmaceutical companies listed on the Indonesia Stock Exchange (IDX). Then, the results of the same study found by Viandita (2013) found that the debt to equity ratio has a positive and significant effect on the stock prices of industrial companies listed on the Indonesia Stock Exchange (IDX).

Several previous research results have examined the effect of the current ratio and debt to equity ratio on net profit margin and the influence of current ratio and debt to equity ratio on the company's stock price. Based on the results of previous studies, it is interesting to do further research to see further the influence of financial ratios on the company's stock price.

II. LITERATURE REVIEW

Stock

Stock is proof of ownership of a person or entity in a company. The value of ownership can be measured by how much the amount of investment invested in a company (Darmadji & Fakruddin, 2006: 178). The stock price is the amount of value each investor must pay to the shareholder. Stock prices are formed by market mechanisms, which are based on the strength of demand and supply (Darmadji & Fakhruddin, 2006).

Fundamental Analysis

Fundamental analysis is an analysis of the company's financial statements, which aims to measure the financial condition and performance of the company in a certain period through the analysis of financial ratios. Thus, the fundamental analysis serves to analyze the company's prospects through the factors

that influence it to predict future stock price developments (Husnan, 2009: 48). Investment decisions by investors always consider values that reflect the real value of a stock (Jogiyanto, 2013: 160).

Current Ratio

Current Ratio measures the ability of a company to meet its short-term debt using its existing assets. In this sense, assets that will turn into cash within one year or one business cycle (Hanafi & Halim , 2016: 75). The current ratio shows the extent to which existing assets can cover current liabilities. The greater the ratio of the value of current assets than current debt, the higher the company's ability to cover short-term liabilities. According to Brigham and Houston (2004), this ratio has weaknesses; that is, not all components of current assets have the same level of liquidity. Then, from the creditor's point of view, high CR is good. However, different from stockholders, they think that this condition is less favorable for asset equity. Because of the high Curren Ratio value indicates that the management holds too many assets to maintain company liquidity, the result is that many assets are not productive. These conditions have an impact on corporate income (Kasmir, 2012: 133). Current Ratio can be calculated using the following formula:

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

Current assets are cash and other assets that can be reasonably realized as cash or sold or used for one year (or in the company's normal operating cycle if more than one year). Current assets include cash, securities (securities) that mature in the next fiscal year, receivables, inventories, and prepaid expenses (Subramanyam, 2013: 242).

Current liabilities are obligations that are expected to be repaid in a relatively short period, usually one year (Subramanyam, 2013: 242). Current liabilities include business debt, notes payable, short-term bank loans, tax debt, accrued expenses, and the current portion of long-term debt (the part that is due in one year).

Net Profit Margin (NPM)

Net profit margin is a reference by investors to assess the level of company profitability (Darsono & Ashari, 2005: 56). Net Profit Margin (NPM), which is a comparison between Net Operating Income and Net Sales (Riyanto, 2010: 37). Net Profit Margin is a function to measure the amount of net profit generated from each sale (Kasmir, 2012: 199). According to Alexandri (2008: 200), Net Profit Margin (NPM) is a ratio used to assess a company's ability to generate net profits after tax deduction. Thus, the greater the value of the ratio, the better the level of the company's ability to earn profits (Syamsuddin, 2009: 62). The Net Profit Margin (NPM) formula is as follows:

$$Net\ Profit\ Margin = \frac{\text{Net Profit after Tax}}{\text{Net Sales}} \text{ x } 100\%$$

Changes to the value of net profit margins that tend to increase, indicating the company is in good standing. Meanwhile, investors like companies that display excellent performance because they are related to the high potential level of return that will (Sutrisno, 2007: 81).

Debt to Asset Ratio **(DAR)**

Deb to Asset Ratio is a measuring tool used to measure the number of assets sourced from debt, both from short-term and long-term debt. The lower the value of the debt to asset ratio, the lower the use of debt in financing company assets, and vice versa. If

the debt to asset ratio is in a low category, the company's security conditions will be better (Kasmir, 2015: 156). Measuring the value of deb to asset assets can be done using the following formula:

$$DAR = \frac{\text{Total Liabilities}}{\text{Total Assets}}$$

If the results of the calculation show a low ratio value, then it means that the management is making more use of its capital in corporate financing rather than loan capital. Vice versa, if the ratio is high, it means more and more company funding comes from debt. Under these conditions, the company will find it difficult to obtain additional debt because it is feared that the company cannot repay its debts by using the value of its assets (Kasmir, 2015: 156) and vice versa if the value of debt to ratio is low, it means that the smaller the use of debt to finance company, so the company's ability to pay its debts is higher.

Relationship of Current Ratio with Net Profit Margin

The current ratio is calculated by dividing current assets and current liabilities. The higher the value of the current ratio means, the higher the level of the company's ability to cover its current liabilities (Sartono, 2001). The high current ratio reflects the large number of existing assets that settles. This condition is not good for the company, because many funds or assets are not productive so that current assets get a lower return than fixed assets. This condition will have implications for the large volume of profits obtained by the company (Hanafi & Halim 2003). Thus, a high current ratio is not necessarily good for the company when viewed in terms of asset productivity. Therefore, the value of liquidity must be in ideal proportions, neither too high nor too low.

Relationship of debt to Asset Ratio with Net Profit Margin

Debt to Asset Ratio is calculated by dividing total debt by total assets. This ratio serves to measure the number of assets financed by debt, both current and non-current debt (long-term debt). Investors usually prefer companies with low debt composition, because the greater the debt, the greater the interest costs to be paid by the company. Interest is one of the cost components that will erode the company's profit. Therefore, a large debt composition will affect the net profit margin (Brigham & Houston, 2004).

Relationship of *Current Ratio* with Stock Prices

Current Ratio (CR) is a liquidity ratio used to measure a company's ability to use current assets to meet its current liabilities. If the current debt exceeds the current assets of the company, it means that the company is unable to bear its short-term debt bills guaranteed by its current assets. If this ratio is 1: 1 or 100 percent, this means that current assets can cover all current debts. A safer ratio is above one or above 100 percent. This means that current assets must be far above the amount of current debt (Harahap, 2010: 301). High Current Ratio (CR) will lead to investor confidence to invest their capital in the company. Because the company is considered to have the ability to pay off its short-term obligations, so as to increase the demand for the company's shares.

The current ratio shows the company's ability to fund the company's operations and pay off short-term obligations. A state of large current assets over current liabilities seems to help protect claims, because inventories can be disbursed by auction or because there are not many problems in collecting accounts receivable (Brigham & Houston, 2004: 26). Therefore it can be said that the higher the level of liquidity, the greater the company's ability to pay

dividends. Therefore, a high Current Ratio is considered both in terms of settling short-term obligations and dividend distribution, so this condition becomes an attraction for investors to buy shares.

Relationship of *Net Profit Margin* with Stock Prices

Profitability can be calculated with the Net Profit Margin (NPM). The NPM analysis reflects the level of return on investment for shareholders. High profitability reflects the company's ability to generate high profits for shareholders. With a high profitability ratio owned by a company will attract investors to invest their capital in the company. The high interest of investors to invest their capital in companies with high NPM will increase share prices. Then, there will be a positive relationship between profitability and stock prices (Deriyaso, 2014: 5).

According to Mulyadi (2006), profitability ratio is one of the financial parts that affect the value of the company. Profitability shows the level of net profit that can be achieved by the company when running its operations (Kasmir, 2008: 211). The shareholders always want the benefits of the investment they invest in the company. These benefits are derived from profits after interest and taxes. The greater the profits obtained, the greater the company's ability to pay dividends, so that more investors will invest in the company (Deriyaso, 2014: 45).

Various policies are taken by management in an effort to increase the value of the company through increasing the prosperity of owners and stockholders, as reflected in the share price. So, from these conditions, investors will be interested in analyzing the value of the company, because the analysis of company value will provide the usefulness of information to investors in assessing the company's future prospects in generating profits. One form of analysis is to look at the value of Net Profit Margin (NPM) because investors can find out what percentage of return on capital in the company. So, profitability has a positive influence on stock prices that can be known through NPM. The results of research conducted by Affiananda and Yuyetta (2015), found that stock returns that are proxied by NPM affect the stock price.

Relationship of *Debt to Asset Ratio* with Stock Prices

Debt to Asset Ratio is a measurement commonly used to measure the percentage of assets originating from short-term and long-term debt. Usually, creditors prefer a low debt to asset ratio, because these conditions reflect a better level of security. If the debt to asset ratio is low, it reflects the level of the company's ability to fulfill all its obligations (Kasmir, 2015: 156). In addition, the lower the value of debt to asset ratio, the lower the cost of capital, which in turn will also affect the volume of profits, and the amount of return that will be obtained. Thus, the change in the value of debt to asset ratio will affect the perception of investors. A low debt to asset ratio will tend to be responded positively by investors by increasing the demand for their shares. Vice versa, if the value of debt to asset ratio is high, it will tend to be responded negatively by diverting investment in assets that are more promising better returns. Therefore, changes in stock demand and supply will affect stock price movements. Thus, changes in the value of the debt to asset ratio will affect the movement of the company's stock prices.

III. METHODS AND MATERIAL

Design

This research used explanatory research design (confirmatory). This study confirmed the effect of the value of the current ratio and debt to equity ratio on Net Profit Margin (NPM) and the company's stock

price. This design was used because research confirms the relationship or influence between variables or constructs.

The research subjects were companies in the basic industry and chemicals sector, which were listed on the Indonesia Stock Exchange in the period of 2015 to 2019 with a total of 60 companies. The company's performance in this sector is considered quite good when seen from the movement of the index value in the last five years, 2015 to 2019. However, in the same period followed by the growth of the number of issuers, so it feels important to confirm whether the movement of stock prices in this sector more likely to be influenced by the issuer's performance factors or whether other factors. Besides that, this sector has quite a number of issuers, of course with different performance. Then, the object of research was the stock prices of companies in the Basic Industry and Chemicals sector, which have been published through the official website of the Indonesian capital market (IDX).

Research Data

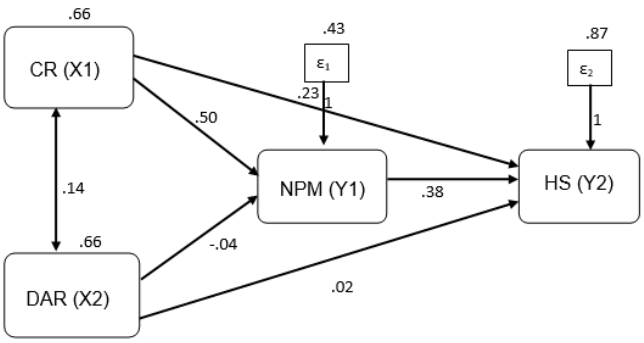
This study used secondary data derived from the monthly statistics published by the Indonesia Stock Exchange (IDX), including current ratio data, net profit margin, debt to asset ratio, and data on closing prices for the period 2015-2019.

Analysis Method

In this study, the analysis technique of path analysis equation models in the time series data of stock prices and net profit margin along with the factors that influence it, namely Current Ratio (X1), and Debt to Equity Ratio (X2). In responding to research problems that were adjusted to the hypothesis model, where to test the research hypothesis used path analysis techniques (path analysis) to see the significance of the indirect effect of the independent variables on the dependent variable used t-test (Nachrowi, 2006: 19) with a significance level of Alpha 5% or P ≤ 0.05, which appears with the code (Sig.t). Data analysis was performed using the help of AMOS Version 20 Software.

IV. RESULTS AND DISCUSSION

Before discussing the results of the research, several steps must be met. According to Solimun (2002) the steps in path analysis are as follows, namely: 1) Outline the research concept; 2) Make modeling of the conceptual framework with a hypothesis; 3) Make a path diagram to explain the pattern of relationships between variables; 3) Identifying the model to check whether the model is over identified; 4) Assessing Goodness of fit to see the goodness of the model based on existing criteria; 5) Modifying the model if there are models that are not yet fit and do not meet the requirements; 6) Interpreting the model obtained from the analysis results; 7) Draw conclusions. The following is a diagram showing the PATH analysis path diagram.



Source: Data Processed

Figure 1. Path Diagram

Figure 1 shows that the dependent variable, namely Stock Price (Y2) is influenced by exogenous variables namely Current Ratio (X1) and Debt to Equity Ratio (X2) and intervening variables, namely Net Profit Margin (Y1) and subsequently the variables are arranged into the form structural equation.

The steps taken in analyzing data are as follows. Based on figure 1, it is obtained that the structural equation model with a df value of 0.995, which is smaller than DF = 1 so that the model is in an over-identified condition so that it can be continued in testing the goodness of the model can be seen from table 2.

Table 2. Model Goodness Testing

The goodness of fit index	Gut Off Value	Model Results	Explanation
Chi-Square	1.911	0.995	Good
GFI	≥ 0.90	1.000	Model Fit
AGFI	≥ 0.90	0.993	Model Fit
TLI	≥ 0.90	0.947	Model Fit
CFI	≥ 0.90	1.000	Model Fit
RMSEA	≤ 0.08	0.005	Model Fit

Source: Data Processed

Based on table 2, it can be seen that the model can be accepted. It because there are already at least 1 criterion for the goodness of the model that meets the requirements. Then the significance of each variable is tested by looking at the relationship between Current Ratio (CR), Debt to Asset Ratio (DAR), Net Profit Margin (NPM), and Stock Price (HS).

Based on the results of the estimation test and the significance of the relationship between variables are as shown in table 3.

Table 3. Relationship of Structural Equations after Modification

Relationship	Estimation	p-value	Explanation	R-Square
NPM ← CR	0.496	0.000 < 0.05	Significant	0.329
NPM ← DAR	-0.038	0.429 > 0.05	Not Significant	
HS ← CR	0.234	0.003 < 0.05	Significant	0.307
HS ← NPM	0.380	0.000 < 0.05	Significant	
HS ← DAR	-0.019	0.781 > 0.05	Not Significant	

Source: Data Processing

Direct Effects of CR and DAR on NPM

Based on table 3 the equation model obtained is as follows: NPM = 0.496 CR - 0.038 DAR. Based on the Equation, it is concluded that the Current Ratio (CR) variable has a positive and significant effect on the Net Profit Margin (NPM) with a coefficient value of 0.496, the value can be interpreted if the Current ratio (CR) variable increases/decreases by one unit, it will increase / also decreased the Net Profit Margin (NPM) value of 0.496 assuming a constant variable Debt to Asset Ratio (DAR). While the DAR variable has a negative and not significant effect on Net Profit Margin with a coefficient value of 0.038, this value can be interpreted that each increase of one unit in the variable Debt Asset Ratio will reduce the value of Net Profit Margin by 0.038 with the condition of constant Current Ratio. Then the value of R2 = 0.329 is the coefficient of determination. This value means that the variation of the independent variable can explain the dependent variable by 32.9 percent, and the remaining 67.1 percent is the variation of other variables not explained in the model.

Direct Effects of CR, NPM, and DAR on Stock Prices

The direct effect of Current Ratio (CR), Net Profit Margin (NPM), and debt to asset ratio on stock prices can be made in the following equation: Stock Price = 0.234 CR + 0.380 NPM – 0.019 DAR. The results of this equation show that current ratio directly influences the stock price significantly, with a coefficient value of 0.234, the value can be interpreted that if the value of the current ratio is increased/decreased by one unit. It will also increase/decrease the stock price by 0.234, with the other variable assumptions are constant. Then, the Net Profit Margin (NPM) variable has a positive and significant effect on stock prices with a coefficient value of 0.380. This value means that if the large

variable Net Profit Margin increases/decreases by one unit, the stock price will increase/decrease by 0.380 with the other variable assumptions are constant. Meanwhile, the debt to asset ratio variable has a negative and insignificant effect on stock prices with a path coefficient of -0.019. The value can be interpreted that if the value of debt to asset ratio increases/decreases by one unit, then the stock price will increase/decrease by -0.019, assuming the other variables are constant. Value R2 = 0.307 is the coefficient of determination. This value means that the variation of the independent variable can explain the dependent variable by 30.7 percent and the remaining 69.3 percent for the variation of other variables not explained in the model.

The results of this study can be explained that the high value of Current Ratio (CR) and Net Profit Margin (NPM) will tend to be responded positively by investors by increasing demand for their shares. This value will increase investor confidence in the health of the company as well as confidence in the company's ability to provide an adequate level of income. While the value of Debt to Asset Ratio (DAR) does not have a significant influence on decisions by investors in buying shares. In this study shows that the variable Net Profit Margin (NPM) has the most influence on the movement of stock prices of the Sector Basic Industry and Chemicals period companies listed on the Indonesia Stock Exchange (IDX).

Indirect Effects Between Variables

An indirect relationship occurs between exogenous variables, which are Current ratio (CR), debt to asset ratio, and destination variables, namely Stock Price through Net Profit margin. Table 4 presents the results of the indirect relationship between variables as follows:

Table 4. Coefficient Value of Indirect Effects

Indirect Effects		Significant if the Value of Z Sobel > 1.96
CR → NPM → HS	0.18848	4.22840195 > 1.96
DAR → NPM → HS	-0.01444	-0.78036151< 1.96

Source: Data Processed

The magnitude of the coefficient value of the indirect effect of Current Ratio on stock prices through Net Profit Margin is as follows:

Coefficient = 0.496 CR x 0.380 NPM
= 0.18848

Coefficient = -0.038 DAR x 0.380 NPM
= -0.01444

Based on the figures in table 4 shows that the indirect effect of the Current ratio (CR) on stock prices is 0.188, and the value of Z Sobel = 4.22840195 is greater than 1.96, this value can be interpreted that the Current Ratio (CR) has a positive and significant effect on stock prices. Meanwhile, the Debt to Asset Ratio (DAR) variable indirectly has a negative effect on the path coefficient value of -0.014, and the Sobel Z value = -0.78036151 is smaller than 1.96. This value can be interpreted that the Debt to Asset Ratio has a negative and insignificant effect on the stock prices of the Sector Basic Industry and Chemicals period companies listed on the Indonesia Stock Exchange (IDX).

Total Influence Between Variable (Total Effect)

The total effect is the overall effect of direct and indirect effects between variables in the model. The goal is to see the magnitude of the direct relationship between variables and after going through

intervening variables. According to Ferdinand (2002) that the total effect will be added up between direct and indirect effects, as shown in Table 5.

Table 5. Results of Estimation of Total Parameters Effect of Exogenous Variables on Endogenous Variables

Relationship Between Variables			Direct Effect	Indirect Effect	Total Effect
Stock Price (Y2)	<---	X1 =Current Ratio	0.496	0.188	0.684
	<---	X2 =Debt to Asset Ratio	-0.038	-0.014	-0.052

Source: Data Processed

Based on Table 5, it can be explained the total effect of Current Ratio, Debt to Asset Ratio, on Net Profit Margin and Stock Price, that is, the direct effect between X1 = Current Ratio on Y1 = Net Profit Margin of 0.496, and on Y2 = Stock Price of 0.380. Furthermore, the indirect effect between X1 = Current Ratio to Y2 = Stock Price through Y1 = Net Profit Margin of 0.188, so that the total effect of X1 = Current ratio to Y2 = current price of 0.684 is obtained. This shows the strong influence of X1 = Current Ratio on all endogenous variables.

Then, the direct effect between X2 = Debt to Asset Ratio to Y1 = Net Profit Margin of -0.038, and to Y2 = Stock Price -0.019. Furthermore, the indirect effect between X2 = Debt to Asset Ratio to Y2 = Stock Price through Y1 = Net Profit Margin is -0.014, so that the total effect X2 = Debt to Asset Ratio to Y2 = Stock Price is -0.052. It shows the strong influence of X2 = Debt to Asset Ratio on all endogenous variables.

V. CONCLUSION

The current ratio (CR) has a positive and significant effect directly on the net profit margin. In contrast, Debt to Asset Ratio (DAR) has a negative and not significant effect directly on Net Profit Margin in companies in the basic industry and chemicals sector in the Indonesian capital market (IDX). Current ratio (CR) and net profit margin have a positive and significant effect directly on the company's stock price in the basic industry and chemicals sector in the Indonesian capital market (IDX). While the debt to asset ratio has a negative and insignificant effect on the company's stock price in the basic industry and chemicals sector in the Indonesian capital market (IDX). The current ratio (CR) has a positive and significant effect on stock prices in companies through Net Profit Margin (NPM), the Basic Industry and Chemicals sector in the Indonesian capital market (IDX). Meanwhile, Debt to Asset Ratio has a negative and insignificant effect on the stock price through Net Profit Margin.

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