

The Influence of Profitability and Liquidity on Share Returns of Mining Sector Companies on the Indonesian Stock Exchange

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ABSTRACT

The researcher aims to see the effect of profitability and liquidity on the returns of coal mining shares included in the Indonesian Stock Exchange in 2018-2022. Profitability is measured by the Return On Assets ratio, while Liquidity is measured by the Current Ratio (CR). The type of research data is quantitative data using the coal mining population included in the Indonesian Stock Exchange (BEI). A sample of 15 companies with an observation period during the 2018-2022 period. Data analysis using the EViews 12 application. The results show that Profitability and Liquidity have a positive effect on stock returns for coal mining sector companies included on the Indonesian Stock Exchange in 2018-2022.

INTRODUCTION

The capital market plays an important role in maintaining the life of the company, for companies that need long-term operational funds for their company. Funds can be met through the capital market. because the capital market is a collection of companies going public. A go public company is a company that registers its shares for sale on the capital market and is included on the Indonesian Stock Exchange (Kasmir, 2017:61).

The mining sector is an economic enhancer in the country because it has an important role in providing the energy pool needed for economic development. Mining is a sector chosen by the Indonesian people because it promises high income. According to a quote from Liputan6.com, Minister Arifin Tasrif said that coal prices in 2023 are still promising. Therefore, we are optimistic that new coal production will remain high this year because demand for coal is increasing.

Stock returns are an investor's activity in making an investment. Return is an important activity in investing and is a determinant for investors to choose to invest. Returns can be determined through two types, including dividends and capital gains. So investors have an interest in choosing which company will provide high returns (Puspita, 2021).

The profitability ratio is a metric used to assess a company's capacity to generate profits from its assets and evaluate the efficacy of its management (Siswanto, 2021:35). This research specifically focuses on selecting the Return On Ratio as the primary profitability assessment. An asset refers to any valuable resource or property that an individual or organization owns, which has the potential to generate future economic benefits. Return on Assets is a financial metric used to calculate the profitability of a firm by measuring the net income generated by its assets. According to the research conducted by Rachma (2020), Pradana (2022), and Saifurrahman (2021), it has been found that return on assets (ROA) positively affects returns. Contrarily, Boedi et al. (2023) found that Bastian et al. (2018) concluded that there is no correlation between return on assets (ROA) and stock returns.

The liquidity ratio is a financial metric that indicates a company's ability to meet its short-term debt obligations without relying on external sources of funding (Hani, 2015). The Current Ratio is employed to calculate the liquidity ratio. CR is selected because to its comprehensive assessment of the present financial situation, as well as its ability to offer valuable insights into the company's financial well-being and prospective hazards or investment possibilities that may impact stock returns. The Current Ratio (CR) is a financial metric that compares a company's current assets to its current liabilities. The firm's ability to finance its operational life is directly proportional to the increase in the Current Ratio (CR). Working capital plays a crucial role in maintaining company performance, which in turn has an impact on share prices. According to Saifurrahman (2021), Husna (2022) discovered a positive correlation between the Current Ratio (CR) and stock returns. Contrarily, Julius & Maryono (2022) and Lisandri et al. (2023) have found that the Current Ratio (CR) does not impact stock returns.

The researchers conducted a new study to investigate the impact of profitability and liquidity ratios on the share returns of mining companies in

the coal sector listed on the Indonesian Stock Exchange from 2018 to 2022. This study was motivated by the issues highlighted in previous research and news reports concerning the coal industry.

LITERATURE REVIEW

Signal Theory

Signaling theory is an important theory in providing information by companies to provide investment decisions from parties external to the company. Information is one of the important things for investors in viewing the information available from the company. because there are activities and can be seen from both the past and the future for the survival of a company (Dilisaufika, 2019).

Profitability Ratio

According to Kasmir (2017:115) profitability is a ratio often used by companies to assess profit activities in the company. The profitability ratio also describes the level of company management effectiveness, therefore the profit obtained from investment income. The type of ratio that researchers use in profitability is Return On Assets. Return On Assets is a calculation of profitability. This ratio shows the extent of investment owned and can provide profit returns on company assets as expected.

Liquidity Ratio

According to Fachrurazi & Hasan (2022:27), liquidity is a company's activities to pay its short-term debt. Current assets and current liabilities have a relationship that can be used to evaluate increasing company liquidity. The liquidity ratio measurement used for this research is the Current Ratio. The Current Ratio is one of the calculation ratios in assessing a company's financial performance.

Stock Returns

Stock returns are one of the incomes from investing. This means that stock return is the rate returned by the company in stock buying and selling transactions. Stock returns also provide the difference between increases and decreases which can be seen as the difference between the current stock price and the previous stock price (Mochsin, 2022).

Conceptual Framework

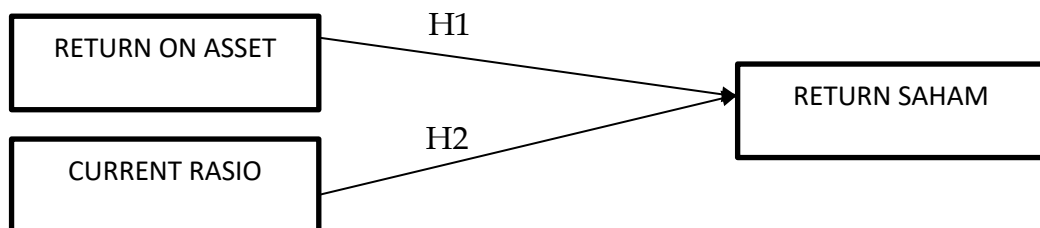


Figure 1. Thinking Framework

Hypothesis

1. The impact of Return on Assets (ROA) on Stock Returns

As stated by Dilsaufika (2018), the profitability ratio is a metric used to assess a company's potential to generate profits. Profitability is a metric that assesses the level of managerial competence inside an organization. The profitability ratio is quantified by employing the Return On Assets (ROA) metric. Return on assets (ROA) is a financial statistic that measures the ability of assets to generate net profits (Widiarini & Dillak, 2019). Yusrizal, et al (2019), Saifurrahman (2021), and Rachma (2020) have conducted research that confirms a positive correlation between Return On Assets and stock performance. Consequently, a study hypothesis was formulated, encompassing:

H1. Return On Assets has a positive effect on stock returns

2. The Impact of Current Ratio (CR) on Returns

As stated by Saifurrahman (2021), the liquidity ratio measures the proportion of current assets to current liabilities, thereby assessing the company's capacity to meet its current obligations. The liquidity ratio utilizes the Current Ratio (CR) computation, as it offers a comprehensive assessment of the company's capacity to fund its existing liabilities with its current assets. The Current Ratio is a financial metric utilized by a corporation to assess its ability to settle debts by utilizing its current assets (Husna, 2022). Thus, Oemar et al. (2016), Saifurrahman (2021), and Husna (2022) affirm that the Current Ratio exerts a favorable impact on stock returns. Therefore, the subsequent hypothesis is formulated:

H2. Current Ratio has a positive effect on stock returns

METHODOLOGY

Types of Research

This research is quantitative associative. associative is research to see the influence of the relationship between one variable and another variable. Associative research is causal in nature, which means that one variable influences another variable Sugiyono (2015:20).

Research Location and Time

Researchers focus on the Indonesian Stock Exchange (BEI). BEI is a collection of stock sales for publicly traded companies in Indonesia. Researchers used data from coal mining companies from 2018-2022.

Samples and Sampling Techniques

Sampling is the number obtained by the population. In this study, the purposive sampling method was used, which is a technique for taking samples from the population based on certain conditions determined in the research. The criteria for determining the sample are as follows:

- 1) Coal Mining Companies are listed on the Indonesia Stock Exchange for the 2018-2022 period.

Tabel 1. Sampel

Coal Mining Company for the 2018-2022 period	32
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Total coal mining companies that did not start full from 2018-2022	(17)
Total	15

Number of Observations $15 \times 5 = 75$

- 2) Mining companies are not listed on the Indonesian stock exchange continuously during the 2018-2022 period

Data Collection Techniques and Tools

The financial report data for the period 2018-2022 of mining companies can be obtained from the Indonesia Stock Exchange (BEI) through the website www.idx.co.id. The chosen method for data collecting is the documentation approach. Documentation techniques were acquired through the analysis of annual reports released on the Indonesia Stock Exchange (BEI).

RESEARCH RESULT

Table 3. Descriptive Statistical Analysis

	Y	X1	X2
Mean	0.214020	10.99067	2.073200
Median	0.220000	6.380000	1.790000
Maximum	1.300000	68.30000	10.07000
Minimum	-1.412979	-27.05000	0.210000
Std. Dev.	0.460684	16.70462	1.696924
Skewness	-1.031445	1.529811	2.588348
Kurtosis	6.492175	5.870359	11.81030
Jarque-Bera	51.40875	55.00079	326.3113
Probability	0.000000	0.000000	0.000000
Sum	16.05148	828.3000	155.4900
Sum Sq. Dev.	15.70501	20649.28	213.0868
Observations	75	75	75

Source: Data Processed

The results of table 3 show that 75 observations were used with the following information:

1. Variable Y in the research is the stock return value which has a maximum figure of 1,300 at PT Aneka Tambang Tbk and a minimum figure of -1,412 at PT Baramulti Sukses Sarana Tbk, and has a mean figure of 0.214020, a median figure of 0.220 and a standard deviation figure as much as 0.460.
2. Variable X1 in this research is the Return on Assets (ROA) figure which has a maximum figure of 68,300 at PT. Bayan Resources Tbk and the minimum figure is -27,05000 in Borneo Olah Sarana Sukses Tbk, and has a mean figure of 10,990, a median figure of 6,380 and a standard deviation figure of 17,704.
3. Variabel X2 dalam penelitian ini merupakan angka Carrent Rasio (CR) memiliki angka maximum sebanyak 10,070 di PT Harum Energi Tbk dan angka minimum sebanyak 0,210 di PT Atlas Resources Tbk, dan

mempunyai angka mean sebanyak 2,073, angka median sebanyak 1,790 dan angka setandar deviasi sebanyak 1,696.

Tabel 4. Uji Chow

Effects Test	Statistic	d.f.	Prob.
Cross-section F	0.836820	(14,58)	0.6276
Cross-section Chi-square	13.798459	14	0.4648

Source: Data Processed

Berdasarkan tabel 4 menggambarkan bahwa angka probabilitas Chi-square adalah $0,4648 > 0,05$ maka dari itu H0 diterima dan H1 ketolak atau common effect model lebih bagus dari pada fixed effect model.

UJI Asumsi Klasik
Normality Test

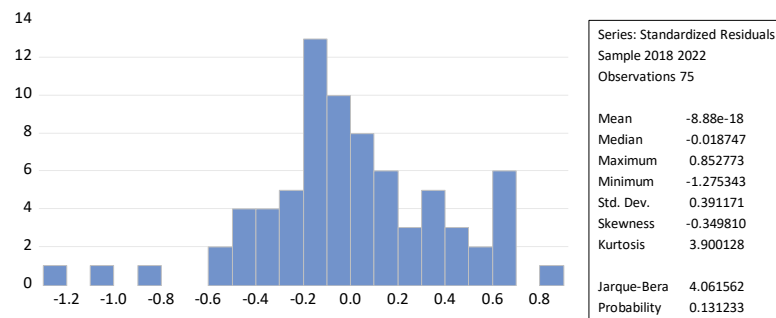


Figure 5. Normality Test

Source: Data Processed, 2024

Berdasarkan gambar 5 perhitungan uji normalitas menyatakan semua variabel dalam penelitian ini berdistribusi normal. Dibuktikan angka signifikan sebesar $0,131233 > 0,05$, oleh karena itu disimpulkan model berdistribusi normalitas.

Multikonearity Test

Tabel 6. Multikonearity Test

	X1	X2
X1	1.000000	0.098270
X2	0.098270	1.000000

Source: Data Processed

Based on table 6 above, it illustrates that there is no correlation coefficient > 0.8 . Therefore, it shows that this model does not occur multicollinearity.

Heteroscedasticity Test

Table 7. Heteroscedasticity Test

variable	coefficient	Std.Error	t-Statistic	Prob.
C	-0.031408	-0.374906	-0.374906	0.7091
X1	0.013955	4.480986	4.480986	0.0000

X2	0.084693	0.033499	2.528234	0.0142
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Source: Data Processed

Table 8. Interpretation of the Glejse Test

Variabel	Prob	Keputusan
Independen		
Return On Aset (X1)	0,0000	Terjadi Heteroskedastisitas
Curent Rasio (X2)	0,0142	Terjadi Heteroskedastisitas

The results obtained from table 8 show that if the heteroscedasticity test was carried out using the Glejser test with variables X1 and Therefore, the conclusion is drawn that heteroscedasticity occurs.

Autocorrelation Test

Table 9. Autocorrelation Test

R-squared	0.133380	Mean dependent var	0.214020
Adjusted R-squared	0.109307	S.D. dependent var	0.460684
SE. Of regression	0.434778	Akaike info criterion	1.211214
Sum squared rised	13.61028	Schw arz criterion	1.303914
Log likelihood	-	Hannan-Quinn criter	1.248228
	42.42053		
F-statistic	5.540684	Durbin-Waston stat	1.938938
Prob(F-statistic)	0.005779		

Source: Data Processed

Based on the calculation results in the table above, it can be concluded that the Durbin - Waston value is 1.938948, indicating that the Durbin - Waston value is at $du < dw < 4\text{-two}$, so it can be concluded that there is no autocorrelation.

Data Panel Regression Analysis

$$Y = a + b_1X_{1it} + b_2X_{2it} + e_{it}$$

Information:

- Y = Return Saham
- a = Konstanta
- b = Koefisien Regresi
- x1 = Return On Asset (ROA)
- x2 = Curent Rasio (CR)
- e = Variabel Resedual
- i = Banyak data
- t = Periode waktu

Table 10. Data Panel Regression Results

Variable	coefficient	Std.Error	t-Statistic	Prob.
C	0.171011	0.084140	2.032576	0.0458
X1	-0.008301	0.003040	-2.730412	0.0079
X2	0.064748	0.029929	2.163365	0.0338

$$Y = 0.171021992097 - 0.00830137759698 \cdot X_1 + 0.06474792685 \cdot X_2$$

1. If X_1 (Return on assets), X_2 (Current ratio) is ignored then the stock return constant is 0.171
2. Coefficient X_1 (Return on assets) with -0.008. So it illustrates that stock returns will decrease by -0.008 units for every increase in return on assets and vice versa. So using the assumption that other variables are constant
3. Coefficient X_2 (Current ratio) with 0.064. So it illustrates that stock returns will increase by 0.064 units, increasing the Current ratio and vice versa. So with the prediction the other variables are constant

Hypothesis Testing

T test

Tabel 11. T-Test

Variable	coefficient	Std.Error	t-Statistic	Prob.
C	0.171011	0.084140	2.032576	0.0458
X1	-0.008301	0.003040	-2.730412	0.0079
X2	0.064748	0.029929	2.163365	0.0338

1. The results of testing table 11 with the variable ROA (X_1) obtained a t - statistic of $-2.730412 < t$ table of 1.993 and the number sig. $0.0079 < 0.05$, therefore H_a is accepted and H_0 is rejected, which means ROA has a positive influence on stock returns.
2. The results of testing table 11 with the variable CR (X_2) obtained a t value of $2.163365 > t$ table, namely 1.993 and a sig number. $0.0338 < 0.05$, therefore H_a is accepted and H_0 is rejected, meaning CR has a positive influence on stock returns

F Test

Table 12. F test

R-squared	.133380
Adjusted R-squared	.109307
SE. Of regression	.434778
Sum squared rised	13.61028
Log likelihood	-
	42.42053
F-statustic	5.540684
Prob(F-statistic)	.005779

The calculated F value is $5.540684 < F$ table is 19.4818 and prob is 19.4818. $0.005 < 0.05$ therefore H_0 is rejected and H_a is accepted, therefore the ROA and CR variables have an overall significant (simulative) influence on stock returns

Test the coefficient of determination R^2

Tabel 14. Uji R^2

R-squared	.133380
Adjusted R-squared	.109307

SE. Of regression	.434778
Sum squared rised	13.61028
Log likelihood	-
	42.42053
F-statustic	5.540684
Prob(F-statistic)	.005779

The adjusted R-square value is 0.109307 or 10.9307%. The termination coefficient value shows that the independent variables with ROA and CR can explain the dependent variable or stock returns by 10.9307% while the remaining 89.0693% explains the variables that were not included in the research.

DISCUSSION

The Effect of Return on Assets (ROA) on Stock Returns

The computation in table 11 indicates that the probability value for ROA is 0.0079, which is less than 0.05. Consequently, these findings indicate that if H1 is confirmed, ROA has a favorable impact on stock returns. Return on assets (ROA) measures the company's capacity to generate profits from its whole asset base. A high Return on Assets (ROA) positively impacts the company's capacity to generate higher income. Investors are pleased by the rise in profits. Investors prioritize allocating their cash to companies that have a rising Return on Assets rather than a declining Return on Assets. Investors typically purchase shares in companies that have an increasing Return on Assets (ROA) since the upward movement in share prices might lead to higher returns on their investments (Nurastuti, 2022). Yusrizal, et al (2019), Saifurrahman (2021), and Rachma (2020) have shown evidence that Return on Assets has a beneficial impact on stock returns.

The Effect of Currant Ratio (CR) on Stock Returns

According to the calculations in table 11, the likelihood of CR is 0.0338, which is less than 0.05. Therefore, we accept H1, indicating that CR has a favorable impact on stock returns. The Current Ratio is a financial metric that quantifies a company's ability to settle its short-term obligations (Husna, 2022). These results indicate that the Current Ratio serves as a benchmark for investors to guide their capital investments. A higher Current Ratio enhances the company's capacity to settle its short-term obligations. Investors perceive the company to possess favorable financial circumstances, thereby attracting their interest in allocating their resources to the company. Investors' growing interest in purchasing shares leads to a significant rise in share prices, which subsequently impacts stock returns. According to Oemar et al. (2016), Saifurrahman (2021), and Husna (2022), it has been discovered that the Current Ratio has a favorable impact on stock returns.

CONCLUSIONS AND RECOMMENDATIONS

Based on prior findings, it is possible to draw conclusions, which may include:

1. The favorable impact of Return on Assets on Stock Returns is evident. The Return On Assets, specifically 0.0079, is supported by strong evidence, as it falls below the threshold of 0.05. Thus, in line with hypothesis 1, it is observed that Return On Assets has a favorable impact on stock returns. Therefore, it may be inferred that a higher Return On Assets will result in a rise in stock return.
2. The Current Ratio positively impacts Stock Returns. The Current Ratio, with a value of 0.0338, is below the threshold of 0.05, indicating a severe deviation. Thus, it aligns with premise 2, which states that the Current Ratio positively affects stock returns. Therefore, it can be inferred that there is a positive correlation between the Current Ratio and stock return, indicating that as the Current Ratio increases, the stock return also increases.

ADVANCED RESEARCH

1. For investors

Investors who are interested in investing in coal mining companies must really understand how to observe shares so they can get the profits they want. Therefore, this is done by looking at several analyzes that are often used on factors that influence stock returns as in this research. So there are still many factors that influence stock returns, because stakeholders see other analyzes as external factors for the company.

2. Suggestions for further research

Future researchers who are interested in conducting this research are advised to include other financial ratios as independent variables because there are still many financial ratios that are not used for this research and have an influence on stock returns.

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