

The Influence of Profitability, Technical Analysis Education and Liquidity Toward Stock Price: An Empirical Study on Banking Sector in Indonesia

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Abstract

The price stock could be determined when the organization have sound profitability, liquidity. Along with these, organizations could also increase their stock return when they invested more on their employees on their technical education. Because, when the technical education is achieved then the prediction of the stock could be achieved in a better way. Therefore, this study aims to determine how the influence of profitability, technical education investment and liquidity on stock prices in banking companies listed on (IDX) period 2012-2014. Factors tested in this research are return on asset and current ratio as independent variable and the subsequent role of educational finance that helps to understand the technical analysis education in the domain of stock prices. While the stock price as a dependent variable. This research method used in this research is explanatory method. The population in this study is a banking company listed on IDX period 2012-2014. While the sampling technique used in this research is purposive sampling and the number of samples of 22 companies. While data analysis used in this research is doubled linear regression analysis at significance level equal to 5%. The program used in analyzing data using EViews 8. The results showed that the partial only variable profitability that affects and simultaneously technical analysis education of the stock price.

Keywords

Return on Asset, Current Ratio, Stock Price, Educational Finance.

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Introduction

Profitability is a company's ability to generate profits by using resources owned companies, such as assets, capital or sales. If the condition of the company is categorized as profitable or promising profit in the future then many investors who will invest funds to buy shares of the company, of course pushing stock prices rose to higher. According to Utama (2020) liquidity is a ratio to measure the bank's ability to meet its short-term liabilities when billed. Liquidity is one of the factors that can drive stock price change. With good financial ratios will reflect good financial condition as well, so it will affect the stock price (Dowdell, Klamm, & Andersen, 2020; Navarro-Villoslada, San Vicente, & Moreno-Bondi, 2004; K. I. Sari, 2011). Profitability of banks is considered to be under pressure due to the fact that banks are experiencing a slowdown in profitability growth and banking profit growth trend has also declined but with the occurrence of the mentioned capital ratio is still within the range of a man in the range of 20.6% although the potential for credit increase does not grow high (republika.co.id). The weakening of banking stocks lately more resulted in profit taking action after the stock surged (<http://lipsus.kontan.co.id>).

Literature Review

According to Utama (2020):

"Bank is a financial institution whose main activity is to raise funds (funding) and channeling funds (lending)".

Market Capital

Understanding the capital market in general is a meeting place of sellers and buyers to conduct transactions in order to obtain capital (Kesuma, 2009). While buyers are parties who want to buy capital in companies that they think is profitable (Pan, 2021; Rani & Prakash, 2021; Yolanda, 2020).

Stock

Stocks (Weston and Copeland, 2009) are signs of equity participation in a limited liability company as it is well known that the purpose of the investor is to buy shares to earn income from the shares (Anwar, Kamarudin, Noordin, Hussain, & Mihardjo, 2021; M Allo, 2021).

Stock Price

The share price represents the present value of the cash flows to be received by the shareholder in the future. Share price is money spent to obtain evidence of participation or ownership of a company (Ardiansyah & Qoyum, 2012). A high stock price indicates that the stock is actively traded, and if an active stock is traded then the dealer will not long keep shares before trading (Adnan, Hasan, & Ahmed, 2020; Brigham & Ehrhardt, 2013; T. P. Sari & Lestari, 2020).

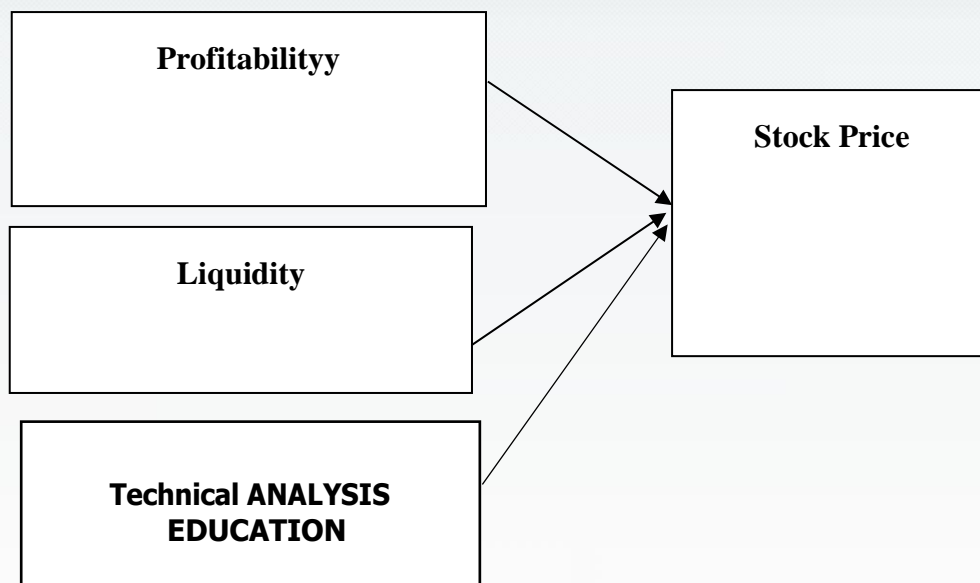
Technical Education

According to Brigham and Houtson (2014):

" The financial statements are several sheets of paper with numbers written on it, but it is also important to think of the assets behind those numbers".

Technical education is structured in such a way that educational policies can achieve its aims and purposes. Technical education has the potential to fertilise the entire educational system, and these principles make the process more open, adequate, accountable, balanced, and long-term (Butarbutar, 2021). The learners become familiar with the finance tactics in the course of technical education (Anthony, Govindarajan, & Dearden, 2007; Mujib & Candraningrat, 2021; Neupane, 2020).

Framework



Gambar 2.1

Kerangka Pemikiran

Hypothesis

H₁: Profitability affects toward stock price

H₂: Liquidity affects toward stock price

H₃: Technical analysis education affect toward stock price

Result and Discussion

Research Method

Library Research

In this literature study, the authors sought to obtain a variety of information as much as theoretical basis and reference for data processing, by reading, studying, analyzing and reviewing the literature in the form of books, journals and previous studies.

Documentation

The research was done by making observations to obtain data in the form of financial statements of companies in the banking industry in 2012-2014.

Data Analysis Method

Data analysis method used in this research is quantitative analysis.

Multiple Linear Regression Analysis

$$Y = \alpha + \beta_1 x_1 + \beta_2 x_2 + \varepsilon$$

Research Result

Multiple Linear Regression Analysis

Stock Price = 7,006649 + 1.104553 * ROA - 0.021752 * CR + 4.127386

It means that:

$\alpha = 7.006649$ which means, if return on asset (X_1), current ratio (X_2) is equal to zero then the stock price (Y) is 7.006649.

$\beta_1 = 1.104553$ which means that if the return on asset (x_1) increases by one unit of the other variable has a constant or equal to zero then the stock price is worth 1.104553.

$\beta_2 = -0.021752$ which means that if current ratio (x_2) has an increase of one unit and the other variable has a constant or equal value of zero then the benchmark stock price is -0.021752.

Discussion

The Influence of Profitability (ROA) Toward Stock Price

ROA is derived from the ratio between earnings after taxes and total assets. Thus, the higher the ROA of a company, the higher asset value of company and the higher stock price because it is in great demand by the investors. Based on the results of data processing can be concluded that profitability (ROA) influences toward stock price (Alpi, 2018; Hayrunnisa, 2016; Kusumasari, 2014).

The Influence of Liquidity (CR) Toward Stock Price

Liquidity is described as the ability to meet future cash outflows with sufficient cash inflows. The Current Ratio is a static (fixed) measure that measures the available resources at a given time to meet current liabilities. This indicates that the level of liquidity does not affect the level of stock price where it should be when current assets and current liabilities increase then the stock price should increase (E Kieso, 2014; Gursida, 2019; Jensen & Meckling, 1976; Koumou, 2020).

The Influence of Technical Analysis Education Toward Stock Price

Based on the results of research data above, it can be concluded that technical analysis education effect toward share price. This can be seen from the analysis that shows that the value of $F_{\text{calculated}}$ obtained 30.230 and significant value of 0.000000 < 0.05, so that in accordance with the criteria of hypothesis testing (Arsal, 2021; Jamshed, 2014; Meythi & Rusli, 2011; Moeljadi, 2014; Munawir, 2010).

This indicates that changes to all independent variables simultaneously affect the stock price. The ability of independent variables to explain the stock price using R-square is 0.497777, the value of the contribution of profitability (ROA), liquidity (CR) variable to explain the influence on the stock price variable 49.7% and the remaining 50.3% by factors other than the factors described in the study which may explain stock price (Aljandali & Tatahi, 2018; Kusumah, Kurniawati, & Andriani, 2021; Sitorus & Elinarty, 2017; Wahlen, Baginski, & Bradshaw, 2014).

Conclusion and Recommendation

Conclusion

1. Profitability affects toward stock price
2. Liquidity does not affect stock price
3. Technical analysis education affect toward stock price

Recommendation

1. For the Company is advised to pay more attention to the performance of the company especially on technical analysis education by always paying attention to earnings obtained by the company so that the profitability of the company as measured by Return On Asset in good condition and also always pay attention to current assets and current liabilities so that the company's liquidity as measured by Current Ratio is always in good condition too, so it can increase stock selling price to attract investor interest to actively invest in stock company.
2. Investors and creditors, should pay more attention to CR and ROA value as a tool of consideration in choosing a company before investing. This is important because these ratios are shown to be influential in stock price in accordance with the results of this research.
3. Expanding research by extending the study period by increasing the years of observation, multiply the number of sample and also the reference and theoretical research.

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