International Conference on Accounting and Management (AMICO) 2025

THE EFFECT OF LIQUIDITY AND PROFITABILITY RATIO ON ENERGY SUB-SECTOR STOCK PRICES ON THE INDONESIAN STOCK EXCHANGE

Anson Genesius Aruan [1] , Titin Ruliana [2]
Master of Management, Faculty of Economics and Business
August 17, 1945 University of Samarinda
ahokaifang2624@gmail.com

Keywords *:*
current ratio; quick ratio; return on assets; return on equity; stock price

ABSTRACT
This study examines the effect of liquidity ratios and profitability ratios on stock prices in the energy sub-sector listed on the Indonesia Stock Exchange during the period 2023–2024. Using a quantitative and causal-associative approach, this study analyzes the influence of the Current Ratio (CR) as a measure of liquidity and Return on Equity (ROE) as an indicator of profitability on the average annual stock price. The sample consists of companies in the energy sub-sector selected through purposive sampling, with data collected from annual financial reports and official stock price records. Data analysis was conducted using WarpPLS 7.0, including descriptive statistics, construct validity and reliability tests, multicollinearity checks, and structural model evaluation. The results indicate that the Current Ratio does not have a significant impact on stock prices, suggesting that liquidity is not a primary consideration for investors in this sector. Conversely, Return on Equity exhibits a significant positive effect on stock prices, highlighting profitability as the primary driver of investor interest and stock price appreciation in the energy subsector. This model explains approximately 59.5% of stock price variation, confirming the substantial explanatory power of the selected financial ratios. These findings provide valuable insights for investors and corporate management in formulating investment strategies and financial policies to enhance corporate value.

I. INTRODUCTION

The capital market plays a crucial role in the national economy, serving as a platform for investors and companies to conduct stock transactions and efficiently allocate capital. The Indonesia Stock Exchange (IDX), the center of securities trading in Indonesia, serves as a

barometer of the health of the national economy and a popular investment platform for various investors. One subsector that significantly influences stock price movements on the IDX is the energy sector.

Stock prices are an important indicator reflecting market perception of a company's performance and prospects. Fundamental factors that can influence stock prices include financial performance, as measured by financial ratios. This study focuses on the liquidity ratio, represented by *the Current Ratio* , and the profitability ratio, represented by *Return on Equity* (ROE). *The Current Ratio* measures a company's ability to meet its short-term obligations using current assets, thus reflecting the company's liquidity level (Brigham, 2021). Meanwhile, ROE shows the rate of return earned by shareholders on their capital, serving as a key indicator of a company's profitability (Kasmir, 2019).

Several previous studies have examined the effect of liquidity and profitability on stock prices (Dewi, 2021), finding that *the Current Ratio* and ROE significantly influence stock prices in the manufacturing sector on the IDX. Meanwhile, (Pratama, 2020),profitability, as measured by ROE, is a key factor influencing stock prices in the energy subsector, particularly during periods of rising global energy commodity prices. The 2023-2024 period is a crucial period post-pandemic and adapting to changes in the energy sector, so this study is crucial to determine the extent to which these ratios influence stock prices in energy subsector companies.

This study aims to analyze the effect of *Current Ratio* and ROE on the stock prices of companies in the energy subsector listed on the Indonesia Stock Exchange (IDX) during the 2023-2024 period. The results are expected to contribute to the financial literature and serve as a reference for investors and company management in making investment decisions and improving financial performance.

II. LITERATURE STUDY AND HYPOTHESIS

Stock price

Stock price is the market value of a stock, determined by the forces of supply and demand in the capital market. Stock prices reflect investors' expectations of a company's future performance, including profit growth, financial stability, and industry prospects. According to (Tandelilin, 2010), stock prices reflect all available market information, both fundamental and non-fundamental. Fundamental factors such as liquidity and profitability influence investors' perceptions of a company's value.

Current Ratio

The current ratio is a liquidity ratio used to measure a company's ability to meet its short-term obligations. This ratio is calculated by dividing total current assets by total current liabilities. A high *current ratio* indicates a company has good liquidity, allowing it to meet its short-term obligations without difficulty.(Brigham, 2021).

Current Ratio (CR) Formula :

$$CR \frac{Aset\ Lancar}{Liabilitas\ Lancar}$$

Return on Equity

Return on Equity (ROE) is a ratio that measures how effectively a company generates profits from the capital invested by shareholders. ROE is calculated by dividing net income by total equity. This ratio is an important indicator for investors because it reflects a company's ability to provide good returns to shareholders.(Kasmir, 2019).

Return on Equity (ROE) Formula :

$$ROE = \frac{Laba\ Bersih}{Total\ Ekuitas}$$

Relationship between Variables

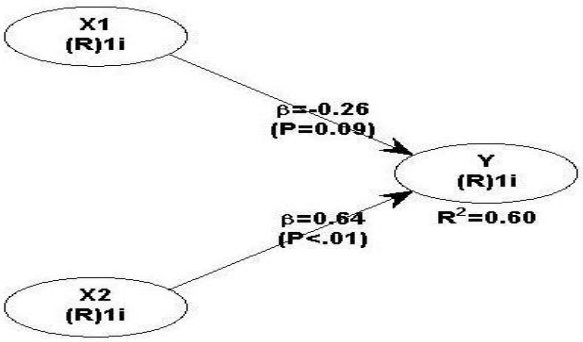
The current ratio is used to measure a company's ability to meet its short-term obligations with current assets. Research (Dewi, 2021)shows a positive relationship between *the current ratio* and stock prices in the manufacturing sector. This suggests that investors tend to have more confidence in companies with good liquidity, which, in turn, can increase demand for those companies' shares. However, research (Pratama, 2020),in the energy subsector shows that the effect of the liquidity ratio on stock prices is inconsistent, depending on market conditions and other external factors.

H1: *Current Ratio* does not have a significant effect on stock prices in Energy Subsector companies on the IDX for the 2023-2024 period.

Return on Equity (ROE) is a ratio that measures how effectively a company generates profits from the capital invested by shareholders. Research by (Wijaya, 2019), shows that ROE has a significant impact on stock prices in the energy sector, where companies with higher ROEs tend to have higher stock prices. This is in line with the findings of (Azhari, 2022), which state that good profitability attracts investors, thereby increasing stock prices.

H2: *Return on Equity* has a significant effect on stock prices in Energy Subsector companies on the IDX for the 2023-2024 period.

Figure 1. Conceptual Framework



Source: Warppls 7.0 Output Results, 2025

III. RESEARCH METHOD

This study uses a quantitative approach with a causal associative design to analyze the effect of the liquidity ratio posted by *the Current Ratio* (CR) and the profitability ratio represented by *Return on Equity* (ROE) on the stock prices of energy subsector companies listed on the Indonesia Stock Exchange (IDX) during the 2023-2024 period. The data used are secondary data obtained from the companies' annual financial reports and stock price data taken from the official IDX website. The population in this study is all energy subsector companies active on

the IDX during that period. The research sample was selected using a *purposive sampling technique* with the criteria of companies that have complete financial reports and stock price data available during the study period.

The independent variables used are *Current Ratio* as an indicator of liquidity and *Return On Assets. Equity* is an indicator of profitability, while the dependent variable is the average annual share price. Data collection was conducted by gathering and compiling relevant financial and stock price data.

Data analysis consisted of several stages. First, descriptive statistical analysis was conducted to obtain a general overview of the characteristics of the research variable data. Next, construct validity and reliability tests were conducted, and multicollinearity tests were conducted to avoid high correlations between independent variables. The analysis results were analyzed using Warppls 7.0 statistical software to ensure data accuracy and validity.

This method was chosen to provide a comprehensive and reliable analysis of the impact of liquidity and profitability ratios on stock prices in the energy subsector during the 2023-2024 period, as well as to provide a strong basis for investment and corporate policy decisions.

IV. RESULTS AND DISCUSSION

Descriptive Analysis Results

Table 1.
DESCRIPTIVE STATISTICAL RESULTS

	Minimum	Maximum	Median	Modes	Skewness	Kurtosis
CR	-1,249	1,672	-0.390	-1,249	0.533	-1.215
ROE	-1,290	2,284	-0.253	-1,290	0.979	0.128
Stock price	-0.648	2,707	-0.404	-0.648	2,054	2,839

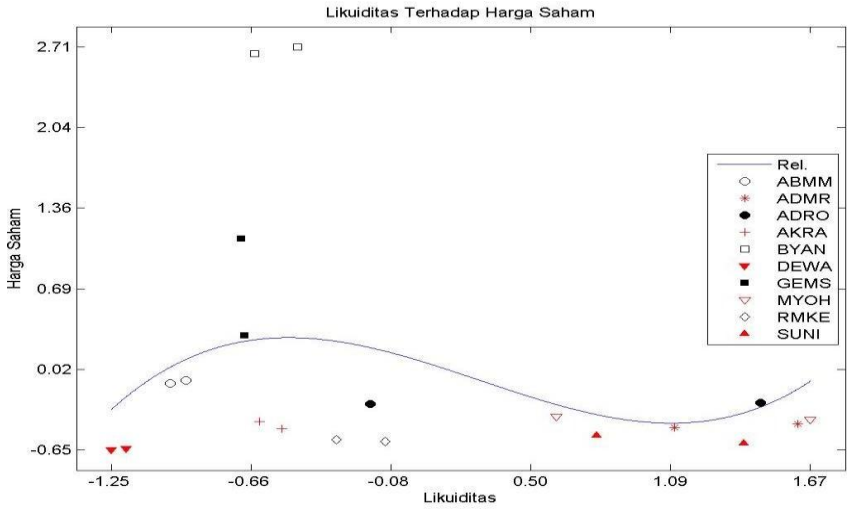
Source: Warppls 7.0 Output Results, 2025

Based on the results of the descriptive statistical analysis shown in Table 1, it is known that the *Current Ratio* (CR) value has a range between -1.249 to 1.672, with a middle value (median) of -0.390 and the most frequently appearing value (mode) of -1.249. The CR distribution tends to be skewed to the right, as indicated by the skewness value of 0.533, while the kurtosis value of -1.215 indicates a flatter data distribution than the normal distribution.

For the *Return on Equity* (ROE) variable, the minimum value was recorded at -1.290 and the maximum at 2.284. The median ROE was -0.253, while the mode was the same as the minimum value, at -1.290. The skewness of ROE was recorded at 0.979, indicating a right-skewed data distribution, and the kurtosis was 0.128, indicating a near-normal distribution.

Meanwhile, the Stock Price index ranges from -0.648 to 2.707, with a median of -0.404 and a mode of -0.648. The skewness of this variable reaches 2.054, indicating a highly right-skewed distribution. Furthermore, the kurtosis of 2.839 indicates that the stock price distribution is steeper and more pointed than a normal distribution.

Figure 2. Relationship between Liquidity and Stock Prices in Energy Subsector Companies on the IDX



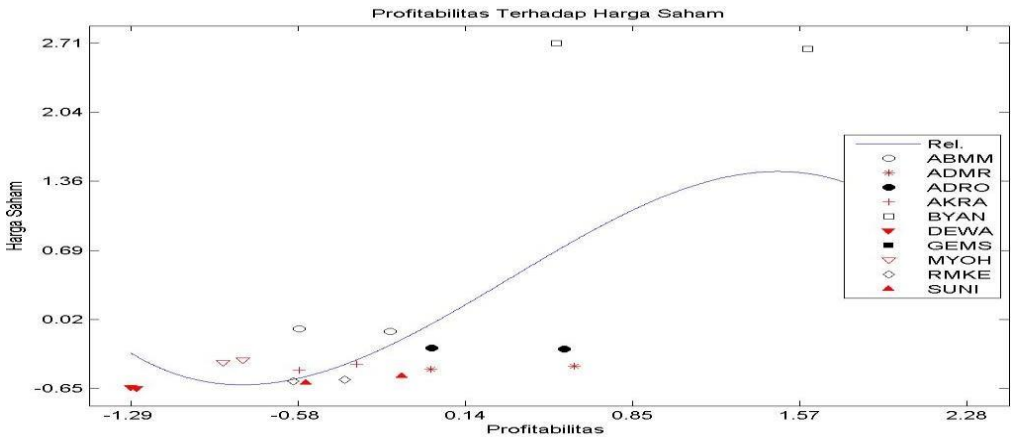
Source: Warppls 7.0 Output Results, 2025

This graph shows the relationship between liquidity levels, as measured by *the Current Ratio* , and the stock prices of several companies in the energy subsector listed on the Indonesia Stock Exchange. Each symbol on the graph represents a different company, as explained in the legend on the right side of the figure. The horizontal axis shows the liquidity value, while the vertical axis shows the stock price.

From this visualization, it can be observed that the data distribution tends to be random and does not form a clear linear relationship between liquidity and stock price. There are companies with high liquidity but relatively low stock prices, and vice versa. This pattern is also reflected in the trend line, which indicates a non-linear relationship between the two variables.

The results of this graph reinforce the finding that liquidity was not a primary determinant of stock prices in the energy subsector during the study period. This indicates that investors in this sector tend to consider other factors, such as profitability, when making investment decisions.

Figure 3. Relationship between Profitability and Stock Prices in Energy Subsector Companies on the IDX



Source: Warppls 7.0 Output Results, 2025

This graph illustrates the relationship between profitability, as measured by *Return on Equity* (ROE), and stock prices of several energy subsector companies listed on the Indonesia Stock Exchange. Each symbol on the graph represents a different company, as explained in the legend on the right. The horizontal axis shows profitability, while the vertical axis shows stock price.

The graph shows a positive trend between profitability and stock price. Companies with higher ROEs generally have higher stock prices. The trendline on the graph shows an increasing relationship, indicating that increases in profitability tend to be followed by increases in stock prices. This pattern indicates that investors in the energy sector are placing greater importance on a company's profitability as a primary consideration when making investment decisions.

This visualization supports the analysis results that profitability is an important factor influencing stock prices in the energy subsector during the research period, and is one of the main indicators that attracts investors' attention.

Construct Validity Test Results

Table 2.
COMBINED LOADING AND CROSS-LOADING

	X1	X2	Y	Type (a	SE	P value
CR	1,000	0.000	-0.000	Reflect	0.084722	<0.001
ROE	-0.000	1,000	0.000	Reflect	0.084722	<0.001
Stock price	0.000	0.000	1,000	Reflect	0.084722	<0.001

Source: Warppls 7.0 Output Results, 2025

Based on the results of the construct validity analysis presented in Table 2, it can be seen that each indicator has a high and exclusive loading value on the construct it represents. The *Current Ratio* (CR) indicator fully reflects construct X1, with a *loading value* of 1,000, without any *cross-loading* on other constructs. Likewise, the ROE indicator, which only loads on construct X2 with a maximum loading value of 1,000. Meanwhile, Stock Price shows a full correlation only with construct Y. The three indicators use a reflective measurement model and each shows a very high level of significance with a P value <0.001, accompanied by a consistent standard error of 0.084722. These findings indicate that all indicators are valid in measuring the intended construct, and there is no overlap between constructs, so the model can be said to have good construct validity.

Construct Reliability Test

Table 3.
COMPOSITE RELIABILITY COEFFICIENTS

CR	ROE	Stock price
1,000	1,000	1,000

Source: Warppls 7.0 Output Results, 2025

Based on the results of the construct reliability test presented in Table 3, it is known that all research variables, namely *Current Ratio* (CR), *Return on Equity* (ROE), and stock price, have a composite reliability coefficient value of 1.000. This value reflects a perfect level of

reliability, meaning that all indicators used to measure each construct show very strong consistency. This value is well above the minimum limit of 0.70 commonly used as a standard of feasibility in quantitative research. Thus, it can be concluded that all constructs in this research model have met the criteria for excellent reliability, making it suitable for further analysis.

Table 4.
CRONBACH'S ALPHA COEFFICIENTS

CR	ROE	Stock price
1,000	1,000	1,000

Source: Warppls 7.0 Output Results, 2025

the Cronbach's Alpha value , as shown in Table 4, indicate that the three research constructs, namely Liquidity, Profitability, and stock price, each obtained an alpha value of 1,000. This value reflects that all indicators in each construct have very perfect internal consistency. In other words, these three variables show that the items that form them are able to measure the construct in a very stable and reliable manner. Because the values obtained are far above the minimum threshold of 0.70 which is the general standard in empirical research, it can be concluded that all constructs have met the reliability requirements and can be used confidently in the further analysis process.

Multicollinearity Test Results

The results of the multicollinearity test indicate that this research model is free from multicollinearity problems. This is indicated by the AVIF value of 1.143 and AFVIF of 1.508, both of which are far below the maximum tolerance limit of 5.0 and even within the ideal range of below 3.3. Thus, it can be concluded that the independent variables in this model do not have excessive linear relationships with each other, so the model is considered stable and suitable for further analysis using a structural approach.

Model Fit and Quality Indices

Table 5.
MODEL FIT AND QUALITY INDICES

Average path coefficient (APC)	**0.451,**	**P=0.004**
Average R-squared (ARS)	0.595,	P<0.001
Average adjusted R-squared (AARS)	0.547,	P<0.001
Average block VIF (AVIF)	1.143,	*acceptable if* <= 5, *ideally* <= 3.3
Average full collinearity VIF (AFVIF)	1,508,	*acceptable if* <= 5, *ideally* <= 3.3
Tenenhaus GoF (GoF)	0.771,	*small* >= 0.1, *medium* >= 0.25, *large* >= 0.36
Sympson's paradox ratio (SPR)	1,000,	*acceptable if* >= 0.7, *ideally* = 1
R-squared contribution ratio (RSCR)	1,000,	*acceptable if* >= 0.9, *ideally* = 1
Statistical suppression ratio (SSR)	1,000,	*acceptable if* >= 0.7
Nonlinear bivariate causality direction ratio (NLBCDR)	0.750,	*acceptable if* >= 0.7

Source: Warppls 7.0 Output Results, 2025

Based on the results of data processing with WarpPLS, several indicators were obtained indicating that the model used in this study has met the criteria for good evaluation. The average path coefficient (APC) of 0.451 with a significance value of 0.004 indicates that the relationship between variables in the model is statistically significant. The average *R-squared* (ARS) value of 0.595 and adjusted R-squared (AARS) of 0.547 indicate that the model has a strong ability to explain the dependent variable. The AVIF value of 1.143 and AFVIF of 1.508 confirm that there is no multicollinearity in the model because the value is far below the maximum threshold. Furthermore, the GoF value of 0.771, which is included in the large category, strengthens the model's excellent fit. Other ratios such as SPR, RSCR, and SSR, each with a value of 1.000, indicate model stability and the absence of statistical disturbances such as paradoxes or suppression. Finally, the NLBCDR value of 0.750, which exceeds the minimum limit, indicates that the direction of the relationship between the variables in the model is acceptable. Overall, this model is suitable for testing the research hypotheses.

Path Coefficient

Table 6.
PATH COEFFICIENT

	CR	**ROE**
Stock price	-0.265	0.637

Source: Warppls 7.0 Output Results, 2025

Based on the analysis results presented in Table 6, it is known that *the Current Ratio* (CR) has a path coefficient of -0.265 on Stock Price, indicating a negative relationship between the two variables. Meanwhile, *Return on Equity* (ROE) shows a path coefficient of 0.637 on Stock Price, indicating a positive effect. Therefore, an increase in ROE tends to be followed by an increase in Stock Price, while an increase in CR has the potential to decrease Stock Price.

P Values

Table 7.
P VALUES

	CR	**ROE**
Stock price	0.090	<0.001

Source: Warppls 7.0 Output Results, 2025

The results of this study show that liquidity, as measured by *the Current Ratio* (CR), does not significantly impact stock prices in the energy subsector, as the resulting p-value of 0.090 exceeds the significance threshold of 0.05. Conversely, profitability, as measured by *Return on Equity* (ROE), is shown to significantly influence stock prices, with a p-value of less than 0.001, well below the significance threshold. This finding indicates that profitability, compared to liquidity, is the primary factor driving stock price increases in this study.

R-Squared

Table 8.
R-SQUARED

	R-squared coefficients	Adjusted R-squared coefficients
Stock price	0.595	0.547

Source: Output 7.0 Results, 2025

Based on Table 8, regarding the *R-Squared value* , information was obtained that the coefficient of determination (*R-squared*) for the Stock Price variable was 0.595. This means that approximately 59.5% of the variation that occurs in Stock Price can be explained by the independent variables used in this research model. Meanwhile, the *Adjusted R-squared value* of 0.547 indicates that after taking into account the number of predictor variables in the model, approximately 54.7% of changes in Stock Price can still be explained by the model.

Discussion

The Effect of *Current Ratio* (X1) on Stock Price (Y)

The results of the study indicate that *the Current Ratio* has no significant effect on stock prices. Therefore, it can be concluded that a company's liquidity level, as reflected in the current ratio, does not necessarily influence investor interest in purchasing the company's shares. A high liquidity ratio does not necessarily reflect the efficient use of current assets to support operational activities, which impact stock value. This suggests that companies with high liquidity levels may not be attractive to investors if they are not accompanied by productive asset use. These results align with research conducted by (Nurhidayanti, 2022), which found that liquidity (*Current Ratio*) does not significantly affect stock prices.

The Effect of *Return on Equity* (X2) on Stock Price (Y)

The research results show that *Return on Equity* has a significant effect on stock prices. Therefore, it can be said that the higher a company's ability to generate profits from its equity, the greater the potential for share price increases. Investors tend to view profitability as a key indicator in assessing a company's financial performance and growth prospects. Therefore, companies that demonstrate a high return on equity tend to attract more investor attention because they are perceived as more efficient in managing their capital. These results align with research conducted by (Anita De Grave, 2022), which showed that the profitability ratio (*Return on Equity*) has a significant effect on stock prices.

From the research results, it has been empirically proven that investors still look at the company's profitability indicators when investing in a company compared to looking at the company's liquidity.

V. CONCLUSION, LIMITATIONS AND RECOMMENDATIONS

This study reveals that profitability, as measured by *Return on Equity* (ROE), has a more significant influence on the formation of share prices of energy subsector companies on the Indonesia Stock Exchange compared to liquidity, as measured by *the Current Ratio* (CR). This finding suggests that market players in the energy sector prioritize a company's ability to generate profits as the primary indicator in assessing investment prospects, rather than considering short-term liquidity aspects. This also reflects the characteristics of the energy

industry, which tends to be oriented towards long-term investment and requires large capital, making profitability a primary consideration in investment decision-making.

This research contributes to broadening understanding of investor behavior in the energy sector and providing input for company management in designing value-enhancing strategies focused on strengthening profitability. However, this study has limitations due to the use of only two financial ratios as primary variables and the relatively short research period. Furthermore, external factors such as macroeconomic conditions, regulatory changes, and non-financial aspects such as corporate governance and environmental issues were not included in the analysis model.

As a recommendation for future research, it is recommended to include additional variables such as *leverage ratios* , activity ratios, or market ratios, and consider using other proxies to measure liquidity and profitability. Future research could also extend the observation period and employ more diverse analysis methods, such as panel data or qualitative approaches. Furthermore, incorporating external factors such as macroeconomic indicators, ESG (*Environmental, Social, and Governance*) factors, and market sentiment is expected to provide a more comprehensive picture of the factors influencing stock prices in the energy sector. Thus, future research findings are expected to provide broader and more applicable contributions to all stakeholders in the capital market.

REFERENCES

Anita De Grave, SHH (2022). The Effect of Liquidity, Solvency, and Profitability Ratios on Stock Prices in the Food and Beverages Sector on the Indonesia Stock Exchange. *Business and Applied (JESIT)* , *3* (1), 111–128. https://doi.org/https://doi.org/10.47178/jesit.v3i1.1656

Azhari, M. ; RA (2022). The effect of liquidity ratio on company stock prices. *Journal of Economics and Business* , *10* (1), 34–45.

Brigham, EF; HJF (2021). *Fundamentals of Financial Management* (15th Edition). Cengage Learning.

Dewi, NPS, and SMMR (2021). The Effect of Liquidity and Profitability on Stock Prices of Manufacturing Companies. *Journal of Management Science* , *9* , 45–56.

Kasmir. (2019). *Financial report analysis* . Rajawali Pers.

Nurhidayanti. (2022). The Effect of Liquidity Ratio, Profitability, and Sales Growth on the Stock Price of PT Sido Muncul, Tbk. *MAMEN: Journal of Management* , *1* (3), 356–370. https://doi.org/https://doi.org/10.55123/mamen.v1i3.684

Pratama, IGS (2020). Analysis of the influence of profitability on stock prices in the energy subsector. *Journal of Economics and Business* , *12* , 78–89.

Tandelilin, E. (2010). *Portfolio and investment: Theory and application* . Kanisius.

Wijaya, A. and PIW (2019). External factors and volatility of energy stock prices on the IDX. *Journal of Finance and Investment* , *5* (1), 112–125 .