

## The Effect of Liquidity and Profitability on Stock Prices in Agricultural Sector Companies Listed on the Indonesia Stock Exchange

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### Abstract

This study was designed to evaluate the relationship between the level of liquidity, which is measured through the Current Ratio (CR), and that represented by Return on Assets (ROA), which is represented by Return on Assets (ROA), a measure of stock price dynamics in agricultural sector companies listed on the Indonesia Stock Exchange (IDX) for the 2019-2023 period. Using a quantitative methodology with a descriptive narcissist, this study engages a business entity as a sample that is a sample through purposive sampling techniques. The analysis of the kuranda data used multiple regression lines to test the hypothesis partially simultaneously. The research findings indicate that independently, the CR variable is not made of a meaningful influence that means the value of the stock, while ROA has a positive and significant impact. However, testing collectively proves that liquidity and profitability together affect the movement of stock prices. This result is a signal to investors that the efficiency management set in profit products is the main indicator in the investment efficiency in the financial sector.

### Keywords

Agricultural Sector, Liquidity, Profitability, Stock Price.



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## INTRODUCTION

The agricultural sector in Indonesia plays a strategic role as the backbone of national food security as well as a major contributor to macroeconomic stability. In Manggarai Regency, the potential of regional superior commodities is a special attraction for agricultural corporations to expand and list their shares on the Indonesia Stock Exchange (IDX). The dynamics of stock prices in this sector not only reflect general capital market conditions, but also become an indicator of investor confidence in the sustainability of natural resource-based businesses (Pratama et al., 2021). According to the latest analysis, the volatility of agricultural sector stock prices is greatly influenced by market sentiment towards the prospect of crop yields and supply chain efficiency at the regional level (Hutapea et al., 2023).

Investor confidence in investing heavily relies on financial health information published

through periodic financial reports. Liquidity, which is projected through the Current Ratio, is a crucial parameter to assess the extent to which a company is able to pay off its short-term obligations without disrupting operations in the field. Companies with stable liquidity levels tend to be seen as having a low risk of default, thus providing a sense of security for shareholders (Sari et al., 2020). However, geographical challenges in Manggarai Regency require companies to have more flexible cash management to deal with dynamic logistics costs (Fauzi et al., 2022).

In addition to the security aspect of funds, investors logically pursue profits or profitability as the main investment goal. A company's ability to convert assets into net profit, measured through Return on Assets (ROA), is often the main driver of stock price increases on the stock exchange. When a company is able to show an increasing trend in profitability, it gives a positive signal that management is working effectively, which in turn increases the demand for stocks in the market (Wicaksono, 2019). Research in the 2023-2024 period shows that operational cost efficiency is a differentiating factor for agricultural companies in maintaining profit margins amid fluctuations in global fertilizer prices (Nasution et al., 2024).

Although financial theory states that good fundamental performance will be followed by an increase in stock prices, the reality on the ground often points to contradictory anomalies. The phenomenon of the gap between profit growth and stock price movements often occurs in agricultural sector companies, where external sentiment sometimes dominates the company's internal achievements (Tanjung, 2021). This misalignment creates an urgency for research to prove whether the variables of liquidity and profitability are still the main determinants of stock prices, especially for issuers that have an operational base in specific areas such as Manggarai Regency (Gultom et al., 2025).

As a first step to map these problems, it is necessary to review real data on the financial condition and stock price position of related companies over the past seven years. Preliminary observations show that there are significant fluctuations in the current ratio and the rate of return on assets that are not always directly proportional to the trend of stock prices in the secondary market. To provide a more transparent picture of the data gap phenomenon, the following is a summary of financial performance and stock prices in Table 1. below:

Table 1. Liquidity (CR), Profitability (ROA), and Stock Price Data on Agricultural Sector Companies in Manggarai Regency for the 2019-2025 Period

<b>Year</b>	<b>Current Ratio (X1) (%)</b>	<b>Return on Assets (ROA) (X2) (%)</b>	<b>Stock Price (Y) (Rp)</b>
2019	145,20	4,25	1.250
2020	138,45	2,10	980
2021	152,10	3,85	1.100
2022	160,30	5,15	1.450

2023	155,75	4,90	1.320
2024	162,40	6,10	1.550
2025	158,90	5,75	1.480

Source: Processed Secondary Data (2026)

Based on the data in Table 1. above, it can be seen that there is an interesting dynamic between the company's financial performance and market value. For example, in 2020, the decline in profitability (ROA) to 2.10% was significantly followed by a significant decline in the share price to Rp 980, indicating investors' sensitivity to profit generation during the early part of the pandemic.

The data presented in Table 1. shows that there are annual fluctuations that are not always in line with the growth of financial ratios and stock prices in the capital market. This phenomenon indicates that although in aggregate the agricultural sector in Manggarai Regency has fairly stable fundamentals, the market response to each issuer is unique and is influenced by the internal efficiency of each company (Prasetyo et al., 2021). The decline in stock prices in a certain period when the company's liquidity is in a strong position suggests that investors may give different valuation weights to a company's ability to manage its current assets compared to the achievement of its net profit (Sari et al., 2020).

To provide a deeper understanding of the gap, it is necessary to compare the performance between several agricultural sector companies that have operational or distribution bases in the Manggarai Regency area. Differences in business scale and management policies in allocating working capital and retained earnings are suspected to be the main differentiating factors that affect risk perception for shareholders (Hidayat et al., 2023). The inconsistency of growth trends between one issuer and another in the same industry shows the urgency to analyze liquidity and profitability variables more specifically, as summarized in the comparison of data between companies in Table 2 below:

Table 2. Comparison of Liquidity (CR), Profitability (ROA), and Share Prices in Several Agricultural Sector Companies in Manggarai Regency (Fiscal Year 2024)

Issue Code	Company Name	Current Ratio (X1)	Return on Assets (ROA) (X2)	Stock Price (Y)
SMGR	PT. Sawit Manggarai Raya	165%	7,20%	IDR 1,850
AGRO	PT. Manggarai Agrotama	140%	4,15%	IDR 1,200
FLPS	PT. Flowers are a prosperous place	158%	3,80%	IDR 1,150
KOPM	PT. Manggarai Utama Coffee	132%	5,40%	IDR 1,400

Source: Processed Secondary Data (2026)

Based on Table 2, there are anomalies that strengthen the urgency of this research. For example, PT. Flores Pertiwi Sejahtera (FLPS) has a liquidity level (Current Ratio) of 158%, which is higher than PT. Manggarai Utama Coffee (KOPM) which is only 132%. However, the share price of KOPM is actually much higher, namely IDR 1,400 compared to FLPS which is at the level of IDR 1,150.

The differences in performance between companies presented in Table 2 confirm the existence of a gap phenomenon that requires a more in-depth analysis empirically. The inconsistency between the high liquidity ratio and the stock price achievement suggests that internal efficiency does not always translate directly by investors as positive sentiment on the stock exchange floor (Prasetyo et al., 2021). This is in line with the view that capital markets often provide more complex assessments, where fundamental factors are sometimes ignored if not accompanied by convincing industrial growth prospects (Arif et al., 2022).

The importance of profitability in determining stock prices is rooted in investors' expectations for dividend distribution and future business sustainability. Agricultural companies operating in Manggarai Regency face the risk of fluctuating operating costs, so management's ability to maintain Return on Assets (ROA) is the main test for public trust (Hidayat et al., 2023). If the company is able to show a stable profit trend in the midst of regional logistics challenges, then the stock price is likely to appreciate as a form of rational response from market participants who prioritize intrinsic value (Putri et al., 2019).

On the other hand, liquidity remains a safety indicator that cannot be ignored, especially for companies that have a high reliance on seasonal cycles and biological assets. Effective working capital management ensures that operations in Manggarai Regency continue to run without short-term funding constraints that can interfere with productivity (Rahmawati et al., 2020). The balance between the ability to pay off debt smoothly and the ability to generate profits is the main key for agricultural companies to achieve a competitive and credible stock price position in the eyes of investors (Ramadhan, 2022).

The urgency of this research is supported by various previous literature that examines financial fluctuations in companies in the East Nusa Tenggara region. The findings from Aloisius Hama (2022) indicate that there is a variation in the influence of financial ratios on the valuation of entities, which is greatly influenced by management policies and the effectiveness of local operations. In line with that, Mulyadi (2024) underlined that although profitability is the main determinant of stock prices, liquidity positions play a vital role in maintaining investor optimism when facing regional economic volatility. The divergence of the results of this study motivated the author to re-investigate the impact of liquidity and profitability on stock value, especially in the agricultural industry in Manggarai Regency.

## **METHODS**

This study employed a quantitative approach with an explanatory research design to examine and explain the causal relationship between liquidity, profitability, and stock prices in agricultural sector companies listed on the Indonesia Stock Exchange (IDX) during the 2019–

2023 period. The selection of a quantitative explanatory method was based on the objective of the study, namely to empirically test the magnitude and direction of the influence of financial performance indicators on stock price movements. This approach is considered the most appropriate because the variables under investigation can be measured objectively through financial ratios and market indicators, thereby enabling hypothesis testing using statistical procedures and facilitating generalization of findings within the observed population (Creswell & Creswell, 2023; Sekaran & Bougie, 2020). The research object consisted of liquidity measured by the Current Ratio (CR), profitability measured by Return on Assets (ROA), and stock prices as the dependent variable. The study population comprised all agricultural sector companies listed on the Indonesia Stock Exchange, while the sample was determined using purposive sampling based on specific criteria, including the availability of complete annual financial reports and continuous listing status during the observation period. Such criteria were applied to ensure data consistency and enhance the validity of statistical inference (Hair et al., 2022).

Data were collected through documentation techniques by extracting secondary data from audited annual reports, financial statements, and historical stock price records published by the Indonesia Stock Exchange and the respective companies. The research instrument consisted of a structured data extraction sheet designed to systematically record the values of CR, ROA, and stock prices from each observation unit. Given that the study aimed to assess the causal effect of multiple independent variables on a single dependent variable, multiple linear regression analysis was employed as the primary analytical technique. Prior to hypothesis testing, classical assumption tests including normality, multicollinearity, heteroscedasticity, and autocorrelation tests were conducted to ensure compliance with the assumptions underlying the regression model. Subsequently, partial effects were examined through t-tests, simultaneous effects through F-tests, and the explanatory power of the model through the coefficient of determination ( $R^2$ ). This analytical framework was selected because it provides a robust statistical basis for evaluating both individual and combined contributions of liquidity and profitability to stock price variation, thereby ensuring methodological alignment between the research objectives, empirical evidence, and theoretical propositions derived from signaling theory and fundamental analysis theory (Gujarati & Porter, 2021; Ghozali, 2023; Brigham & Houston, 2022).

## FINDINGS AND DISCUSSION

In order to evaluate the degree of relationship and direction of the impact of liquidity and profitability variables on stock price fluctuations, this study applied multiple linear regression techniques, either through partial or simultaneous testing. The output from data processing indicates that financial fundamental indicators make a significant contribution in describing the volatility of stock values in the agricultural industry on the Indonesia Stock Exchange (Prasetyo et al., 2021). The reliability of the model is confirmed through the analysis of the determination coefficient ( $R^2$ ), which represents the proportion of stock price variability

that can be justified by the synergy between the current ratio and the effectiveness of asset profit acquisition (Arif et al., 2022).

In more depth, the resulting regression coefficient reflects the sensitivity of the stock price to any change in units on the independent variables studied. Statistical results indicate that consistent financial signals from agricultural sector companies in Manggarai Regency are able to minimize information uncertainty for capital market participants (Sitepu et al., 2023). This is in line with the theory that multiple linear regression models are an effective estimation tool for predicting the future value of companies based on past financial performance trends that are transparently reported to the public (Rahayu et al., 2024).

**The Effect of Liquidity on Stock Prices** The results of the study show that liquidity has a positive but not too dominant influence on stock prices in the agricultural sector in Manggarai Regency. This indicates that investors consider stable liquidity levels as an instrument for mitigating operational risks, especially in maintaining smooth cash flow amid regional logistics challenges. As stated in the study by Aloisius Hama (2022), although liquidity is important to maintain creditor confidence, its impact on stock prices in the NTT region is often moderate because investors are more focused on the long-term profit growth aspect. The company's ability to manage working capital effectively is the key so that current assets do not become idle funds that can lower market valuations (Ramadhan, 2022).

**The Effect of Profitability on Stock Prices** empirically, profitability has been proven to have the strongest positive and significant influence on the stock price of agricultural sector companies. The high value of Return on Assets (ROA) gives a strong signal to market participants that companies have high efficiency in utilizing assets to generate profits. This is emphasized by the results of Mulyadi's research (2024) which states that profitability is the main determinant that drives stock demand, because investors tend to respond positively to every profit announcement as a form of guarantee for investment returns and dividends. The success of agricultural companies in Manggarai Regency in maintaining profit margins amid fluctuations in global commodity prices is the main attraction that boosts their market value (Nasution et al., 2024).

Based on the results of the collective analysis through the F test, it was found that the variables of liquidity and profitability simultaneously exert a significant influence on stock price movements. The integration between working capital stability and profit acquisition effectiveness forms a solid and credible entity reputation in the eyes of financiers (Hidayat et al., 2023). This combined financial strength is very vital for the agricultural industry which is often exposed to external risks, so that the synergy of the two ratios is the main indicator that complements each other in investment strategies in the capital market (Tanjung, 2021).

In contrast, profitability, represented by Return on Assets (ROA), was found to have a positive and significant effect on stock prices. This finding supports the fundamental analysis theory, which argues that investors assess firm value based on its ability to generate earnings from available resources. A higher ROA signals managerial efficiency in converting assets into profits, thereby increasing investor confidence and stimulating stock demand. The result is in

line with previous research conducted by Mulyadi (2024), Nasution et al. (2024), and Wicaksono et al. (2023), all of which concluded that profitability is one of the strongest predictors of stock market performance. The stronger influence of profitability compared to liquidity can be explained by the fact that profit information directly affects expectations regarding future dividends and capital gains. Moreover, in the agricultural industry, which is characterized by commodity price fluctuations and operational uncertainties, firms capable of maintaining high profitability are perceived as possessing superior competitive advantages and stronger resilience. Therefore, investors tend to reward such firms with higher market valuations, leading to stock price appreciation.

Furthermore, the simultaneous analysis revealed that liquidity and profitability jointly have a significant effect on stock prices, indicating that investors evaluate corporate performance using a combination of financial indicators rather than relying on a single measure. This finding supports the integrated financial performance framework, which emphasizes that company value is determined by the interaction between solvency, operational efficiency, and profit generation. Similar results were reported by Hidayat et al. (2023) and Tanjung (2021), who argued that financial ratios provide complementary information in reducing information asymmetry between management and investors. Nevertheless, the dominance of profitability in this study suggests that the market places greater emphasis on value creation than on short-term financial security. Scientifically, this finding contributes to the growing body of literature by confirming that, within the agricultural sector, profitability serves as the principal driver of stock valuation, while liquidity functions as a supporting factor that enhances investor confidence. These results imply that managers should focus not only on maintaining adequate liquidity but also on improving asset utilization efficiency to maximize profitability and, consequently, shareholder value (Nasution et al., 2024; Hidayat et al., 2023; Mulyadi, 2024).

## CONCLUSION

Based on a series of data analysis and discussions that have been presented, this study concludes that profitability is the most crucial determinant in driving the share price of agricultural sector companies in Manggarai Regency. A high rate of return on assets (ROA) signals strong managerial efficiency, so the market responds positively through increased demand for stocks. These findings reinforce Mulyadi's (2024) study which confirms that for investors in the natural resource-based sector, a company's ability to generate net profit remains the main parameter in assessing the intrinsic value and future dividend prospects.

On the other hand, liquidity has a positive but complementary effect on the stock price partially. Investors tend to view the Current Ratio as a risk mitigation indicator rather than the main driver of stock price growth on the exchange. This is in line with the thinking of Aloisius Hama (2022) who states that liquidity stability is indeed important to maintain the sustainability of company operations in the regional region, but the capital market will give a

higher appreciation if the availability of funds is able to be converted into real profit performance for shareholders.

For future researchers, it is recommended to expand the scope of the analysis to include macroeconomic variables such as inflation rates or interest rates that have a systemic impact on the agricultural sector. In addition, the use of qualitative methods through interviews with market participants can provide additional perspectives on investor sentiment towards issuers that have an operational base in specific regions. Future research can also examine the influence of local government policies on issuer performance to see the synergy between local regulations and the growth of company value nationally.

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