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The Influence of Liquidity Ratio and Financial Distrees on the Stock Prices of Pharmaceutical Companies Listed on the Indonesia Stock Exchange

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Abstract

This study aims to determine and analyze the effect of liquidity and financial distress simultaneously and partially on stock prices in pharmaceutical companies listed on the Indonesia Stock Exchange, as well as to determine the most dominant variable influencing stock prices in pharmaceutical companies listed on the Indonesia Stock Exchange.

The type of research used in this research is quantitative research with an associative approach that is causal (causal research). The population used in this study was taken from the annual reports of pharmaceutical sub-sector companies that have been listed on the Indonesia Stock Exchange in the 2017-2022 period as many as 11 companies. Based on the purposive sampling method, the samples used in this study were 8 pharmaceutical sub-sector companies on the Indonesia Stock Exchange in the 2017-2022 period. Data processing uses SPSS 21.

The results of the study prove that simultaneously, liquidity and financial distress have a positive and significant effect on stock prices. Partially, liquidity has a positive and significant effect on stock prices, while financial distress has a negative and significant effect on stock prices. From the research results, it is known that the coefficient of determination (R2) is 0.698 or 69.8%.

Keywords: liquidity, financial distress, stock prices, influence of liquidity ratios, influence of financial distress

1. Introduction

The advancement of the current era has driven everyone to improve their financial conditions for a better life, not only for the present but also for the future. Many things can be done to enhance one's financial situation, and one of them is through investment. Investment can be defined as a form of managing funds to generate profits by allocating them in ways that are expected to yield additional financial resources.

Apart from tangible assets such as gold, diamonds, or real estate, investment in securities or stocks is also an option. Securities or stocks are financial instruments or investment contracts, whether in conventional or digital form, or any other form in line with technological developments, that grant their owners the direct or indirect economic benefits from the issuer or from specific parties based on agreements. They may also include derivatives of securities that can be transferred and/or traded in the capital market.

Article 1, paragraph (12) of Law Number 4 of 2023 concerning the Development and Strengthening of the Financial Sector states that the Capital Market is a part of the Financial

System related to public offering activities and securities transactions, investment management, issuers and public companies related to the securities they issue, and institutions and professions related to securities. The capital market can also be understood as a market that trades securities, usually with a maturity period of more than one year, such as stocks, bonds, and mutual funds, and it can act as an intermediary.

This uniqueness highlights the importance of the capital market's role in supporting the economy, as it can connect those in need of funds with those who have surplus funds. Additionally, the capital market can encourage efficient investment allocation, as investors can choose investment options that offer optimal returns. The assumption is that investments with relatively high returns are the most productive market sectors. This way, companies can use investor funds productively.

For companies listed on the stock exchange, maintaining and increasing stock prices is essential to attract investor interest and investment. This aligns with the theory stated by Setiyawan *et al*. (2014) that one of the key considerations for an investor is stock price. Investors typically hope for a stable stock price with a tendency to rise over time. Ensuring price stability to attract investors is crucial, given the ongoing development of the business world, leading to intense competition between large and small companies, resulting in an increased risk of bankruptcy for companies, including those listed on the stock exchange.

With the uncertain economic and political conditions both domestically and internationally, companies face real challenges in maintaining their stock prices. From 2019 to 2022, Indonesia and the world have been dealing with health issues related to the Covid-19 pandemic. Since the announcement of Covid-19 cases, stock prices across various sectors have been declining. The Covid-19 pandemic has not only impacted public health but has also paralyzed the business sector. According to Katadata news on June 29, 2020, the implementation of large-scale social restrictions (PSBB) to curb the spread of Covid-19 has altered people's mobility patterns. This has led to changes in income and consumption patterns, such as a 73.3% increase in health product consumption, a 65.8% increase in food consumption, a 56.6% increase in mobile data packages, a 46.1% increase in processed food and beverages, a 37.3% increase in electricity consumption, and smaller increases in public transportation (7.8%) and fuel (7.3%).

Table 1
Stock Price Development

Tahun	Kode Emiten								Rata-Rata
	DVLA	INAF	KAEF	KLBF	MERK	PYFA	SIDO	TSPC	
2017	1,960	5,900	2,700	1,690	8,500	183	545	1,800	**2,910**
2018	1,940	6,500	2,600	1,520	4,300	189	840	1,390	**2,410**
2019	2,250	870	1,250	1,620	2,850	198	1,275	1,395	**1,464**
2020	2,420	4,030	4,250	1,480	3,280	975	805	1,400	**2,330**
2021	2,750	2,230	2,430	1,615	3,690	1,015	865	1,500	**2,012**
2022	2,370	1,150	1,085	2,090	4,750	865	755	1,410	**1,809**

Sources : Bursa Efek Indonesia, 2023

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Based on Table 1 above, on average, it can be observed that the 8 pharmaceutical sector companies experienced a decrease in stock prices in 2019, followed by an increase during the Covid-19 pandemic in 2020-2021, and then a subsequent decline in stock prices in 2022. The fluctuations in stock prices are influenced by both internal and external factors. In this research, we focus solely on the examination of internal factors that can impact stock prices, specifically financial performance measured by liquidity ratios and financial distress.

One commonly used financial ratio by companies and investors to analyze a company's financial position, as depicted in its financial statements, is the liquidity ratio. Liquidity ratios measure a company's ability to meet its short-term obligations that have come due. In other words, if the company is asked to pay its debts, it should be capable of fulfilling those obligations, especially those that have matured (Kasmir, 2017). Liquidity ratios are also known as metrics that gauge how well a company can settle its short-term obligations as they become due (Hery, 2016). Some commonly used liquidity ratios include the Current Ratio, Quick Ratio, and Cash Ratio. The Current Ratio is one of the liquidity ratios that can influence stock prices, in line with the theory proposed by Gitman et al (2015), which states that the Current Ratio measures liquidity by dividing a company's current assets by its current liabilities. The Current Ratio can indicate the extent to which liquid assets secure current liabilities. The current company's Current Ratio, whether high or low, reflects its ability to meet its obligations, which can impact investor interest in buying stocks or investing in a company.

Pharmaceutical companies often have significant inventory in the form of raw materials or finished pharmaceutical products. This inventory can affect the Current Ratio. Pharmaceutical companies with slower inventory turnover may have a lower Current Ratio compared to companies with more efficient inventory management.

Several studies related to the variables influencing stock prices have been conducted by various researchers in the past. These include research conducted by Faizah Husain (2021), Muh. Asdie (2021), Rinny Meidiyustiani and Hakam Ali Niazi (2021), Siti Nurkholifah and Fandi Kharisma (2020), Fitri (2022), and Rifqi Amrulloh et al. (2023). Based on the findings of these studies, there exists a research gap where the same independent variables yield different results in their impact on stock prices.

Based on the existing phenomena and issues, the research question related to the influence of Liquidity Ratios and Financial Distress on the Stock Prices of Pharmaceutical Companies listed on the Indonesia Stock Exchange is:

a. Does Liquidity Ratios (Current Ratio, Quick Ratio, Cash Ratio) and Financial Distress significantly influence stock prices simultaneously in Pharmaceutical Subsector Companies Listed on the Indonesia Stock Exchange for the years 2017-2022?
b. Do Liquidity Ratios (Current Ratio, Quick Ratio, Cash Ratio) and Financial Distress significantly influence stock prices partially in Pharmaceutical Subsector Companies Listed on the Indonesia Stock Exchange for the years 2017-2022?
c. Which variable has the dominant influence on Stock Prices in Pharmaceutical Subsector Companies Listed on the Indonesia Stock Exchange for the years 2017-2022?

2. Literature Review

2.1 Finacial Mangement

Financial management is one of the most critical operational functions of a company, alongside other operational functions such as marketing management, operations management, and human resource management. Financial management involves the management of finances that can be performed by individuals, companies, or governments.

Irfani (2020) states that financial management is the activity of managing a company's finances related to efforts to seek and use funds effectively and efficiently to achieve the company's objectives. According to Fahmi (2018), financial management is the integration of the science and art that discusses, examines, and analyzes how a financial manager utilizes all of the company's resources to seek and allocate funds with the goal of providing benefits to shareholders and ensuring the sustainability of the business.

2.2 Financial Performance

Financial performance refers to the achievement of a company over a specific period or multiple periods concerning its financial management. With these achievements, a company can demonstrate its performance (Rengganis, et al, 2020).

According to Kariyoto (2018), financial performance is the result of business activities presented in the form of financial figures. According to Fahmi (2018), financial performance is an analysis conducted to assess the extent to which a company has adhered to financial regulations and conducted its financial activities correctly and effectively. Various financial statement analysis techniques are employed in assessing financial performance.

2.3 Liquidity Ratio

Liquidity ratio is a metric that indicates a company's ability to meet or pay its short-term obligations. Liquidity ratios measure a company's short-term liquidity by relating its current assets to its current liabilities. Liquidity ratios are often referred to as working capital ratios, used to assess a company's liquidity. Liquidity ratios offer many advantages to stakeholders. They allow business owners to assess management's ability to handle funds entrusted to them, including funds used to meet the company's short-term obligations. On the other hand, management can control liquidity availability, especially concerning the timely settlement of obligations. Liquidity metrics are also useful for investors, particularly when receiving cash dividends, while creditors are interested in the repayment of principal and loan interest.

According to Sujarweni (2017), liquidity is a ratio used to measure a company's ability to meet short-term financial obligations (obligations of less than one period/year) in the form of short-term debt. A company is considered liquid only if it has the ability to meet all its financial obligations that must be settled immediately. It can be concluded that liquidity is a company's ability to fulfill its short-term financial obligations that must be met promptly.

According to Hery (2016), liquidity ratio is a ratio that demonstrates a company's ability to meet its obligations or pay its short-term debts. In other words, liquidity ratio is a metric that can be used to measure a company's ability to pay its short-term obligations that will become due soon.

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2.4 Stock Price

According to Sunariah (2011), stocks are securities issued by a limited liability company (LLC) or commonly referred to as an issuer. Stocks indicate that shareholders are also co-owners of the company. On the other hand, Kasmir (2017) suggests that stocks are property-based securities. This means that shareholders are owners of the company, and the more shares they hold, the greater their influence in the company.

Darmadji *et al*. (2012) state that shares are a sign of participation or ownership by an individual or entity in a corporation or limited liability company. These shares take the form of a piece of paper that signifies ownership of the company that issued the securities. Fahmi (2018) defines shares as evidence of ownership of a company's capital or funds. These shares are in the form of a piece of paper indicating the nominal value, the company's name, explaining the rights and obligations of each holder, and they are available for sale.

Stocks are a long-term investment that can be owned by anyone. Stocks can be understood as an agreement between shareholders and the distributing company. According to Hermuningsih (2012), stocks are securities traded in asset markets. Additionally, Azis, Minarti *et al.* (2015) define stocks as signs of individual investor or institutional investor ownership or participation in their investments or specific funds invested in a company.

The stock price, on the other hand, is one of the indicators of a company's success because it reflects the value of the company. The company's value is the price that investors are willing to pay to buy the company's stock. The price of a stock in the stock market can be high or low depending on the direction of the stock in the capital market. A high stock price usually indicates that the company's stock is in high demand among investors, and vice versa. The stock price is the closing price in the stock market during the observation period for each sample stock, and its volatility is always observed by investors. One fundamental concept of financial management is that the goal of financial management is to maximize the value of the company. For publicly traded companies, this goal can be achieved by maximizing the market value of their stock prices.

Sartono (2015) states that stock prices are formed through the mechanism of supply and demand in the capital market. If a stock experiences excess demand, its price tends to rise. Conversely, if there is an excess supply, the stock price tends to fall.

2.5 Financial Distress

Financial distress is a condition of financial difficulty faced by a company due to insufficient cash flow from operations to meet current liabilities. According to Platt (2002), financial distress is the stage of financial deterioration that occurs in a company before bankruptcy or liquidation.

According to Altman, *et al* (2019) in the 4th edition of the book titled "Corporate Financial Distress, Restructuring, and Bankruptcy," financial distress can be categorized into four conditions: Failure, Insolvency, Default, and Bankrupt.

1. Failure: This is a financial condition where income is insufficient to cover costs or the average return on investment consistently falls below the company's cost of capital.
2. Insolvency: It is a term that describes negative company performance, occurring when

a company cannot meet its debt payments when they come due. However, this may be a symptom of cash flow or liquidity shortages, which can be seen as a temporary condition rather than a chronic one. In insolvency, the balance sheet usually refers to total liabilities exceeding the value of total assets. This condition implies that the company must decide whether to undergo restructuring or liquidation. It requires comprehensive analysis of both the going concern value and the liquidation value.

3. Default: This occurs when a company, as a borrower, violates agreements with creditors/investors. For example, the company fails to maintain a minimum current ratio or breaches the maximum debt ratio, or when it violates payment deadlines. Breaching agreements often leads to renegotiation or restructuring of loans in terms of the amount and payment terms of interest and principal. However, some companies opt for liquidation due to default conditions.
4. Bankrupt: A company is declared bankrupt when it has experienced the three conditions mentioned above and, by court decision, its liabilities have exceeded the value of its assets, making it unable to meet its obligations and necessitating liquidation.

2.7 Conceptual Framework and Research Hypothesis

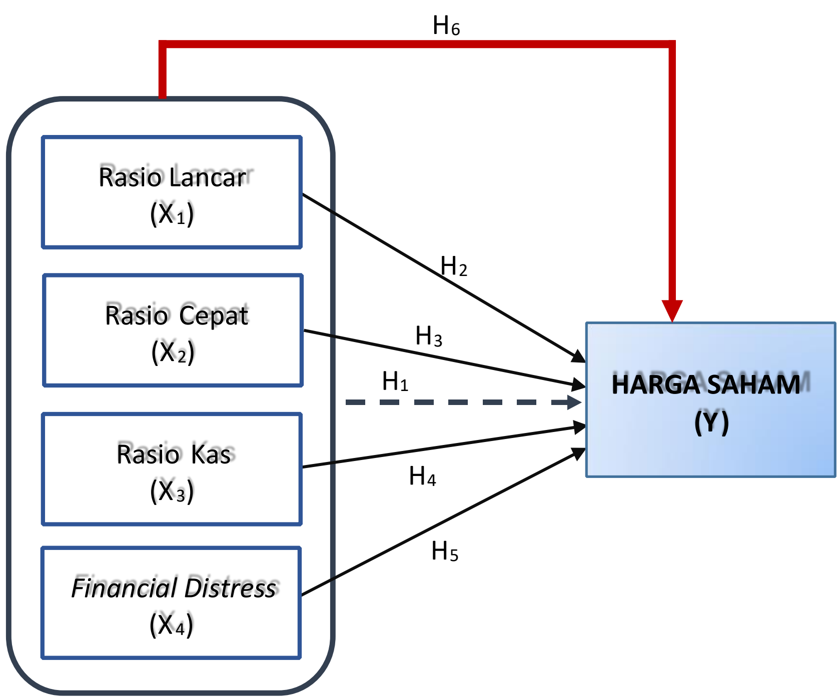

Figure 1. Conceptual Framework

Hypotheses are temporary answers to research findings, the truth of which will be verified through the research results. The hypotheses proposed in this study are as follows:

1. Liquidity ratios (current ratio, quick ratio, cash ratio) and financial distress simultaneously have a significant impact on the stock prices of pharmaceutical companies listed on the Indonesia Stock Exchange in the year 2017-2022.
2. The current ratio partially has a significant impact on the stock prices of pharmaceutical companies listed on the Indonesia Stock Exchange in the year 2017-2022.
3. The quick ratio partially has a significant impact on the stock prices of pharmaceutical companies listed on the Indonesia Stock Exchange in the year 2017-2022.
4. Hypothesis 4: The cash ratio partially has a significant impact on the stock prices of pharmaceutical companies listed on the Indonesia Stock Exchange in the year 2017-2022.
5. Financial distress partially has a significant impact on the stock prices of pharmaceutical companies listed on the Indonesia Stock Exchange in the year 2017-2022.
6. The variable that has the most dominant influence on the stock prices of pharmaceutical companies listed on the Indonesia Stock Exchange in the year 2017-2022.

3. Research methods

This type of research is an associative study that is causal in nature (causal research). According to Sugiyono (2017:18), associative research is research that is causal in nature (explaining the relationship between two or more variables) and involves cause-and-effect relationships, with independent and dependent variables. This study utilizes a time series data spanning 6 years (t = 6), from 2017 to 2022, and cross-sectional data consisting of audited financial reports from companies listed on the Indonesia Stock Exchange during the same period.

The population in this study comprises companies in the pharmaceutical sector (Pharmaceuticals & Health Care Research) listed on the Indonesia Stock Exchange. The sampling technique used in this research is purposive sampling with the following criteria:

a. Companies listed in the pharmaceutical sector. This sector was chosen because during the economic downturn caused by the Covid-19 pandemic from 2020 to 2021, there were companies in the Pharmaceutical sector that still managed to generate positive profits.
b. Companies listed on the main stock board, meaning companies that have been in operation for more than 36 months and have more than 1,000 shareholders.
c. Companies fully listed throughout the research period from 2017 to 2022.

Based on these criteria, a total of 8 companies that met the criteria with data for the observation years 2017-2022 were selected, resulting in 48 data points for the research.

The data analysis used in this research includes Descriptive Statistical Analysis, Classical Assumption Tests, Multiple Linear Regression Analysis, and Hypothesis Testing, which encompasses Simultaneous Testing (F-test), Partial Testing (t-test), and Dominant Testing (b-test).

4. Research Result

4.1 Descriptive Statistical Analysis

Table 2
Descriptive Statistical Result

	Current Ratio	**Quick Ratio**	**Cash Ratio**	**Financial Distress**	**Stock Price**
N	48	48	48	48	48
Mean	2,7656	1,9240	,8663	7,9550	2.155,73
Maximum	7,81	6,53	4,33	26,98	8.500
Minimum	,88	,54	,02	,45	183
Std. Deviasi	1,35358	1,08017	,78520	6,44027	1.683,810

Source: SPSS data output

4.2 Multiple Linear Regression

Table 3
Coefficients Results

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	std. Error	Betas	t	Sig.
1	(Constant)	7,570	.194		39,060	.000
	Current Ratio (X_1)	.394	.181	.259	2,172	.035
	Quick Ratio (X_2)	.348	.169	.273	2,065	.045
	Cash Ratio (X_3)	.190	.086	.277	2,197	.033
	Financial Distress (X4)	-.368	.066	-.449	-5.581	.000

a. Dependent Variable: Stock Price

Source: SPSS data output 2023

Based on Table 3, the multiple linear regression equation is Y = 7,570+ 0.394X1 + 0.348X2 + 0.190X3 – 0.368X4 + e

The regression equation can be explained as follows:

a. The constant value of 7.570 means that if the independent variables, namely current ratio, quick ratio, cash ratio, and financial distress, are all set to 0 (zero), then the stock price (Y) will be 7.570.
b. The coefficient for the current ratio (X1) is 0.394, which means that for each unit increase in

the current ratio, there will be a corresponding increase in stock price (Y) by 0.394, assuming that all other variables remain constant.

c. The coefficient for the quick ratio (X2) is 0.348, indicating that for each unit increase in the quick ratio, there will be a corresponding increase in stock price (Y) by 0.348, assuming that all other variables remain constant.
d. The coefficient for the cash ratio (X3) is 0.190, signifying that for each unit increase in the cash ratio, there will be a corresponding increase in stock price (Y) by 0.190, assuming that all other variables remain constant.
e. The coefficient for financial distress (X4) is -0.368, which means that for each unit increase in financial distress, there will be a decrease in stock price (Y) by 0.368, assuming that all other variables remain constant.
f. All variables have coefficient values smaller than 0.05, indicating that the impact of these variables on the outcome is statistically significant.

4.3 F test (simultaneous)

Table 4
Coefficients Results

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	23.103	4	5.776	28.096	.000[b]
	Residual	8.840	43	.206		
	Total	31.942	47			

a. Dependent Variable: Harga Saham (Y)
b. Predictors: (Constant), Financial Distress, Rasio Lancar, Rasio Kasa, Rasio Cepat

The results of the F-test indicate that the regression model as a whole has high statistical significance. The significance value (Sig) of 0.000 is very low, indicating that the independent variables significantly explain their influence on the dependent variable.

From the SPSS output above, the computed F-value is 28.096 with a significance level (Sig) of 0.000. Because the significance level is smaller than 0.05 (0.002 < 0.05), it means that the current ratio, quick ratio, cash ratio, and financial distress, when considered together, have a significant simultaneous effect on the stock price of pharmaceutical companies listed on the Indonesia Stock Exchange from 2017 to 2022.

4.4 t test (partial)

Based on the results of the t-test as described in Table 3, it can be explained as follows:

a. Testing the significance of the regression coefficient for Current Ratio (X1): From the results of the partial t-test, it is found that the regression coefficient for the current ratio is 0.394, with a significance value of 0.035. At a significance level $\alpha = 5\%$ (0.05), the regression coefficient is considered significant because the significance value of 0.035 < 0.05. Therefore, it can be concluded that the current ratio has a positive and significant impact on the stock price of pharmaceutical companies listed on the Indonesia Stock Exchange.

b. Testing the significance of the regression coefficient for Quick Ratio (X2): From the results of the partial t-test, it is found that the regression coefficient for the quick ratio is 0.348, with a significance value of 0.045. At a significance level $\alpha = 5\%$ (0.05), the regression coefficient is considered significant because the significance value of $0.045 < 0.05$. Therefore, it can be concluded that the quick ratio has a positive and significant impact on the stock price of pharmaceutical companies listed on the Indonesia Stock Exchange.
c. Testing the significance of the regression coefficient for Cash Ratio (X3): From the results of the partial t-test, it is found that the regression coefficient for the cash ratio is 0.190, with a significance value of 0.033. At a significance level $\alpha = 5\%$ (0.05), the regression coefficient is considered significant because the significance value of $0.033 < 0.05$. Therefore, it can be concluded that the cash ratio has a positive and significant impact on the stock price of pharmaceutical companies listed on the Indonesia Stock Exchange.
d. Testing the significance of the regression coefficient for Financial Distress (X4): From the results of the partial t-test, it is found that the regression coefficient for financial distress is -0.368, with a significance value of 0.000. At a significance level $\alpha = 5\%$ (0.05), the regression coefficient is considered significant because the significance value of $0.000 < 0.05$. Therefore, it can be concluded that financial distress has a negative and significant impact on the stock price of pharmaceutical companies listed on the Indonesia Stock Exchange.

4.5 Dominant Test

Based on Table 3, Based on the table above, referring to the column of standardizer coefficients, it can be concluded that the cash ratio variable has a higher value compared to the current ratio, quick ratio, and financial distress variables. Based on this, the variable that has the most dominant influence on Stock Price (Y) is the Cash Ratio, with a value of 0.277.

5. Discussion

The Influence of Current Ratio, Quick Ratio, Cash Ratio, and Financial Distress Simultaneously on Stock Prices

1. Based on the results of the F-test in this study, it is shown that liquidity ratios (current ratio, quick ratio, and cash ratio) and financial distress simultaneously have a significant impact on the stock prices of pharmaceutical companies listed on the Indonesia Stock Exchange in the year 2017-2022.
2. This indicates that the relationship between liquidity ratios and financial distress together have a significant impact on the increase or decrease in the stock prices of pharmaceutical companies listed on the Indonesia Stock Exchange in the year 2017-2022.
3. The coefficient of determination (R2) with a value of 0.698 or 69.8% shows that the extent of the influence of liquidity ratios and financial distress on the stock prices of pharmaceutical companies listed on the Indonesia Stock Exchange in the year 2017-2022 is 69.8%.
4. Based on the above findings, it can be concluded that liquidity ratios and financial distress simultaneously have a significant impact on the stock prices of pharmaceutical companies listed on the Indonesia Stock Exchange in the year 2017-2022.

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5. Simultaneously means that liquidity ratios and financial distress have a significant influence on changes in stock prices at the same time. The term "significant" here indicates that the influence of liquidity ratios and financial distress is not merely a small effect but has a significant impact on the stock prices of the companies.

The Partial Influence of Current Ratio, Quick Ratio, Cash Ratio, and Financial Distress on Stock Prices

1. The results of partial testing (t-test) indicate that the current ratio, quick ratio, and cash ratio (liquidity ratios) each have a positive and significant influence on the stock prices of pharmaceutical companies listed on the Indonesia Stock Exchange in the year 2017-2022, while financial distress has a negative and significant impact on the stock prices of pharmaceutical companies listed on the Indonesia Stock Exchange in the year 2017-2022.
2. The positive and significant influence of liquidity ratios on stock prices indicates that the current assets of the 8 pharmaceutical companies in the 2017-2022 period are greater than their current liabilities. This means that the companies can pay their current debts and do not incur losses. This significantly affects the increase in the stock prices of these pharmaceutical companies and makes them attractive to investors.
3. "Positive and significant influence" refers to the positive effect that occurs when liquidity ratios are high. This positive impact can affect stock prices by increasing investor confidence in the company's financial performance. Moreover, when it is said to be "significant," it means that changes in liquidity ratios have an important and measurable effect on changes in stock prices. In this case, if the liquidity ratio increases, then the stock price also increases.
4. The results of this study are in line with the research by Haslita Nisa (2018) and Fauziah Husain (2021), where the current ratio has a positive and significant impact on stock prices. This study is also supported by the research by Rinny and Hakam (2021) with the result that the quick ratio has a positive and significant effect on stock prices. Furthermore, it is reinforced by the research by Siti and Fandi (2020), which found that the cash ratio has a positive and significant influence on stock prices.
5. The financial distress value indicates higher financial risk or the possibility of a company facing serious financial problems. When this risk increases, investors may feel uncomfortable or concerned, which can negatively affect stock prices. Thus, financial distress has a negative and significant impact on the stock prices of pharmaceutical companies listed on the Indonesia Stock Exchange in the year 2017-2022.
6. "Negative and significant influence" refers to the negative effect that arises when a company's financial risk increases. This negative impact can affect stock prices by reducing investor confidence in the company's prospects and its vulnerability to unfavorable financial situations. When it is said to be "significant," it indicates that changes in the level of financial risk have an important and measurable effect on changes in stock prices. In other words, if the financial distress value decreases, then the stock price actually increases.

7. The research results on financial distress are in line with the research by Andi and Nirwana (2020), which concluded that financial distress has a significant negative impact on stock prices.
8. Based on the above findings, it can be concluded that the higher the liquidity ratio value, the higher the stock price, and conversely, the lower the financial distress value, the higher the stock price.

The Dominant Variable Affecting Stock Prices

1. Based on the results of the dominant testing (b-test), it is known that the cash ratio is the variable that most significantly influences the fluctuations in stock prices.
2. Cash and cash equivalents are the most liquid assets, and companies with a high cash ratio value indicate that they have more cash on hand to anticipate their short-term liabilities. This is particularly crucial for pharmaceutical companies in their production activities, especially during the COVID-19 pandemic, as they provide medications to the entire population.

6. Conclusion

Based on the analysis and discussions presented in the previous chapters, the conclusions of this research are as follows:

1. Liquidity ratios (current ratio, quick ratio, and cash ratio) and financial distress simultaneously have a significant impact on the stock prices of pharmaceutical companies listed on the Indonesia Stock Exchange in the year 2017-2022. This implies that liquidity ratios and financial distress together have a significant and important influence on the stock prices of pharmaceutical companies listed on the Indonesia Stock Exchange in the year 2017-2022.
2. Liquidity ratios (current ratio, quick ratio, and cash ratio) partially have a significant impact on the stock prices of pharmaceutical companies listed on the Indonesia Stock Exchange in the year 2017-2022. Liquidity ratios partially have a positive and significant effect on stock prices, meaning that an increase in the value of liquidity ratios is associated with an increase in stock prices. On the other hand, financial distress partially has a negative and significant impact on stock prices, meaning that a decrease in the value of financial distress leads to an increase in stock prices.
3. The cash ratio is the most dominant variable affecting the stock prices of pharmaceutical companies listed on the Indonesia Stock Exchange in the year 2017-2022. This indicates that a company's liquidity, or its ability to meet financial obligations and maintain operations with sufficient cash, is a significant factor influencing investor perceptions of the company's value and performance.

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