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ANALYSIS OF THE EFFECT OF CURRENT RATIO AND DEBT TO EQUITY RATIO ON STOCK PRICES IN MANUFACTURING COMPANIES IN THE GARMENT AND TEXTILE SUB-SECTOR LISTED ON THE INDONESIA STOCK EXCHANGE FOR THE PERIOD 2018-2023

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ABSTRACT

This research investigates the impact of Current Ratio and Debt to Equity Ratio on Stock Price. This study is classified as associative study. The population in this study is the Garment and Textile Sub-Sector Manufacturing companies listed on the Indonesia Stock Exchange for the period 2018-2023, totaling 24 companies. This study examined 6 companies and collected 36 observation data points through purposive sampling. Analysis was conducted using secondary data, incorporating various statistical tests such as descriptive statistics, tests for classic assumptions, t-tests, F-tests, and determination coefficients. Initial results indicate that the Stock Price is not significantly influenced by the Current Ratio, whereas the Debt To Equity Ratio has a considerable impact on Stock Price. Additionally, it is discovered that both the Current Ratio and Debt to Equity Ratio contribute to determining Stock Price.

KEYWORDS

Current Ratio, Debt to Equity Ratio, Stock Price

CITATION

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Introduction.

Recently, the global economy has encountered significant obstacles as a result of economic instability and political conflicts. The manufacturing sector, especially the textile and garment sub-sector as one of the main contributors to GDP, has also been under pressure due to changes in global demand and rising raw material costs. This condition requires companies to be more adaptive and efficient in managing resources to remain competitive. One option for textile and garment sub-sector companies seeking funding to maintain their operations is to turn to the capital market. Investors gauge a company's worth by monitoring fluctuations in its stock prices, which are dependent on investors' predictions of future profits. These predictions are influenced by various factors such as economic circumstances, company strategies, and risks associated with investments. With the principle of high risk, high return, investors need accurate information to minimize investment risk. Therefore, manufacturing companies facing economic uncertainty can sell their shares to the public through the capital market as a strategy to obtain additional funds for business sustainability.

According to an article published on cnbcindonesia.com, in recent years, the shares of textile and garment manufacturing companies in Indonesia have experienced significant pressure. In 2019, out of 19 stocks listed on the Indonesia Stock Exchange (IDX), 9 of them recorded negative performance. Some of the stocks that fell sharply were PT Asia Pacific Fibers Tbk (54.42%), PT Indo-Rama Synthetics Tbk (38.97%), and PT Tifico Fiber Indonesia Tbk (36.54%). The pressure on the shares of textile issuers continues until 2021 and 2023. In 2021, Sritex (SRIL) shares experienced the deepest decline, namely 23.81% in a month and 38.93% year-to-date (YTD). Pan Brothers (PBRX) shares also fell 32.93% YTD, while several other stocks such as Asia Pacific (MYTX) and Ever Shine (ESTI) actually experienced a surge. In 2023, PT Trisula International Tbk (TRIS) shares fell 6.78% YTD, although it still recorded a net profit. Meanwhile, its subsidiary, PT Trisula Textile Industries Tbk (BELL), fell 44.59%, and Eratex Djaja (ERTX) shares fell 23.40%. Sritex (SRIL) itself is facing debt problems that have led to negative equity, showing a big challenge for the national textile industry.

With what has happened, the focus of this research is on leverage and liquidity ratios. With these two ratios can help investors regarding market perceptions and expectations about future performance which have a crucial part in influencing the value of stocks (Kassapa & Ayu Darmayanti, 2024). The decrease in stock prices indicates the company's poor performance, impacting Debt to Equity Ratio (DER) and its ability to settle debts or bills. A lower debt-to-equity ratio is preferred as it provides safety for creditors in the event of the company's liquidation (Amirullah & Febyansyah, 2024). As per the findings from recent studies carried out by Fuadi et al. (2022), Stock prices are affected by DER. However, Magfiro & Satrio (2022) stated that DER does not influence the prices of stocks.

Similarly, The Current Ratio (CR) evaluates a company's capacity to settle its short-term debts with the assets it currently has on hand, excluding the inventory value (Sudaryati, 2020). Then according to Maiyaliza et al. (2022), CR shows how far current assets can cover current liabilities Investors tend to avoid companies with low CR because they are considered higher risk, which leads to a decrease in stock prices. Conversely, stock price stability can indicate good liquidity management. According to previous research conducted by Anisa & Nurcahyono (2022), CR impacts the fluctuations in the stock market. In contrast to findings from previous studies conducted by Oktavia & Andarsari (2024) where CR has no influence on stock prices.

Prior studies have demonstrated a clear correlation and notable impact between financial ratios and stock values. Users of financial information can assess the company's effectiveness in running its business operations and how it affects changes in stock prices by analyzing the data presented in the financial statements. However, seen in previous studies as well, there are differences in research results between researchers. Researchers are interested in exploring the correlation between stock prices and financial ratios such as DER and CR in textile and garment companies that are publicly traded on IDX from 2018 to 2023.

2. Literature Review

2.1. Signaling Theory

Referring to Brigham and Houston (2019), A signal refers to a decision made by the leadership of a corporation, in order to provide instructions for investors about how the prospect is viewed through the management of a company. Signal theory states that all activities have information, this is due to the asymmetry in information. Signaling theory is a concept that explores how fluctuations in stock prices can impact the choices made by investors in the market.

2.2. Stock

According to Hartanto (2018) stocks represent ownership in a company and are a form of financial value or record-keeping connected to company ownership in the stock market. Many investors opt for stocks as an investment option due to their potential for delivering high returns. The party's investment in the company allows them to have a stake in the organization's earnings, control over the assets belonging to the organization, and the privilege of participating in the General Meeting of Shareholders (GMS) due to the capital infused.

2.3. Liquidity Ratio

Company's liquidity ratio measures its capacity to settle immediate obligations. As per the statement of Fahmi (2020), the current ratio is commonly used to assess a company's capability to meet its short-term financial obligations. The current ratio reflects the capacity of a company's current assets to meet its current liabilities (Maiyaliza et al., 2022). The formula involves dividing the aggregate current assets by the aggregate current liabilities.

$$Current\ Ratio = \frac{Current\ Assets}{Current\ Liabilities}$$

2.4. Solvency Ratio

Referring to Prasthiwi (2022), solvency ratio is a financial measurement utilized to assess how much a company depends on borrowing money to finance its activities compared to its own investments. The solvency ratio is determined by assessing the DER in this research. This ratio reveals the amount of equity used as security for debt per rupiah.

$$Debt\ to\ Equity\ Ratio\ (DER) = \frac{Total\ Debt}{Total\ Equity}$$

2.5. Stock Price

In a dynamic environment like the stock market, the price of stocks is influenced not only by market trends but also by the actions of individual investors (Nadella & Nugroho, 2022). In the stock market, the interaction between supply and demand dictates stock prices (Nazariah & Maisur, 2020). In this research project, the stock prices were evaluated by looking at the final price at which the stocks were traded (Closing Price) in the observation period which was then transformed by the regular algorithm (Ln). To obtain the share price value by dividing the total daily share price for one year by the number of active days in a year owned by the company.

$$Average\ Price = \frac{Total\ Price\ in\ One\ Year}{Number\ of\ Active\ Trading\ Days\ in\ One\ Year}$$

2.6. Research Framework

The connection between the independent factor and the dependent factor must be theoretically elucidated, as a strong framework will theoretically clarify the association between the factors under investigation (Sugiyono, 2019).

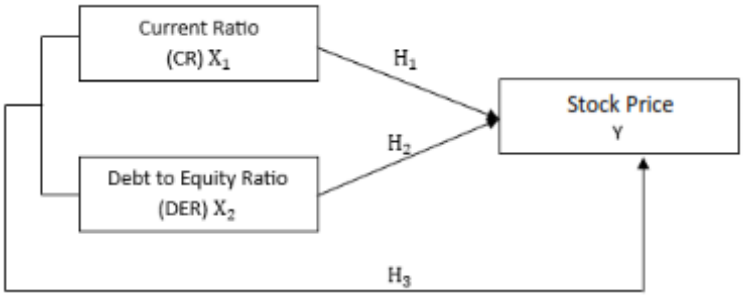

Fig. 1. *Research Framework*

Source: Deconstructed for this study, 2025

In this investigation, we will be examining how liquidity ratios like the Current Ratio (labeled as X1) and Solvency Ratios such as DER (labeled as X2) relate to stock prices (labeled as Y) in textile and garment manufacturing companies from 2018 to 2023.

2.7. Research Hypothesis

Hypotheses act as provisional solutions to research problems that have been articulated in the form of inquiries. Building on the aforementioned structure, the hypothesis for this investigation can be articulated as such:

1. The Impact of Current Ratio (CR) on Stock Price

Ho: The Current Ratio has no effect on stock price.
Ha: The Current Ratio has an effect on stock price.

2. The Impact of Debt to Equity Ratio (DER) on Stock Price

Ho: The Debt to Equity Ratio does not affect stock price.
Ha: The Debt to Equity Ratio affects stock price.

3. The Impact of CR and DER on Stock Price

Ho: The CR and DER have no impact on stock price.
Ha: The CR and DER have an impact on stock price.

3. Research Method

The study utilizes quantitative research techniques, specifically associative techniques, to explore how different variables are connected and influence each other (Sugiyono, 2017). The aim of this research was to investigate how the CR and DER influenced Stock Price as the dependent variable. This research utilizes a method that relies on numbers to analyze and interpret information. The financial data needed by the study was obtained from financial statements during the period 2018 - 2023. This research concentrated on 24 manufacturing firms within the Garment and Textile Sub-Sector that are publicly traded on IDX. The sample that is chosen is a representation of the population. Sampling involves the selection of an adequate number of elements from a group in order to generalize the properties or characteristics of the samples to the entire population.

This research employs a purposive sampling method, which involves specific criteria for selecting samples. From a total population of 24 garment and textile sub-sector companies, only 6 companies have met the criteria for determining the sample during the 2018-2023 period. The total sample is 6 companies x 6 = 36 research sample data. The study utilized multiple linear regression for data analysis. The process started with verifying classical assumptions and concluded with testing hypotheses. SPSS was the software utilized for data processing in this study.

4. Result and discussion

4.1. Results

4.1.1. Descriptive Statistical Analysis

Descriptive statistics involve analyzing collected data to describe its characteristics without the aim of drawing broad conclusions or generalizations. Descriptive statistics refer to numerical data that illustrate the features or qualities of the variables studied in the research.

Table 1. Descriptive Statistic

Variable	N	Minimum	Maximum	Mean	Std. Deviation
CR (X1)	36	0, 91	16, 28	2, 9922	2, 94334
DER (X2)	36	0, 07	3, 54	1, 2928	1, 06279
Stock Price (Y)	36	3, 88	8, 78	5, 7231	1, 39766
Valid N (listwise)	36				

Source: SPSS 23 Software Output Results

Descriptive statistical tests indicate that PT ESTI had the lowest Current Ratio value of 0.91 in 2018, compared to PT PBRX which had the highest value of 16.28 in 2022. The mean of the Current Ratio across all companies was determined to be 2.9922, and there was a standard deviation of 2.94334.

In 2019, PT TFCO had the lowest Debt To Equity Ratio at 0.07, according to the analysis of the variable, whereas PT ESTI had the highest value of 3.54 in the same year. The average value for this variable is 1.2928. Std. dev. is 1.06279, indicating low data diversity, as the mean exceeds it.

4.1.2. Classical Assumption Test

A. Autocorrelation Test

The autocorrelation test aims to identify a potential relationship between the leftover errors in different time periods when assessing linear regression, helping to understand the pattern of errors over time. A small probability value suggests that the residuals do not exhibit any autocorrelation, which is essential for meeting the classical assumptions of the model (Salsabila & Miranti, 2021). In order to determine if there is a connection, the Durbin Witson (DW) test and run test are utilized.

Table 2. Durbin Watson Autocorrelation Test

Model Summary[b]					
Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**	**Durbin-Watson**
1	, 573a	, 329	, 288	1, 17922	, 647
a. Predictors: (Constant), debt equity ratio, current ratio					
b. Dependent Variable: stock price					

Source: SPSS 23 Software Output Results

As shown in Table 2, the computed Durbin-Watson statistic is 0.647. The table displays the dL and Du values along with their significance level of 0.05 or 5%. The dL and Du values used are with a sample value of n = 36 and k = 2 with a significance of 0.05 or 5%, the dL value = 1.3537 and dU = 1.5872 the value of 4-DU = 2.4128. Decision making in the linear regression equation method is stated at dU < d < 4-dL. So it is known that 1.5838> 0.647 < 2.4162 it is evident that there are no signs of autocorrelation present. The Run-test method should be implemented to prevent autocorrelation.

Table 3. Run Test Autocorrelation Test

	Unstandardized Residual
Test Value[a]	-0, 06872
Cases < Test Value	17
Cases >= Test Value	18
Total Cases	35
Number of Runs	20
Z	0, 348
Asymp. Sig. (2-tailed)2.	0, 728

Source: SPSS 23 Software Output Results

Table 3 indicates that the run test yielded a p-value of 0.728. Based on this, it is observed that the p-value of Asymptotic Significance (two-tailed) exceeds the 0.05 threshold, specifically 0.728 which is higher than 0.05, leading to the conclusion that the data analyzed in this research do not exhibit signs of autocorrelation.

B. Normality Test

The normality test provides valuable information on the distribution of variables, aiding in the proper interpretation of regression results. The expectation is that a dependable regression model will display a distribution that is either normal or close to normal. The One-Sample Kolmogorov-Smirnov test was employed in this study to evaluate data normality.

Table 4. Kolmogorov – Smirnov Test

	Standardized Residual
N	35
Asymp. Sig. (2-tailed)	0, 098c

Source: SPSS 23 Software Output Results

The information provided in the table reveals the findings of the Kalmogrof-Smirnov test, suggesting that the value of the two-tailed Asymp Sig is 0.098, which is above the commonly used threshold of 0.05 or 5%. The data being in line with a normal distribution suggests that the findings are dependable and hold statistical importance.

C. Multicollinearity Test

Multicollinearity test is performed to ascertain the presence of a strong or exact relationship between the predictor variables utilized in the regression analysis (Marinda & Dura, 2024). A powerful regression model should not show any connection between the various factors it analyzes.

Table 5. Multicollinearity Test

Model	Tolerance	VIF
CR (X1)	0, 93	1, 076
DER (X2)	0, 93	1, 076

Source: SPSS 23 Software Output Results

The information provided in the table shows that CR and DER have tolerance values of 0.930 and 0, respectively, suggesting that there is no issue of multicollinearity present in the model. Additionally, the VIF values for the CR and the DER are measured at 1.076 and below 10. In the regression analysis, there is no evidence of correlation among the independent variables.

D. Heteroscedasticity Test

The goal of conducting a heteroscedasticity test is to identify any discrepancies in the variance of residuals across various observations when analyzing regression data. An optimal regression model demonstrates homoscedasticity, indicating the absence of heteroscedasticity. The Glejser test is commonly used to test for heteroscedasticity.

Table 6. Glejser Heteroscedasticity Test

		Unstandardized Coefficients		Coefficients Beta	T	Sig.
Model		B	Std. Error			
1	(Constant)	0, 518	0, 107		4, 832	0, 000
	CR (X1)	0, 053	0, 034	0, 275	1, 564	0, 128
	DER (X2)	-0, 339	0, 338	-0, 176	-1, 003	0, 323

Source: SPSS 23 Software Output Results

According to the data presented in the table and analyzed using the Gleiser method, it indicates that the significance levels of the independent variables CR and DER are 0.128 and 0.323, respectively. The results show that the p-value exceeds 0.05, which means that the impact of the independent variable is above the 0.05 threshold. Therefore, it is suggested that when using the Glejser method to test for heteroscedasticity, there are no indications of heteroscedasticity present in the data.

4.1.3. Multiple Linear Regression Test

The value remains consistent at -0.102. Through multiple linear regression analysis, it has been determined that the CR variable has a value of -0.081, indicating that there is a direct correlation between CR and stock prices. According to a study that utilized multiple linear regression analysis, it is anticipated that there will be a decrease in the stock price by 0.081 or 08.1%. The current Debt to Equity Ratio of -1.824 shows the extent of debt in relation to equity in the company, and has a notable effect on the stock prices of the company. It is anticipated that the stock price will decline by 1.824 units or 08.1% as a consequence.

In this study, an ongoing analysis is being conducted using linear regression to explore the relationship between various factors and their corresponding outcomes. The goal is to determine how each standalone

variable impacts the overall outcome, and whether this impact is positive or negative. The goal is to forecast the outcome of the variable that is affected by studying the variations in the fluctuations of the variable that influences it. Thus, the formula utilized is as follows:

$$Y = \alpha + \beta 1 + \beta 2 + e$$

Source: Ghozali (2018)

Table 7. Multiple Regression Test

		Unstandardized Coefficients		Coefficients Beta	T	Sig.
Model		**B**	**Std. Error**			
1	(Constant)	-0, 102	0, 148		-0, 691	0, 494
	CR (X1)	-0, 081	0, 047	-0, 241	-1, 729	0, 093
	DER (X2)	-1, 824	0, 467	-0, 544	-3, 908	0, 000

Source: SPSS 23 Software Output Results

After examining the data in Table 7, we were able to derive the regression equation:

$$Y = -0,102 - 0,081x1 - 1,824x2 + e$$

Where:
Y = Stock Price
α = Constanta
β = Correlation Coefficient
X1 = Current Ratio (CR)
X2 = Debt to EquityRatio
e = Error

The constant number is -0.102. The results from the examination using multiple linear regression indicate that the coefficient for the CR is -0.081. This indicates a direct correlation between the CR and the price of stocks. In the event of a 0.081 or 08.1% decline, the stock price will be affected. After a detailed analysis using linear regression, it was discovered that the DER has a coefficient of -1.824, showing a strong correlation with stock prices. This suggests that with every -1.824 change in DER, there will be an 08.1% decrease in the stock price.

4.1.4. Hypothesis Test

4.1.4.1. T Test (Partial Test)

T-test used to measure the impact of the variables CR and DER on the variable Y while adhering to specific limitations. In this research, a confidence level of 95% was selected, along with a sig. value of 5% (α = 0.05).

Table 8. Statistical Test Results t

Variable	Significance	t statistic	t table
CR (X1)	0, 093	-1, 729	1, 68957
DER (X2)	0, 000	-3, 908	1, 68957

Source: SPSS 23 Software Output Results

According to the data shown in table 8, it is evident that the CR variable has a p-value of 0.93, which exceeds the conventional significance level of 0.05. Furthermore, the *t*-statistic value is measured at 1.729 (1.729> 1.68957). The H1 is favored over the H0, suggesting that there is some indication that the CR variable has a restricted influence on the stock price. The DER variable's importance is demonstrated by its significance level being below 0.05 at 0.000 (0.000 < 0.05). Additionally, the t-statistic value of 3.908 exceeds the critical value of 1.68957, resulting in the null hypothesis being rejected in support of the alternative hypothesis. This outcome suggests that DER has a major impact on the prices of stocks.

4.1.4.2. F Test (Simultaneous Test)

This test is being carried out at the same time to assess how these variables interact with each other.

Table 9. Simultaneous Significance Test Results (F Test)

Model		F statistic	F table	Sig
1	Regression	11, 748	3, 267	0, 000

Source: SPSS 23 Software Output Results

According to table 9, the CR and DER variables show a significant value lower than 0.05, specifically 0.000 (0.000 < 0.05). The *F*statistic value is 11.748 (11.748 > 3.267), inferred that H1 is accepted over H0, indicating a significant impact of both CR and DER variables on stock prices.

4.1.4.3. Determination Coefficient Test

The coefficient of determination ($R2$) assesses how well the model explains the variability in the dependent variable. The $R2$ value can vary between zero and one, with a greater $R2$ suggesting that the independent variables significantly impact the dependent variable (Maiyaliza, 2019). The table below presents the findings from the analysis of the data.

Table 10. Coefficient of Determination Test Results

Model	R	R Square	Adjusted R Square	
1	0, 651	0, 423	0, 387	

Source: SPSS 23 Software Output Results

Table 10 reveals that the $R2$ Square value is 0.423. This implies that the CR and DER have an impact on 42.3% of the changes in textile and garment manufacturing stock prices. During the research, it was discovered that more than half of the data, reaching 57.7%, was impacted by unanticipated factors.

4.2. Discussion

4.2.1. Effect of Current Ratio on Stock Price

The outcomes displayed in the SPSS output table reveal that the significance level for the Current Ratio variable in the partial test is 0.93, indicating that it is not statistically significant as it exceeds the commonly accepted threshold of 0.05. Furthermore, the t-statistic value of 1.729 surpasses the critical value of 1.68957. The study's results indicate that there is insufficient proof to validate the argument that the Current Ratio variable impacts stock prices in a meaningful way. Salsabila & Miranti's (2021) research echoes this finding by suggesting that the Current Ratio has minimal impact on stock prices.

The Garment and Textile Sub-Sector Manufacturing Company has maintained a consistent Current Ratio value from 2018 to 2023. According to this study, businesses with a high current ratio typically have a positive position, though excessively high ratios may indicate financial difficulties. Company managers view a high current ratio favorably, indicating to creditors that the company is financially sound. However, it is not considered profitable for shareholders or investors, meaning that company management does not make the most of its current assets efficiently and effectively, or in other words, their level of innovation is poor.

4.2.2. Effect of Debt to Equity Ratio on Stock Price

The data from the SPSS output suggests a strong association between the Debt To Equity Ratio and the outcome, with a p-value of 0.000, indicating statistical significance below the standard threshold of 0.05. Furthermore, the t-value of 3.908 exceeds the critical value of 1.68957. Accepting the H1 over the H0 suggests that there is a notable correlation between the Debt To Equity Ratio variable and stock prices. The findings from this research align with a study by Marinda & Dura (2024), which also highlighted the significant influence of DER on stock prices.

Further, DER assesses the financial well-being of a company and reveals the amount of internal funds utilized to fulfill commitments. The DER of Textile and Garment Sub-Sector Manufacturing companies has been varying over the years, leading to a decline in their stock values. Some companies like PT ERTX and ESTI have witnessed

a decline in their share prices due to a rise in the DER, signaling a high level of debt in comparison to equity. We recommend that companies emphasize debt, increase equity, and increase revenue or operational efficiency so as to improve financial performance, which can help companies reduce dependence on debt.

4.2.3. Effect of Current Ratio and Debt to Equity Ratio on Stock Price

The analysis conducted using SPSS revealed that the Current Ratio variable exhibited a significance level of 0.093, which is higher than the commonly accepted threshold of 0.05. Furthermore, the t-statistic value obtained from the analysis was determined to be 1.729, exceeding the anticipated value of 1.68957. This means that the alternative hypothesis is favored over the null hypothesis. This indicates that there is proof indicating that the CR has a significant and slightly positive effect on stock prices. The SPSS output also shows that the significance level of the DER variable is 0.000, which is below 0.05 (0.000 <0.05), and the t-statistic value is 3.908 (3.908> 1.68957). This study's findings indicate that the rejection of the null hypothesis implies that there is a major and favorable impact of the DER variable on stock prices. This discovery provides evidence in favor of the alternate theory, suggesting that there is a notable association between the two factors.

The findings suggest that both the CR and DER support the acceptance of H1 while rejecting H0, indicating a partial positive and significant impact on stock prices. These results align with previous research by Fitrianingsih & Budiansyah (2019) that both the Current Ratio and Debt to Equity Ratio play a crucial role in influencing the Stock Price variable. In this case, DER and CR are used to evaluate the company's financial risk and stability. When these ratios are analyzed in conjunction, they offer a details view of the company's financial well-being. This overall assessment influences how investors view the worth of the company's stocks, thus influencing the stock price.

5. Conclusions

The findings led to the conclusions that the Current Ratio does not significantly affect the stock prices of companies in the garment and textile sector during the specified period. On the other hand, the Stock Prices are noticeably influenced by the Debt to Equity Ratio to some extent. Additionally, examining the Current Ratio and Debt to Equity Ratio together shows a considerable influence on stock prices in the garment and textile manufacturing sub-sector between 2018 and 2023.

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