

## Influence Of Earnings Management, *Profitability*, And Liquidity On Stock Prices

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### ABSTRACTION

*This study aims to analyze the influence of earnings management, profitability, and liquidity of stock prices by focusing on food and beverage companies listed in Indonesia Stock Exchange with research period in 2016-2020. The data used in this research are secondary data. The population in this study are food and beverage companies listed in Indonesia Stock Exchange. The sampling selection method used was Purposive Sampling and obtained 11 companies. The analytical tool used in this study was the linear regression analysis. The results of this research showed that earnings management has a negative and significant effect on stock prices, profitability has a positive and significant effect on stock prices, and liquidity has a significant and negative effect on stock prices.*

**Keywords:** *Earnings Management, Profitability, Liquidity, Stock Prices*

### ABSTRAKSI

Penelitian ini bertujuan untuk menganalisis pengaruh manajemen laba, *profitabilitas*, dan *likuiditas* terhadap harga saham dengan fokus pada perusahaan makanan dan minuman yang terdaftar di Bursa Efek Indonesia dengan periode penelitian tahun 2016-2020. Data yang digunakan dalam penelitian ini adalah data *sekunder*. Populasi dalam penelitian ini adalah perusahaan makanan dan minuman yang terdaftar di Bursa Efek Indonesia. Metode pemilihan sampel yang digunakan adalah *Purposive Sampling* dan diperoleh 11 perusahaan. Alat analisis yang digunakan dalam penelitian ini adalah analisis regresi linier. Hasil penelitian ini menunjukkan bahwa manajemen laba berpengaruh *negatif* dan signifikan terhadap harga saham, *profitabilitas* berpengaruh *positif* dan signifikan terhadap harga saham, dan *likuiditas* berpengaruh signifikan dan *negatif* terhadap harga saham.

**Kata kunci:** Manajemen Laba, *Profitabilitas, Likuiditas, Harga Saham*

### INTRODUCTION

*Financial* statements are important for investors to know the performance of a company which states that the company is healthy and safe to invest. The problem that often occurs in reporting *financial* statements is the relevance of the information presented. Because to retain investors and to attract new investors, management sometimes manipulates the *financial* statements of a company or what is known as earnings management. According to [www.cnbcindonesia.com](http://www.cnbcindonesia.com), an example of a company that carries out earnings management is PT Tiga Pilar Sejahtera Food Tbk (AISA). In addition to earnings management, to attract new

investors, *profit* is one of the main components that are important for a company. The higher the amount of *profit* earned by a company, the higher the interest of investors to invest in the company. So that management must display *financial* statement information that is attractive to investors where the *profitability* and liquidity of a company must be high because investors do not only consider *profit*, but also pay attention to the level of risk. If a company can pay its debts, investors judge that the company is good and investors will be interested in investing in the company so that it can increase stock prices (Kusuma et al., 2019).

The whole world is in bad shape due to the Coronavirus Disease 2019 (Covid-19). This makes it difficult for the community to carry out their activities because of the Large-Scale Social Restrictions (PSBB) and the Enforcement of Restrictions on Community Activities (PPKM) which will have an impact on Indonesia's *economic growth*. According to [www.bps.go.id](http://www.bps.go.id), *economic growth* in 2020 experienced a growth contraction of 2.07 percent (c-to-c) compared to 2019. This caused almost all sectors to slow down. According to [www.kemenperin.go.id](http://www.kemenperin.go.id), of the many industrial sectors affected by Covid-19, the food and beverage industry is one of the manufacturing sectors that is still able to grow positively after being depressed due to the impact of the Covid-19 pandemic.

According to [www.jawapost.com](http://www.jawapost.com), IHSG in 2020 decreased by 0.73% at the level of Rp. 5,979.07. Based on IDX data, the value of year-end trading transactions reached Rp. 14.02 trillion with a trading volume of 22.89 billion shares and a trading frequency of 1.16 million transactions. In year to date (YTD), the IHSG corrected 5.13%. When Covid-19 attacked, the IHSG was at the level of Rp. 3,937.63 on March 24, 2020. However, since that lowest position, the movement of national stocks was able to shoot up 53.7% and even touched the position of Rp. 6,165.62 on December 21, 2020. highest during the crisis due to the pandemic. Based on the background of the problems that have been described previously, the formulation of the problem in this study is does earnings management have a positive and significant effect on stock prices, does *profitability* have a positive and significant effect on stock prices and does liquidity have a positive and significant effect on stock prices.

Signaling theory explains the existence of information asymmetry between management as the manager of the company and other parties with an interest in certain information. The signal given is the company's *financial* statements (Darwis, 2012). The higher the *financial* performance reported by the company, the information can be categorized as a good signal, because it indicates a good condition of the company. Conversely, if the reported *financial* performance declines, then the company is in a bad condition so that it is considered a bad signal (Lesmana & Sukartha, 2017). Earnings management is an effort to manipulate *financial* statements that is done intentionally by the manager as an *agent* and is still within the limits of *accounting* principles in order to achieve certain goals and motivations (Roslita & Kurniawan, 2017).

The company's *profitability* can be measured by Return On Assets (ROA) is a ratio that shows the results (return) on the number of assets used in the company. The return on investment shows the productivity of all company funds,

both loan capital and own capital. This ratio is used to measure the effectiveness of the company's overall operations (Kasmir, 2008: 201).

The company's liquidity can be measured by the *Current Ratio* (CR) is a ratio used to measure the company's ability to pay short-term obligations or debts that are due immediately when billed in their entirety. In other words, how much current assets are available to cover short-term obligations that are due soon (Kasmir, 2008: 134).

According to Hayati et al. (2019), stock price is used as a *shareholder's* assessment of a company and determines the prosperity of *shareholders*. According to (Mahapsari & Taman, 2013), stock price is the price used in conducting transactions in the capital market, the price is formed from the market mechanism, namely market supply and demand. Stock prices can change up or down in a matter of time so quickly.

According to Vajriyanti et al. (2015), said that when a company performs earnings management, the reported *profit* of the company will look higher and the market will respond to the information as a signal, that the company is in good condition and is considered a good signal, so that it will affect the company's stock price. Then the hypothesis that can be concluded is H1 Earnings management has a positive and significant effect on stock prices

According to Susilowati & Turyanto (2015), the increase in Return On Assets (ROA) is a signal of management's success in managing its assets. The greater the level of Return On Assets (ROA), the better because the level of *profit* generated by the company from managing its assets is getting bigger, with asset management that is more effective and efficient, the level of investor confidence in the company will increase which will increase stock prices (Suryawan & Wirajaya, 2017). Then the hypothesis that can be concluded is H2 *Profitability* has a positive and significant effect on stock prices

According to Fitriyaningsih & Budiansyah (2019), The increasing *Current Ratio* will give a positive signal to the owner of the company that the company has a good ability to pay off obligations that must be paid off immediately. This positive signal will eventually be responded to by investors and lead to an increase in stock prices. Then the hypothesis that can be concluded is H3 *Liquidity* has a positive and significant effect on stock prices

The population in this study were all food and beverage companies listed on the Indonesia Stock Exchange in 2019-2020. The sampling technique in this research is *Purposive Sampling*. The sampling criteria or considerations used are is Food and beverage companies listed on the IDX in 2019-2020 which publish *financial* reports with complete data, food and beverage companies were not delisted from the IDX list during the observation period, in the period 2019-2020, food and beverage companies that earn *profits* for two consecutive years according to the observation period, in the period 2019-2020 and food and beverage companies that have complete stock price data in a row, in the period 2019-2020. In this study the data used are secondary data. Secondary data obtained through the official *website* of the Indonesia Stock Exchange, namely [www.idx.co.id](http://www.idx.co.id).

The average value, minimum value, and maximum value of earnings management, *profitability*, liquidity, and stock prices with the number of samples used is 18 companies and the observation period is 2 years. The earnings management variable (X1) has a minimum value of -0.010007, namely the MLBI company (Multi Bintang Indonesia, Tbk) in 2020, the maximum value is 0.12075, namely the COCO company (PT Wahana Interfood Nusantara, Tbk) in 2019, with an average earnings management value of 0.00007486.

The *profitability* variable (X2) shows a minimum value of 0.000526, namely the SKBM company (Sekar Bumi, Tbk) in 2019, the maximum value is 0.607168, namely the AISA company (PT FKS Food Sejahtera, Tbk) in 2019 with an average value the average *profitability* is 0.12960907. The liquidity variable (X3) shows a minimum value of 0.411355, namely the AISA company (PT FKS Food Sejahtera, Tbk) in 2019, the maximum value is 13.267256, namely the CAMP company (PT Campina Ice Cream Industry, Tbk) in 2020, with an average liquidity value of 3.06273475. The stock price variable (Y) has a minimum value of 168, namely the AISA company (PT FKS Food Sejahtera, Tbk) in 2019, the maximum value of 15500, namely the MLBI company (Multi Bintang Indonesia, Tbk) in 2019, with an average value of an average of 3826,133.

Normality Test Results above, it shows that the Asymp value. Sig. (2-tailed) of 0.000 the results of the normality test above indicate that the data are not normally distributed because the significance level is  $<0.05$ .

Multicollinearity Test Results show that earnings management (X1), *profitability* (X2) and liquidity (X3) show a *Tolerance* value  $> 0.1$  and a VIF value  $< 10$ , so it can be concluded that the *independent* variables used in this study do not occur multicollinearity.

Heteroscedasticity Test Results show that the earnings management variable (X1) does not occur heteroscedasticity, *profitability* variable (X2) occurs heteroscedasticity, and liquidity variable does not occur heteroscedasticity.

The results of the autocorrelation test show that the Asymp value. Sig. (2-tailed) of 0.063  $> 0.05$ , this indicates that there is no autocorrelation in the model used in this study. To overcome these problems, data transformation techniques can be carried out.

Normality Test Results After Data Transformation, it shows that the Asymp value. Sig. (2-tailed) is 0.000 so it can be concluded that this regression model is still not normally distributed because the significance level is  $<0.05$ .

Multicollinearity Test Results After Transformation Data shows that earnings management (X1), *profitability* (X2) and liquidity (X3) show a *Tolerance* value  $> 0.1$  and a VIF value  $< 10$ , so it can be concluded that the *independent* variables used in this study there is no multicollinearity.

Heteroscedasticity Test Results After Transformation Data shows that the earnings management variable (X1) does not occur heteroscedasticity, the *profitability* variable (X2) occurs heteroscedasticity, and the liquidity variable does not occur heteroscedasticity.

Autocorrelation Test Results After Data Transformation Asymp Sig. (2-tailed) 0,063 There is no autocorrelation Source: Processed secondary data, 2021

Based on Table 4.10 Autocorrelation Test Results After Data Transformation shows that the Asymp value. Sig. (2-tailed) of  $0.063 > 0.05$ , this indicates that there is no autocorrelation in the model used in this study.

According to Ghozali (2016: 40), after transforming the data but the results of the classical assumption test do not meet the criteria, an extreme data selection will be carried out or using *outlier* data. If the value of the standardized residual is more than -3 or 3, then the data is said to be *outlier* data. The results of the classical assumption test after repairs using the *outlier* technique are as follows:

The results of the normality test after the *outliers* show that the Asymp Sig. (2-tailed) is  $0.112 > 0.05$  so it can be concluded that this regression model is normally distributed.

Multicollinearity Test Results After *Outliers* show that earnings management (X1), *profitability* (X2) and liquidity (X3) show a *Tolerance* value  $> 0.1$  and a VIF value  $< 10$ , so it can be concluded that the *independent* variables used in this study are not multicollinearity occurs.

Heteroscedasticity Test Results After *Outliers* show that the earnings management variable (X1) does not occur heteroscedasticity, the *profitability* variable (X2) occurs heteroscedasticity, and the liquidity variable (X3) does not occur heteroscedasticity. Asymp Sig. (2-tailed) 1,000 There is no autocorrelation Source: Processed secondary data, 2021

Based on Table 4.14 the results of the autocorrelation test after the *outliers* show that the Asymp Sig. (2-tailed) of  $1,000 > 0.05$ , this indicates that there is no autocorrelation symptom in the model used in this study.

According to Ghozali (2016:251), ffter various methods have been carried out and the classical assumption test does not meet the criteria, the researcher will take a non-parametric approach using the *bootstrapping* method that ignores the classical assumptions.

Multiple Linear Regression Analysis Test Results, the coefficient for earnings management (X1) is -37230.350, *profitability* (X2) is 3861.315, and liquidity (X3) is -154.030, so that the multiple linear regression equation model is obtained as following. The results of the regression equation above can be explained as follows is the constant value of 3163.885 means that if the earnings management, *profitability*, and liquidity variables are considered constant or fixed, then the stock price will be 3163.885. The value of the earnings management coefficient is negative at -37230.350, meaning that if the earnings management variable increases by one unit, the value of the stock price variable will decrease by 37230.350. The value of the *profitability* coefficient is 3861.315, meaning that if the *profitability* variable increases by one unit, the value of the stock price variable will increase by 3861.315. The value of the liquidity coefficient is negative at -154.030, meaning that if the liquidity variable increases by one unit, the value of the stock price variable will decrease by 154.030.

Based on Table 4.16 shows that the value of the unstandardized coefficients of the earnings management variable (X1) is -37230.350 with a significance value of 0.897 which is above the significance value of 0.05, so it can be concluded that the hypothesis which states that earnings management has a positive effect on

prices shares rejected. This shows that earnings management has no effect on stock prices.

Based on Table 4.16 shows that the value of the unstandardized coefficients of the *profitability* variable (X2) is 3861.315 with a significance value of 0.635 which is above the significance value of 0.05, so it can be concluded that the hypothesis which states that *profitability* has a positive effect on stock prices is rejected. This shows that *profitability* has no effect on stock prices.

Liquidity Test Results on Stock Prices is shows that the unstandardized coefficients of the liquidity variable (X3) is -154.030 with a significance value of 0.468, which is above the significance value of 0.05, so it can be concluded that the hypothesis which states that liquidity has a positive effect on stock prices is rejected. This shows that liquidity has no effect on stock prices.

F Test Results is the results of the F test show a significance value of 0.728. This means that the significance value  $> 0.05$ , it can be said that this research is not feasible to continue.

The Adjusted R Square value or coefficient of determination is 0.051, which means 5.1% of stock price variations can be explained by variations of the three *independent* variables, namely earnings management, *profitability*, and liquidity. While the remaining 94.9% is explained by other *financial* and *non-financial* variables outside of this research model.

Based on the test results, it was found that earnings management had no effect on stock prices. This means that the results of this study do not support the first hypothesis (H1). It can be seen from the hypothesis testing that has been done that the regression coefficient value of earnings management (X1) is -37230.350 and a significance value of  $0.897 > 0.05$  which means that the H1 test is rejected so it can be concluded that earnings management has no effect on prices. share.

This indicates that earnings management has no effect on stock prices, indicating that earnings management actions taken by managers will not give a favorable reaction to investors which will have an impact on stock prices. That is, earnings management is not an important thing that can affect stock prices. Although the purpose of earnings management actions is to increase company *profits*, the results of this study are earnings management has no effect on stock prices due to earnings management actions taken by managers, which will make investors think that the company is carrying out earnings management actions or report manipulation. finance. Investors are expected to be able to understand and identify earnings management actions in a company so as not to be deceived by the large or stable *profits* obtained by the company. The results of this study are in line with research conducted by (Pernamasari et al., 2020).

Based on the test results, the results show that *profitability* has no effect on stock prices. This means that the results of this study do not support the second hypothesis (H2). It can be seen from the hypothesis testing that has been done that the *profitability* regression coefficient (X2) is 3861.315 and a significance value is  $0.635 > 0.05$ , which means that the H2 test is rejected so it can be concluded that *profitability* has no effect on stock prices in the company. food and beverage listed on the Indonesia Stock Exchange in 2019-2020.

This indicates that there is no effect of Return On Assets (ROA) on stock prices, indicating that some investors do not make the level of Return On Assets (ROA) the main consideration for investing. Because investors in the capital market not only pay attention to the company's ability to earn *profits* but also pay attention to the conditions that exist in the market. So that the high and low Return On Assets (ROA) does not affect investors in making investment decisions, it also does not affect stock prices. In addition, investors are also not interested in getting long-term *profits* in the form of erratic *dividends* every year, so when investors want to buy the company's shares, investors do not consider the company's Return On Assets (ROA) but look at trends that occur in the market. The results of this study are in line with research conducted by (Egam et al., 2017).

Based on the test results, the results obtained that liquidity has no effect on stock prices. This means that the results of this study do not support the third hypothesis (H3). It can be seen from the hypothesis testing that has been done that the liquidity regression coefficient (X3) is -154.030 and the significance value is  $0.468 > 0.05$ , which means that the H3 test is rejected so it can be concluded that liquidity has no effect on stock prices.

This indicates that the *Current Ratio* (CR) has no effect on stock prices, indicating that investors in making investments do not consider the size of the *Current Ratio* (CR). *Current Ratio* (CR) that is too high indicates poor liquidity management due to excess funds owned by the company, which are not used by the company to pay *dividends*, long-term debt or other investments that can actually provide greater *profits* to the company in the future. This can be interpreted that the company does not do good cash flow and investment management. On the other hand, a low *Current Ratio* (CR) value will also result in a decline in the company's market price. The results of this study are in line with research conducted by (Manoppo et al., 2017).

## CLOSING

Based on the results of the analysis and discussion that has been carried out regarding the effect of earnings management, *profitability* and liquidity on stock prices in companies listed on the Indonesia Stock Exchange for the 2019- 2020 period, the following conclusions can be drawn is earnings management has no effect on stock prices, *profitability* has no effect on stock prices and liquidity has no effect on stock prices.

The limitations in this study are as follows is in this study, the observation period was only in 2019-2020. In this study, the reliability of the research model was only able to explain 5.1% of the contribution of the *independent* variable to the dependent variable.

Based on the conclusions above, the researchers provide suggestions that are expected to be useful for further research. Suggestions that can be given are for further research, it is expected to make research that has the latest issue of a phenomenon.

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