

THE INFLUENCE OF FINANCIAL RATIOS TOWARD STOCK PRICE OF PHARMACEUTICAL COMPANIES IN INDONESIA

Afri Yenni Lubis¹⁾, Purwanto²⁾

^{1,2)} Business School, President University

Corresponding author: afri.lubis@student.president.ac.id; purwanto@president.ac.id

Abstract

The research objectives to examine the influence of current ratio, debt to equity ratio, return on equity, total asset turnover ratio, and earnings per share on stock price with an additional price-earnings ratio as moderating variable of current ratio, debt to equity, and earning per share of pharmaceutical companies listed in Indonesia Stock Exchange. The quantitative research is applied through data from the financial reports among six samples of pharmaceutical companies from 2009-2020 with the analytical tool EViews 10, with other supporting tests such as descriptive statistical analysis, classical assumption, multiple linear regression, and hypothesis testing. The use of multiple linear regression on panel data bolsters to choice of the Fixed Effect Model technique. The results depict a value of adjusted R-square of dependent variables by 64.38%, which CR, DER, TATO, and EPS significantly influence the stock price. Meanwhile, PER does not moderate EPS impact on stock price, yet, moderates CR and DER effect on the stock price.

Keywords: Stock Price, CR, DER, ROE, TATO, EPS, PER

Introduction

The capital market has driven the world economy, including Indonesia. The role of the capital market can be beneficial by obtaining sources of funds to carry out their economic activities. The listed companies, either manufacturing, pharmacies, or automotive, are competing to sell stocks to one of the actors in the capital market. This investor requires information about its financial condition before considering investing its money (Zahro & Jamil, 2021). As is known, every company establishment to have a specific purpose of meeting the interest of stakeholders. The ability to enhance the company values, fulfill the community expectations, and make profits. It will reflect the stock price movement, which is one indicator of successful company management. It genuinely reflects when the stock price experiences an increase, and then investors will consider the company succeeded in managing their business. The trust issue among investors is considerably powerful; more requests for an issuer's shares probably incline the price and value. Besides that, if the stock price continues to decline, it will also reduce the issue values among the investors (Hidayatullah, 2021). The pharmaceutical industry is the fourth most significant contributor to the national economy. During the COVID-19 pandemic in 2020, the pharmaceutical industries have positive growth compared to the oil and gas industries, providing a 0.17% contribution to the Indonesian economy (BPS, 2021). It has strong potential and has become an engine to boost the economy in the landscape of the industrial revolution in Indonesia. Director-General of the Chemical, Pharmaceutical, and Textile Industry (IKFT), Muhammad Khayam, said the pharmaceutical sector is one of the soaring sectors due to the needs of medical devices and medicines. Khayam estimates that the pharmaceutical industry can contribute to the Gross Domestic Product (GDP) rising by 13%. The figure above shows that investment in the IFTK sector acquired is 61.97 trillion, absorbing up to 6.4 million workers.

Subsequently, it will gradually grow at plus 9.3% for the chemical and pharmaceutical industry in 2020. Nevertheless, the increase in Foreign Direct Investment or Penanaman Modal Asing (PMA) in the pharmaceutical sector also should have obtained full considerations. The government believes that Indonesia's involvement in international cooperation agreements, both multilateral, regional, and bilateral cooperation, will impact the cash flow of PMA, including pharmacy, thus strengthening Indonesia's industrial development. Data released by the Coordination and Investment Agency or Badan Koordinasi dan Penanaman Modal (BPKM) shows that PMA still dominates in the pharmaceutical industry from 2015 through 2020. It states that the total investment in the pharmaceutical sector amounts to 48.09 trillion. The PMA dominates 62% (29.78 trillion), whereas the domestic investment or Investasi Dalam Negeri (PMDN) is only 38% or 18.31 trillion (APBN, 2021).

Based on the data above, the pharmaceutical industry assumes a bright prospect in the future. Since early April 2020, there has been a significant increase in demand for medicines, body supplements, or medical devices, as is described by Indonesia Stock Exchange (IDX), into the sub-category Consumer Goods Industry. The high stock price in the pharmaceutical sector is a promising breakthrough for growing companies. The upward trend of drugs consumption in Indonesia will also lead to a ceiling trend in the stock price of the pharmaceutical sector.

The volume of stock price can use as an indicator of company success in empowering the market, especially in the stock exchange, which indicates by shares purchase in the capital market. The transaction of shares occurs due to investor observation towards company performance in generating a profit and the stock

movements in a certain period. According to Sari and Yasa (2021), one of the analytical tools for evaluating stock price is a fundamental analysis of its financial ratios. It will show the company's performance through ratios comparison.

In this research, the liquidity ratio will represent by the Current Ratio (CR), which describes the ability of the company to pay off the short-term debts. It has opted because of the liquidity level recognized by investors (Hidayatullah, 2021). Concerning that, a high in the company's liquidity will give confidence to investors related to dividends distribution by the company. Then, the second ratio used is the solvency ratio using Debt to Equity Ratio (DER). It depicts the proportion of liabilities to capital or equity. High debt means the profit gained will decrease because it must pay its debt first before distributing profits to shareholders. It will be risky when a company has a hefty obligation because profit distribution will be small. The third ratio is the profitability ratio to explain how well the company manages its assets using Return on Equity (ROE). It applies because it examines the extent to which a company uses its resources to provide a return for every rupiah given by the capital owner.

Subsequently, the fourth ratio used is the activity ratio represented by Total Asset Turnover (TATO); when the value increases, the sales rise. It indicates that a company can maximize sales through good assets management (Muhaemi & Muhammad, 2019). When the company cannot generate its asset, the operations will not run effectively, impacting the investor confidence level and impacting the stock price. The last is the market ratio represented by Earning per Share (EPS). The reason for choosing this variable is its ability to obtain and distribute profits earned to shareholders and describe the number of stock returns which will affect investor perception.

The pharmaceutical companies that listed their shares on the market capital must issue a financial report every year, including their wealth, profits, and dividend payments. The company's financial performance assesses using the financial data review, calculation measurement, and providing solutions to the company's financial problems at a certain period by implementing several ratio analysis tools (Syam, 2018). The five financial ratios used in measuring the financial performance of pharmaceutical sector companies listed in IDX. It represents Liquidity Ratio (Current Ratio, Solvability Ratio (Debt Equity Ratio), Profitability Ratio (Return on Equity), Activity Ratio (Total Asset Turnover Ratio), Market Value Ratio (Earning Per Share), and PER value as moderation variable.

The outcomes of financial performance analysis are not only utilized or used by management representatives or managers. However, it can also use other parties interested in the company. Considering essential factors, several researchers have studied the impact of financial ratios resulting from liquidity and solvency ratio does not influence the stock price, which means the decrease and increase of those ratios will not signal investors to consider it while buying stocks. Meanwhile, the activity ratio, which measures the level of effectiveness and efficiency of resources, reveals a significant relationship between changes in stock price (Sari & Yasa, 2021). According to Bustani, et al. (2021) the market ratio has positively influenced the stock price and is used as investment decisions. Then, the research studied by (Maghfirah, 2018) states that the profitability ratio positively influences the changes in stock price because it describes how a company can utilize its capital to enhance its performance.

Literature Review

Capital Market

All firms are fairly competing in the market and attempting to obtain investors' attraction as their source of funds. As is seen, the capital market is where to invest and obtain stakeholders' profits. Additionally, data to evaluate the stock price will determine the entity performance they want to invest in (Ahmed, 2018). Majoring as a critical element in the number of market indicators, the capital markets help bolster economic growth, capital allocation efficiency, enhance fair trade, and stabilize financial conditions. It is necessary to regulate a proper legislative framework to balance the country's political and economic (Akhtar, 2021). The capital market consists of activities to sell and buy capital goods over a long period. The stocks, bonds, and mutual funds include in the sold product on the capital market. For companies, colossal capital needs to develop through trading stocks, bonds, or mutual funds will make it easier to access funds. Besides that, investing activities also occur within the capital market due to their vital role in reflecting the country's economic condition (Candera, et al., 2021). Therefore, it results in a careful investment decision for potential investors by considering fully what types of determinants can be implemented to indicate the stock price, as well as a piece of accurate information for decision making regarding price fluctuations of share to be purchased (Lamuda, 2020).

Stock price

A stock price is a form of the demand and supply of shares. Those occur because there are many factors, both specific to the shares and macro, such as state economic conditions, social, politics, and the development of information. The stock price is selling, and buying is in market securities determined by market forces in supply and demand. It can also be interpreted as a form of interaction between sellers and buyers, driven by profit orientation (Colline & Widayanti, 2017). The ups and downs of stock price can change in a quick time or even in a few seconds or minutes. The situation of stock changes is due to

company's policy such as micro and macro conditions and another company policy. To exemplify, opening new branches and agencies or restructuring of managers and commissioners are also involved (Sharma, 2020).

Liquidity Ratio

The ratio defines as the capability of a company to pay off several short-range debts, generally less than one year. Dimensions of the liquidity concept include cash ratio, current ratio, net working capital to total asset ratio, and quick ratio. The sizes of the liquidity concept reflect management performance in terms of how management can manage its working capital funded from current liabilities and the company cash balance (Mahrinal, 2019). This research used the liquidity type of Current Ratio, showing the relationship between cash and other current assets and liabilities.

Solvency Ratio

It is used to describe how companies can fulfil their obligations or pay their debts (Farras, et al, 2020). The broad terms that the solvency ratio is applied in measuring a company's ability to meet the obligations, both short and long term. The solvency ratio used is the Debt to Equity Ratio because it depicts each part of rupiah owned by capital to be paid for the whole debt. When the ratio is higher, it means the number of funds from outside that must be guaranteed by the amount of capital owned is higher (Purwanto & Calista, 2021).

Profitability Ratio

It assesses a capability and performance to earn profits and identifies whether a company has effectively managed and maximized resources (Christi & Munari, 2021). Profitability also measures the effect of liquidity, debt, asset management on the operating result of a company (Andy & Johan, 2020). The shareholders invest in obtaining their money return, and this ratio bolsters how able they have done that. When this ratio is higher, it means profitability generated from the company is also higher. Return on Equity is one type in profitability ratio which calculates the net income after tax with own capitals. It shows how a company manages the efficiency and effectiveness of Equity. Therefore, in the future, the company will provide a significant income that will affect the increase in stock price.

Activity Ratio

It is measured the company's effectiveness through the company resources such as sales, inventory, debt collection, and others. The ratio activity reflects how much inventory can be sold or consumed in a certain period and its efficiency in managing the stock of goods (Jihadi, et al., 2021). Activity ratio assesses the company's performance to carry out daily activities and convert different financial position accounts in a statement into cash or sales. The determinants effect depends on how much revenue is obtained from resources. It is applied to represent the activity ratio, which describes the activities carried out by the company in sales that will increase the profit (Cathelia & Sampurno, 2016).

Market Value Ratio

This is applied to get the company's estimated intrinsic value of the stock's size, the market ratio. It is a set of ratios with book value per share, cash flow, and price to earnings. This ratio indicates management about how investors view the company's risks and prospects in the future. This market value includes book value, dividend ratio, dividend per share, payout ratio, price to book value (Choi, C.So, & C.Y.Wang, 2021).

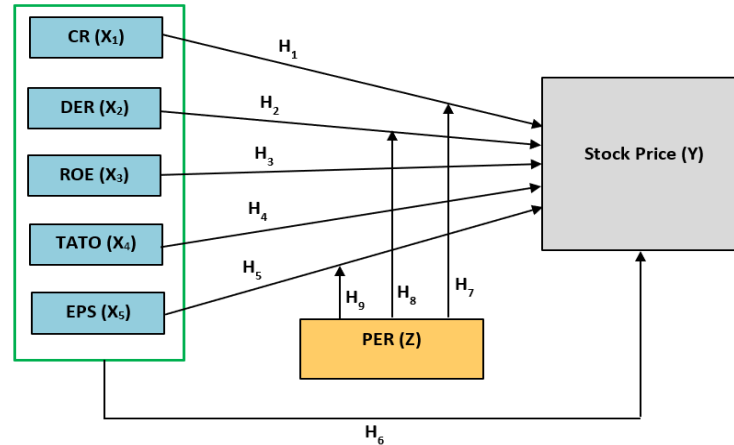
Earnings per Share (EPS): It is represented the market ratio due to how the company obtains and distributes profits earned to the shareholders. EPS describes the number of stock returns that will affect investor perception because of the more significant profit per share for the owner that acquired by the company. The investment in the company will be more profitable and attractive.

Price Earnings Ratio (PER): It is used to measure the stock price paid by investors compared to earnings per share. Lower PER indicates the greater the earnings per share that can be obtained compared to the stock price paid. This is an indication of the period required to return funds to the level of stock price and company profits at a certain period (Pramisti & Cakranegara, 2021).

Research Gap

There are several gaps in previous research that have been done about the influence of financial ratios on pharmaceutical companies' stock prices. That is why this research has strengthened from those differences made by researchers. According to Zahro & Jamil (2021), the ROE variable is positively significant to the change in stock price. Meanwhile, CR tends to have an indirect influence on the stock price. According to Nisa (2018) reveals EPS as the most affected variable on stock price, whereas the DER depicts a negligible impact. On the other hand, research was done by Syafitri (2017) CR, DER, ROE, EPS have shown a positive influence with on the stock price. In addition, according to Hidayatullah (2021), ROE has a significant relation to stock price. However, DER shows a negative influence on the stock price movement in the firm.

Theoretical Framework



Source: Adjusted by Researcher, 2021

Figure 1. Theoretical Framework

Methods

The researcher applies quantitative analysis as an analysis tool. This is implemented due to numerical data collections as well as using statistical, mathematical, and analytical methods. The study scope is pharmaceutical industries with twelve years from 2009-2020 listed on the Indonesian Stock Exchange. The formulations of the research hypothesis are:

- Hypothesis 1: Current Ratio influences the changes in stock price
- Hypothesis 2: Debt to Equity Ratio influences the changes in stock price
- Hypothesis 3: Return on Equity influences the changes in stock price
- Hypothesis 4: Total Asset Turnover Ratio influences the changes in stock price
- Hypothesis 5: Earnings per Share influences the changes in stock price
- Hypothesis 6: CR, DER, ROE, TATO, and EPS simultaneously influence the changes in stock price
- Hypothesis 7: Price Earnings Ratio moderates the influence of CR on the changes in stock price
- Hypothesis 8: Price Earnings Ratio moderates the influence of DER on the changes in stock price
- Hypothesis 9: Price Earnings Ratio moderates the influence of EPS on the changes in stock price

In this study, the method applying is panel data analyzing with EViews software version 10, in purpose to know the level of significance of each variable. Concerning that, the requirements of classical assumption tests must be followed, which are: Normal Distribution of Data, No Heteroscedasticity, Autocorrelation, and Multicollinearity occur on this research.

Multiple regression analysis methods uses for hypothesis testing. Its purpose is to predict the interaction among dependent and independent variables. The equation used for the regression is described as follow:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + e$$

Description:

- Y = Stock Price
- α = Constanta
- $\beta_1, \beta_2, \dots, \beta_5$ = Regression Coefficient
- X₁ = CR
- X₂ = DER
- X₃ = ROE
- X₄ = TATO
- X₅ = EPS
- e = Error Term

Suppose a positive coefficient is revealed on the regression value. In that case, the positive influence is depicted by independent variables by CR, DER, ROE, TATO, and EPS on the dependent variable, the stock price. When there is an increase in the coefficient value, it will impact the increasing Y value. Besides that, when the value has a negative coefficient, an incline in coefficient will influence the decreasing value of Y.

$$Y = \alpha_1 + \beta_1 X_1 + \beta_4 Z + \beta_5 X_1 Z + e_1$$

$$Y = \alpha_1 + \beta_2 X_2 + \beta_4 Z + \beta_6 X_2 Z + e_2$$

$$Y = \alpha_1 + \beta_3 X_3 + \beta_4 Z + \beta_7 X_3 Z + e_3$$

Description:

- Z = PER (Moderator)
- X₁ = CR
- X₂ = DER
- X₃ = EPS

Result and Discussion

A brief explanation about the computed data on EViews 10 will be necessary to define and summarize in this research. An activity of summarizing a large amount of data and the result interpretation is called descriptive statistical analysis. According to Sugiyono (2017). Descriptive analysis reveals the research data such as mean, minimum, maximum, and standard deviation of each variable found in the study. In this analysis, the maximum and minimum variables are in between the highest and the lowest values of sample data. Subsequently, the median aims to evaluate the center value of sample distribution from arranged values. The mean value is called an average by calculating all the samples and dividing them by the sum of data observations.

Table 1. Descriptive Statistics

	Stock Price	CR	DER	ROE	TATO	EPS
Mean	1769.993	2.814397	0.449456	0.183019	1.274028	737.9394
Max.	9200.000	7.520000	1.732400	2.244600	1.940000	10320.00
Min.	110.0000	0.009000	0.004700	0.002100	0.480000	2.860000
Std Dev.	1723.330	1.602490	0.350454	0.161506	0.326430	662.359
Observ	72	72	72	72	72	72

Hausman Test has an objective to select between Fixed Effect Model(FEM) and Random Effect Model (REM). The test hypothesis is explained as follow:

Table 2. Hausman Test

CorrelaterRandom Effects – Hausman Test			
Equation: Untitled			
Test cross-section random effects			
Test Summary	Chi-Sq.Statistic	Chi-Sq.d.f	Prob.
Cross-section random	107.512743	5	0.0020

Referred to the Table 2., the result of Hausman test model specification can be seen that the cross-section random probability value is equal to 0.0020

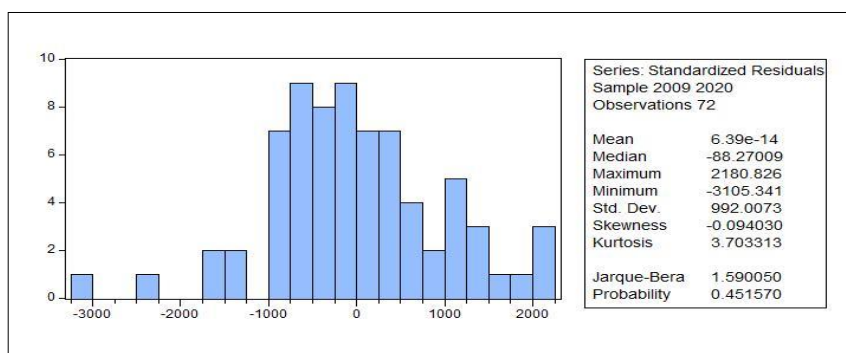


Figure 1. Normality Test with Jarque-Bera Test

The value is smaller than 0.05, this means that Ho is rejected, and Ha is accepted. So, the selected model is Fixed Effect Model (FEM). According to the given figure 1, the probability test resulted at 0.451570 means that larger than the level of significance $\alpha = 0.05$, therefore, the indication of test assumption if fulfilled

Table 3. Multicollinearity Test

	CR	DER	ROE	TATO	EPS
CR	1.000000	-0.7055394	0.101190	0.095306	0.464222
DER	-0.7055394	1.000000	0.164569	-0.468745	-0.109179
ROE	0.101190	0.164569	1.000000	-0.139186	0.354057
TATO	0.095306	-0.468745	-0.139186	1.000000	0.321067
EPS	0.464222	-0.109179	0.354057	0.321067	1.000000

Referred to Table 3 depicts the correlation between CR and DER is -0.705394, CR and ROE is 0.101190, ROE and EPS is 0.354057, TATO and CR is 0.095306, and the last is between EPS and TATO is 0.3210367. Based on the shown result, the indication that there is no multicollinearity occurs due to no correlation exceeding 0.8.

Table 4. Heteroscedasticity with Breusch-Pagan-Godfrey

Heteroskedasticity Test : Breusch-Pagan-Godfrey			
F-statistic	1.313177	Prob.F(5,66)	0.2693
Obs*R-squared	6.514684	Prob.Chi-Square(5)	0.2593
Scaled explained SS	20.43728	Prob.Chi-Square(5)	0.2110

As is seen, the value of Prob. Chi-square of Obs*R-squared on the table revealed to 0.2593, by having greater than 0.05. It means there is no heteroscedasticity occurs in this research.

Table 5. Autocorrelation Test with Durbin Watson

Weight Statistics	
Durbin Watson Statistics	1.732115

Based on the Table 5, Durbin-Watson result is 1.732115, on way reveals a value of higher than -2 and lower than +2. Therefore, it can be concluded that the research contains no autocorrelation problem.

Table 6. Multiple Regression Analysis

Variable	Coefficient	Std.Error	t-Statistic	Prob.
C	509.838	187.926	2.723311	0.0084
CR	887.7027	217.0245	4.090334	0.0001
DER	4475.623	1222.243	3.661812	0.0005
ROE	-197.8665	655.9034	-0.301670	0.7639
TATO	2457.473	923.7923	2.660201	0.0100
EPS	-0.998438	0.129459	-7.712408	0.0009

$$\text{STOCK PRICES} = 5097.838 + 887.7027*CR + 4475.623*DER - 197.8665*ROE + 2457.473*TATO - 0.998438*EPS$$

The multiple regression analysis is applied to examine the effect of CR, DER, ROE, TATO, and EPS on Stock Price. In this study, the selected model is Fixed Effect Model (FEM). The model determination is obtained by carrying out through Chow and Hausman test for model specification. This is the following table of panel data estimation results with Fixed Effect Model (FEM) as is shown in the table above.

According to the given independent variables that influence the stock price, the first hypothesis states that CR has a significant influence on the stock price of pharmaceutical industries in Indonesia. Based on Table 6, which probability value reveals at 0.0001 of significance value, which means Ha1 is accepted. The CR describes a positive significant influence on stock price, depicted by a coefficient regression of 887.7027. Company performance is in line with sufficient liquidity, covering its liabilities by owning enough current assets. This means when the company is billed, it will pay the debts promptly (Fahmi, 2019). Thus, this ratio can show to what extent current assets can guarantee payments of its liabilities, resulting in more accessible access to acquiring liabilities from third parties (Rukmini & Hadi, 2020). The more liquid company, the higher its ability to cover the short-term liabilities.

The second hypothesis states DER has an influence on the stock price of pharmaceutical industries in Indonesia. As is observed, the significant value of 0.0005 indicates Ha2 is accepted. DER has a positive effect and significance on stock price, which is shown by a coefficient regression of 4475.623. The ratio is served to assess the investor perception towards the company. When the debt to equity is higher, it will cause more significant risk and unprofitable conditions within the company. In contrast, the lower ratio means the funding and security level in the future related to assets value are categorized as more secured (Rusdiyanto, 2020). There is an indication that it is very impactful towards investor decision to buy shares and as primary consideration to investing which is in line with previous research conducted by Syafitri (2017)

As is revealed in the table above, the third hypothesis reveals ROE has an influence on the stock price of pharmaceutical companies in Indonesia. The result has shown at 0.7639 of significance value, which means the acceptance of Ho3 hypothesis. ROE has an insignificant and negative influence on stock price, described by coefficient regression of -197.8665. The negative coefficient obtained by equity can be interpreted when it increases the average prices of pharmaceutical companies below. From an investor perspective, the profits produced by companies using their capital have not been seen as optimal. This condition makes investors' interest in buying shares is getting down and impact the average stock price. The research is aligned with Zahro & Jamil (2021), by stating ROE has no direct relationship towards stock price.

The next hypothesis states a direct influence of TATO on the stock price of pharmaceutical industries in Indonesia. It depicts a value of 0.0100 for the significance level, then it will accept the hypothesis of Ha4. It indicates to have a significant positive influence on stock price, shown by the coefficient regression of 2457.473. An indication of how many times the company's inventory rotates in a certain period. High TATO means describing a company that can manage its inventory which aligns with the increase of sales. It also describes the extent of the activity ratio to which a company uses its resources to support its activities. It automatically depicts the company's performance, and late, its share price will increase significantly. The research results support the findings of Nisa (2018), describing a positive influence of total asset turnover to the stock price.

From the result of the multiple regression table above, the fifth hypothesis states a significant influence of EPS towards the stock price of pharmaceutical industries in Indonesia. It describes the value of 0.0009 significance level, indicating the acceptance of hypothesis Ha5 for this research. EPS has a significant but negative influence on stock price, as shown by coefficient regression of -0.998438. It measures the competency of the company in earning profits per share, while the on stock reveals the availability of net profit distribution to all shareholders. The research result has indicated earning per share for being considered by shareholders into investment decisions in the capital market. Higher EPS means the investors will gain more profits and positively impact stock price. The outcome is aligned to the previous research studied by Sari and Suharti (2021).

The calculated probability F-value of 0.000001 < 0.05 is less than the significant level that has been determined is 0.05. By means, all independent variables substantially affect the stock price. Analysis of panel data has shown that the coefficient of determination (Adjusted R Square) has a value of 0.643846 or 64.38%. It can be explained that the changes in the stock price are influenced by CR, DER, ROE, TATO, and EPS. Meanwhile, the remaining percentage might be explained by other variables out of the model

Table 7. Result of Moderating Variable Influence

	Significance Level			Adjusted R Square		
	Without PER	With PER	Note	Without PER	With PER	Note
1. CR	0.0001	0.0063	↑	0.643846	0.400516	↓
2. DER	0.0005	0.0063	↑	0.643846	0.398409	↓
3. EPS	0.0009	0.1475	↑	0.643846	0.590751	↓

Then, the t-statistics result in Table 7 has revealed the least to the most essential variables. As is observed, the closest probability value to 0 will be the more statistical and effective its influence on the independent variable. Based on the significance level to the dependent variable, the most significant variable influencing stock prices is the Current Ratio by has a probability value of 0.0001. Therefore, it can assume that the influence of CR in company's ability to fulfill its financial obligations reflect how well the company can manage its working capital from current liabilities and company cash balance.

Subsequently, the analysis of moderating variable Price Earnings Ratio (PER) can describe and define the seventh hypothesis which is PER moderates the influence of CR on the changes in stock price reveals a positive and significant result. If it is without a moderation variable, the impact towards stock price is positive, but there is a decline for its significance value from 0.0001 to 0.0063. Then, the adjusted R square depicts decrease from 0.643846 becoming 0.400516, based on the Table 7. There is an indication that price-earnings can moderate the influence of liquidity ratio on the average prices of a stock or weaken the effect of stock price influence. In addition, the previous research conducted by Maisah & Nurfadillah (2020) has supported the findings of research. However, the price-earnings ratio is not applied as moderation variable. The significance value of liquidity tends to be higher, and it is because the company will be considered to be able to shell out its short-term debts. It aligns with the confidence level of investors in the capital market who reflects the company's ability to manage their asset. So that, the high interest of investors to buy shares of the company will increase the company stock price. The value of prices earnings is related to the common-used ratio such as liquidity and profitability. Still, its level as moderating variable probably weakens the current ratio's effect on stock price, showing the decreasing of significant value. This is possible because the nature and pattern of the company's

price-earnings ratio are inappropriate, particularly on assets used. The share price obtained cannot be maximized.

Then, the next hypothesis states PER moderates the influence of DER on stock price describes a positive and significant influence. When the moderation variable is not applied, the result is still categorized as similar by having a significant positive impact on the stock price. The value of adjusted R square decline from 0.643846 to 0.398409, as shown in Table 7, means that price earning can moderate the influence or weaken the effect of debts to equity towards stock prices. The research studied by Rahmat & Nurfadillah (2019) has aligned with researcher's finding. On the other hand, there is a decrease in significance level before and after moderating, which depicts the value from 0.0005 to 0.0063, attenuating the impact. It is probably due to the minimum ability of PER in predicting the prices and the use of assets are not inefficiently functioning. Additionally, the income earned by capital derived from obligation cannot be the function to pay the number of cost capital, however, the shortage has to be paid as part income of the shareholder.

The last hypothesis described PER as a variable moderation that effect of EPS on stock price which results in a positive and insignificant impact. If the moderation variable is not applied, the positive significant influence on the stock price. The adjusted R square value has decreased from 0.643846 to 0.590751, as is shown in Table 7. It indicates that price-earnings ratio cannot strengthen the influence of earning per share towards the stock price. The research conducted by Rahmat & Nurfadillah (2019) is in line with this finding. The moderation has decreased the significance value of the variable on stock price from 0.0009 to 0.1475, which means the value is an insignificant effect. The price per share value cannot optimize its asset used to generate earnings due to uncertain stock price prediction. Meanwhile, when price earning is not used as moderation, the capability of EPS to show the direct relationship on average stock market prices as is a concern in deciding to invest in the capital market, then becoming a critical indicator considered by shareholders.

Conclusion

The independent variables in this research are tested by descriptive statistical analysis, classical assumption test, multiple regression analysis, and hypothesis testing. Current Ratio has a direct significant value on the stock price of the company. Debt to Equity Ratio has a positive and significant effect on the stock price. The third independent variable, Return on Equity has an indirect relationship on the stock price of company. Total Asset Turnover Ratio has a positive influence on the stock price. Earnings per Share as the last independent variable depicts a significant influence on the stock price of the company.

The five independent variables applied to define the effect on stock price have been simultaneously significant. The evidence showed by the F-test, which resulted in a significance level at 0.000001. Hence, CR, DER, ROE, TATO, and EPS can describe the stock price variation by 64.38%. The remaining percentage is 35.62%, which is influenced by another factor besides the variable used within the research. According to the simultaneous result, the Current Ratio has been the most significant as it has the smallest value 0.0001 on the stock price, meaning closest to 0. So, it can be concluded that CR is determined by the increase and decrease in stock price due to the company's capability in managing their asset to fulfill its obligations, which investors highly notice in the capital market.

Subsequently, the influence of PER as moderating variable of CR, DER, and EPS on stock price can be explained as follow; 1) PER as the moderation variable moderates the influence of CR on stock price significantly or strengthens the influence of liquidity on the dependent variable, 2) PER as the moderation variable is capable of moderating the effect of DER towards stock price, or price earnings ratio is reinforcing the effect, 3) PER as the moderation variable can moderate the influence of EPS on stock price, which is depicted as a significant positive influence, or price earning is strengthening the effect towards stock price.

Based on the analysis result, the researcher attempts to present recommendations firstly, for the company while composing decisions regarding the stock price that five independent variables can become the determinant factors. Due to its significant value, it can advise improving their performance comprehensively in all aspects so that, the prosperity of shareholders can be accomplished. Then, for the investors who want to invest their shares in pharmaceutical companies to analyze the company's financial performance before making an investment decision. Particularly to the ratios of CR, DER, TATO, and EPS in this research influence the rise and fall of the stock price in the capital market.

It is recommended for further researchers to use other financial ratios by adding another variable besides the determinant factors applied in this research and testing other factors that may affect the stock price. This consideration aims to boost the value of adjusted R-squared independent variable defining. Furthermore, future researchers are encouraged to use the latest year's samples to obtain diverse characteristics. It is in line with the accuracy of the result acquired and purposes to conclude while comparing one to other companies within pharmaceutical industries listed on Indonesia Stock Exchange.

References

- Ahmed, I. (2018). Impact of Dividend Per Share and Earnings Per Share on Stock Prices: A Case Study From Pakistan (Textile Sector). *IJSSHE-International Journal of Social Sciences, Humanities and Education*, 2(2), 1-10.
- Akhtar, T. (2021). Market Multiples and Stock Returns Among Emerging and Developed Financial Markets. *Borsa Istanbul Review* 1, 44-56.
- Andy, & Johan, S. (2020). Analisis Faktor-Faktor yang Memengaruhi Nilai Perusahaan di Sektor Properti dan Real Estate Terdaftar di Bursa Efek Indonesia pada Tahun 2014-2018. *Jurnal Manajemen Bisnis dan Kewirausahaan/Volume 4/No.6*.
- APBN, B. (2021). Pusat Kajian Anggaran. Badan Keahlian DPR RI Vol.VI, Edisi 7.
- BPS. (2021, November 15). Pertumbuhan Sektor Farmasi 2020. Retrieved from <https://www.bps.go.id/subject/9/industri-besar-dan-sedang.html>
- Bustani, Kurniaty, & Widyanti, R. (2021). Dividend Payout Ratio, and Net Profit Margin on the Stock Price in Indonesia Stock Exchange. *Jurnal Maksipreneur*, 1-18.
- Candera, M., Ermaini, Wiarta, I., Hustia, A., & Putra, I. E. (2021). Macroeconomic Variables and Capital Market Performance: Evidence in Asia Pacific Region. *International Journal of Pharmaceutical Research*, 3170-3179.
- Choi, K.-S., C.So, E., & C.Y.Wang, C. (2021). Going by the Book: Valuation Ratios and Stock Returns. Working Paper, 21-126.
- Colline, F., & Widayanti, R. (2017). Pengaruh Rasio Keuangan Terhadap Harga Saham Perusahaan LQ 45 Periode 2011-2015. *Jurnal Bina Ekonomi Vol.21*.
- Creswell, J. W. (2017). *Research Design: Qualitative, Quantitative, and Mixed Methods Approaches*. Sage Publications.
- Christi, V., & Munari. (2021). Pengaruh Rasio Keuangan Terhadap Harga Saham pada Perusahaan Rokok yang Terdaftar di Bursa Efek Indonesia. *E-Jurnal Manajemen Vol.10, No.5*, 499-518.
- Fahmi, I. (2019). *Analisis Laporan Keuangan*. Bandung : Alfabeta .
- Farras, R., Dewanti, R. W., & Daryanto, W. M. (2020). Financial Ratio Analysis of PT Unilever Indonesia Tbk to Measure Financial Performance. *International Journal of Business, Economics and Law*, Vol.23, Issue 1 December, ISSN 2289-1552.
- Hidayatullah, A. (2021). Pengaruh Kinerja Keuangan Terhadap Pergerakan Harga Saham pada Indeks Saham Syariah Indonesia ISSI "Studi Empiris pada Sektor Mining yang Listing di BEI Periode 2014-2018". Malang: Fakultas Ekonomi dan Bisnis Universitas Islam Malang.
- Lamuda, I. Y. (2020). The Analysis of Wealth Structure and Firm Size on Firm Value of Food and Beverage. *ATESTASI: Jurnal Ilmiah Akuntansi*, 3(2), 106-112.
- Maghfirah, S. (2018). Pengaruh Rasio Keuangan Terhadap Harga Saham Perusahaan Yang Terdaftar di Jakarta Islamic Index (JII). Banda Aceh: Fakultas Ekonomi dan Bisnis Islam Universitas Islam Negeri Ar-Raniry.
- Mahrinal, F. (2019). Analisis Pengaruh Rasio Keuangan, Pertumbuhan Perusahaan, dan Kebijakan Dividen Terhadap Harga Saham (Studi Kasus pada Bank Dengan Kapitalisasi Pasar Menengah dan Besar di ASEAN Tahun 2008-2017). Jakarta: Universitas Islam Negeri Syarif Hidayatullah.
- Maisah, & Nurfadillah, M. (2020). Pengaruh Current Ratio dan Return on Investment Terhadap Harga Saham dengan Price Earning Ratio sebagai Variable Moderasi. *Borneo Student Research*, Vol.1 No.3, 2721-5727.
- Muhaemi, & Muhammad, E. (2019). Pengaruh Current Ratio, Debt to Equity Ratio, Total Asset Turnover dan Return on Asset. 2019: Universitas Pelita Bangsa.
- Nisa, H. (2018). Pengaruh Rasio Keuangan Terhadap Harga Saham Pada Industri Sektor Pertanian Yang Terdaftar di Bursa Efek Indonesia Tahun 2012-2016. Universitas Negeri Yogyakarta.
- Pramisti, Y. D., & Cakranegara, P. A. (2021). The Influence of Profitability and Debt Ratios Towards the Stock Return of Cosmetic Industry in Indonesia. *Enrichment: Journal of Management*, 12(1), 965-971.
- Purwanto, & Calista, T. N. (2021). Factor That Affecting Debt to Equity Ratio in the Indonesia's Tourism Industry Sector. *Sistem Informasi, Manajemen, dan Akuntansi (SIMAK)*.
- Rahmat, & Nurfadillah, M. (2019). Pengaruh Debt to Equity Ratio dan Earning Per Share Terhadap Harga Saham dengan Price Earning Ratio sebagai Variabel Moderasi pada Perusahaan Manufaktur yang Terdaftar di BEI. *Borneo Student Research*.
- Rukmini, F., & Hadi, D. S. (2020). The Influence of Liquidity, Solvability, and Profitability to Stock Price on Sector Food and Beverage Listed on The Indonesia Stock Exchange Period 2015-2019. *Indonesian College of Economics*.
- Rusdiyanto. (2020). The Effect of Earning Per Share, Debt to Equity Ratio, and Return on Assets on Stock Prices: Case Study Indonesian. *Academy of Entrepreneurship Journal*.
- Sari, C. T., & Suharti, M. (2021). The Effect of Taxes, Earning Per Share, and Sales Growth on Stock Prices in the COVID-19 Pandemic (Empirical Study of Health and Pharmaceutical Sector Listed in the Jakarta Stock Exchange 2016-2020). *International Journal of Economics, Business and Accounting Research (IJE BAR)*.

- Sari, N. M., & Yasa, G. W. (2021). The Effect of Financial Ratios on Changes in Stock Prices of Building Construction Subsectors in Indonesia Stock Exchange During Covid-19 Pandemic in 2020. *American Journal of Humanities and Social Sciences Research (AJHSSR)*, 491-497.
- Sharma, P. C. (2020). Impact of Political Connections on Chinese Export Firm's Performance - Lessons for Other Emerging Markets. *Journal of Business Research*, 24-34.
- Sugiyono. (2017). *Metode Penelitian Bisnis: Pendekatan Kuantitatif, Kualitatif, Kombinasi, dan R&D* (26th Edition). Bandung: Alfabeta.
- Syafitri, Y. (2017). Pengaruh Kinerja Keuangan Terhadap Harga Saham Pada Perusahaan Industri Farmasi Yang Terdaftar di Bursa Efek Indonesia Periode 2013-2015. *Jurnal Kompetitif*.
- Syam, R. Z. (2018). Analisis Kinerja Keuangan Pada Perusahaan Manufaktur Yang Terdaftar di Bursa Efek Indonesia . Makassar: Fakultas Ekonomis dan Bisnis Universitas Muhammadiyah.
- Zahro, K., & Jamil, S. H. (2021). Pengaruh Kinerja Keuangan Terhadap Harga Saham Perusahaan Farmasi.