

The Role of Profitability in Mediating the Relationship Between Liquidity on Stock Prices for the Period 2013-2022

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Abstrak

Penelitian ini bertujuan untuk menganalisis peran Rasio Profitabilitas (Net Profit Margin) dalam memediasi hubungan antara Rasio Likuiditas (Current Ratio) dengan Harga Saham (Return) pada Perusahaan yang berada pada indeks LQ45 periode 2013-2022. Populasi pada penelitian ini adalah seluruh Perusahaan yang terdapat pada indeks LQ45 yang berjumlah 45 Perusahaan. Indeks LQ45 merupakan indeks yang berisi Kumpulan Perusahaan dengan kinerja saham paling liquid di dalam bursa efek Indonesia (BEI), dimana Perusahaan tersebut memiliki kriteria yang sesuai seperti memiliki kapitalisasi pasar yang besar, kinerja saham yang baik dalam periode tertentu, dan kondisi Perusahaan yang sehat, sehingga indeks LQ45 merupakan indeks yang menjadi favorit para investor. Sampel Perusahaan ditentukan dengan metode Purposive Sampling dengan kriteria Perusahaan yang konsisten masuk indeks LQ45 selama periode 10 tahun 2013-2022 dan memiliki data-data yang dibutuhkan pada penelitian, didapat jumlah sampel sebanyak 19 Perusahaan. Metode yang digunakan adalah Analisis Statistik Deskriptif, Regresi Linear Berganda, Analisis Jalur, dan Uji Sobel. Alat analisis yang digunakan adalah IBM SPSS25. Variabel bebas pada penelitian ini adalah *Current Ratio* (CR), variabel terikatnya adalah *Return Saham*, dan variabel mediasinya adalah *Net Profit Margin* (NPM). Hasil riset ini menunjukkan bahwa CR tidak berpengaruh terhadap *Return Saham*, NPM berpengaruh Positif dan Signifikan terhadap *Return Saham*, CR berpengaruh Negatif dan Signifikan terhadap NPM, dan NPM mampu untuk memediasi secara penuh dan Signifikan hubungan antara CR dengan *Return Saham*.

Kata kunci: *Current Ratio, Net Profit Margin, Return Saham.*

Abstract

This study explores how the Net Profit Margin (NPM) acts as an intermediary in the connection between the Current Ratio (CR) and stock returns for companies included in the LQ45 Index over the period from 2013 to 2022. The study population includes all companies within the LQ45 Index, which totals 45 firms. The LQ45 Index features a group of companies with the highest liquidity in their stock performance on the Indonesia Stock Exchange (IDX). To be included, companies must have significant market capitalization, impressive stock performance over time, and strong financial health. Consequently, the LQ45 Index is highly favored by investors. Using Purposive Sampling, the sample is limited to companies that have been continuously listed on the LQ45 Index throughout the 10-year span and have the requisite data, leading to a selection of 19 companies. Analytical methods employed include Descriptive Statistical Analysis, Multiple Linear Regression, Path Analysis, and the Sobel Test, with IBM SPSS25 used for data analysis. In this research, the Current Ratio (CR) serves as the independent variable, Stock Return is the dependent variable, and the Net Profit Margin (NPM) acts as the mediating variable. Findings reveal that the Current Ratio does not significantly impact Stock Return, the Net Profit Margin has a positive and significant effect on Stock Return, the Current Ratio negatively and significantly affects the Net Profit Margin, and the Net Profit Margin fully and significantly mediates the impact of the Current Ratio on Stock Return.

Keywords: *Current Ratio, Net Profit Margin, Stock Return.*

INTRODUCTION

The popular investment instrument is stocks, where stocks represent ownership in a company that can be bought and sold through the capital market. In selecting a stock to invest in, an investor must surely gather information about the company that is the target of their investment, (Mulyan Utami et al., 2024). This is intended to understand the condition of a company that will be pursued, whether it is in good condition or not, and also to become more familiar with information about the company.

Basically, the income derived from investing in a company is dividends. However, most investors expect to earn income from stock investments presented as Capital Gain, which represents a rise in the stock price over time. This is because investors believe that expecting returns from Capital Gain is more advantageous than dividends, although it also comes with greater risks. Stock prices are subject to continuous changes based on the principles of Supply and Demand. These economic principles are shaped by various factors, both external and internal. External factors encompass macroeconomic elements such as inflation rates, interest rates, and exchange rates. Typically, investors may not place significant emphasis on these macroeconomic variables when planning their stock market investments, as they often believe that inflation, exchange rates, and interest rates have a limited impact on stock prices., (Veronica & Pebriani, 2020).

When evaluating an investment in a company, investors often rely on fundamental analysis. This approach entails examining and collecting information about the company's performance during a specific period by reviewing its financial statements, which are made available through documents from the Indonesia Stock Exchange (IDX) (Oktavia et al., 2021). Fundamental analysis focuses on assessing the internal health of a company to determine whether it is performing well or not. (Suryawan & Wirajaya, 2017).

In Indonesia's stock market, there are several indices that categorize specific stocks on the exchange. One of the indices that is often favored by both novice and professional investors is the LQ45 index, due to the high liquidity and large market capitalization of the stocks included in it, (Santosa et al., 2024). The LQ45 index was first introduced by the Indonesia Stock Exchange (IDX) in 1977. This index selects 45 companies with the best stock performance on the exchange, based on criteria such as high liquidity, large market capitalization, strong fundamental conditions of the companies, growth prospects, and others. Companies included in the LQ45 index consistently rank among the top 60 companies with the highest market capitalization on the IDX.

Based on data processed in LQ45 index, It highlights a notable surge in stock returns in 2016, which rose sharply from -22.7% in 2015 to 43.7% within the span of a year. This significant increase can be attributed to the improved economic conditions in Indonesia during 2016, where the economy grew at a rate of 5.02%., (Badan Pusat Statistik, 2017). Data from the United Nations Statistics Division in 2016 indicates that Indonesia was ranked 4th worldwide among 15 countries where manufacturing industries contributed 10% to GDP. In contrast, the previous year, 2015, saw the deepest decline in stock returns in the past decade, reaching -22.7%. This was attributed to the domestic economic slowdown, as reflected in September 2015 when the IHSG reached its lowest point at that time, (Anthony Kevin, 2018). In 2020, the stock return rate experienced a notable drop to -5.1%, primarily because of the announcement that the Covid-19 pandemic had reached Indonesia. This event caused a severe downturn in both the national and global economies.

The liquidity ratio is a key factor affecting stock prices because it offers essential insights into a company's short-term growth and operational progress. If a company has trouble meeting its short-term liabilities and managing its immediate operations, it could face more significant difficulties in the long run, (Fitrianingsih & Budiansyah, 2018). The main ratio used to evaluate a company's short-term liquidity is the current ratio. This ratio assesses the

company's ability to cover its short-term liabilities relative to its current assets, without taking into account the varying liquidity levels of those assets, (Maylani Pratiwi & Rizca Amelia, 2020). A higher current ratio is considered to positively influence stock prices, as it suggests that the company is effectively managing its operational needs. This improved liquidity can signal to investors that the company's stock price may rise, (Chandra Batubara & Purnama, 2018). Conversely, if the current ratio decreases, the company's stock price is likely to decline.

The data processed, show the movement of the mean current ratio of companies within the LQ45 index during the period 2013-2022. From 2014 to 2017 over a span of 3 years, the liquidity of these companies consistently increased above 11,6%, rising from 171.0 in 2014 to 190.8 by 2017, marking a significant improvement in liquidity levels. This performance reflects positively on the companies, potentially signaling favorable conditions for investors to consider investing and purchasing their stocks. However, this trend contrasts sharply with the stock return, which shows significant fluctuations and declines in stock returns in 2015 and 2017. This discrepancy challenges the Signalling Theory, which suggests that information provided by companies, such as the current ratio, should serve as signals for investors to plan their investments, (Tao-Schuchardt et al., 2023). This discrepancy creates a notable Theory Gap in the connection between current ratio and stock returns.

Previous studies on factors affecting stock prices have examined similar variables, revealing that the current ratio (CR) has a notable positive impact on stock prices. This implies that a higher current ratio can lead to a rise in stock prices, (Siahaan et al., 2023). This finding aligns with studies by (Chandra Batubara & Purnama, 2018), (Fitrianingsih & Budiansyah, 2018), and (Pratama & Erawati, 2014), which also indicate a positive effect of current ratio on stock prices. However, (Maylani Pratiwi & Rizca Amelia, 2020) reported a non-significant negative impact of the current ratio, suggesting that a high current ratio may not sufficiently reflect a company's good condition in terms of probability percentage. This result aligns with the findings of the study by, (Indah Sari, 2020). Another study by (Suryawan & Wirajaya, 2017) It also showed that the current ratio does not significantly impact stock prices.

With the contradiction of research results and the previously explained Theory Gap, this study introduces a new variable as an intervening variable, namely Net Profit Margin (NPM). Net Profit Margin is a ratio that illustrates a company's ability to generate net profit in relation to its sales, (Stema, 2019). According to Signalling Theory, profitability ratios serve as important indicators that influence investor decisions. A high net profit margin indicates that a company is efficient in converting sales into profits while controlling its operational costs. Investors tend to trust companies with high profitability to offer substantial dividends and to grow their business in the future. As a result, a higher Net Profit Margin (NPM) draws investors to the company, subsequently boosting its stock price, (Dewi & Solihin, 2020).

Previous research that explored profitability ratios as intervening variables or mediators in the connection between liquidity ratios and stock prices has been conducted by (Sudarman, 2017), (Sudirman et al., 2020), (Saifullah, 2020), dan (Ardiana & Chabachib, 2018) These studies indicate that profitability ratios significantly mediate the relationship between current ratios and stock returns. Therefore, this research is entitled **“The Role of Profitability in Mediating The Relationship Between Liquidity on Stock Prices for The 2013-2022 Period (Empirical Study on Companies Included in The LQ45 Index).”**

METHODOLOGY

Types of Research

This research falls under the category of Causal Research, which aims to investigate cause-and-effect relationships (Causal Effect) among various variables developed within the field of management science. Based on this approach, the study intends to draw general conclusions, (Ferdinand, 2014). Causal research typically involves experimental or quasi-

experimental designs to establish causal relationships between independent and dependent variables, allowing researchers to infer how changes in one variable may influence another.

Population and Sample

Population refers to the entire collection of elements, which can be individuals or entities, events that are considered the universe of study and the focus of research, (Ferdinand, 2014). In this research, the population comprises the 45 companies that are included in the LQ45 index.

Sample is a subset consisting of several members from the population, (Ferdinand, 2014). It can be seen as a representative portion that researchers study from the entire population. In this research, Non-Probability Sampling is employed, specifically using Purposive Sampling. With Purposive Sampling, researchers selectively choose samples based on specific criteria that they consider significant for the research, (Ferdinand, 2014). The sampling criteria for this study include companies that continuously remained on the LQ45 index from 2013 to 2022 without any exits, and that have complete data required for the research. Out of this, 19 companies that fulfilled the criteria and will be used as the sample for the research. This method ensures that the research focuses on companies pertinent to the study's objectives and that have the necessary data.

Research Data

The data for this study is secondary data, meaning it consists of information that already exists or has been collected by others before the researchers. This data is usually found in documents, (Ferdinand, 2014). The research utilizes quantitative data sourced from the annual reports published by the companies. These reports are accessible to the public via the companies' official websites or the Indonesian Stock Exchange (IDX) website.

Analysis Method

Analysis of data within this study will be conducted using SPSS version 25 software. The data analysis process will involve several steps: Classical Assumptions Testing, Hypothesis Testing (t-test), Path Analysis, and Sobel Test.

RESULTS AND DISCUSSION

Classical Assumptions Testing

1. Normality Test

The aim of the normality test is to assess whether the data in the study follows a normal distribution. Data is considered to be of good quality if it exhibits a normal distribution, (Ghozali, 2018). In this study, it is essential to assess the normality of all data through the Kolmogorov-Smirnov test.

Table 1. Output of the Normality Test for the entire Dataset

One-Sample Kolmogorov-Smirnov Test

		CR	NPM	RETURN
N		190	190	190
Normal Parameters ^{a,b}	Mean	173.497	17.235	8.274
	Std. Deviation	130.2193	11.7126	36.9364
Most Extreme Differences	Absolute	.125	.149	.119
	Positive	.099	.149	.119
	Negative	-.125	-.063	-.078
Test Statistic		.125	.149	.119
Asymp. Sig. (2-tailed)		.000 ^c	.000 ^c	.000 ^c

a. Test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

In Table 1, it is stated that the Asym. Sig (2-tailed) values of the three variables are 0.000, which is less than 0.05 (5%). To pass the normality test (K-S), the Asmp. Sig value must be greater than 0.05. Consequently, if this condition is not met, it indicates that the data in the research is not normally distributed.

Due to the non-normal distribution of the data in the study, it is essential to perform a data quality test. This test is conducted to detect non-normally distributed data points that contribute to the overall non-normality of the study data. One solution to detect non-normal data is to use an Outlier test, (Ghozali, 2018). Outliers are data points that exhibit unique and extremely different characteristics or values compared to other data points. In this study, the Outlier test will be performed using Boxplots, which involve identifying and potentially removing data points with extreme values that contribute to the non-normality of the data.

Table 2. Data that are indicated as Outliers

Code	YEAR	Current Ratio	Net Profit Margin	Stock Return
BBNI	2017	42.0	30.5	79.3
ADRO	2016	250.0	23.3	229.1
	2022	220.0	53.2	71.1
INCO	2022	565.0	17.0	51.7
INTP	2013	615.0	26.8	-10.9
ITMG	2016	226.0	10.0	194.8
	2022	326.0	33.0	91.3
PTBA	2016	165.6	14.3	176.2

Table 2 shows the data indicated as outliers, or data with extreme value distributions that differ from the rest of the dataset, causing the data to be non-normal. There are a total of 8 data points from 6 samples identified as outliers that need to be removed from the research data. Subsequently, normality tests can be conducted on each substructure of the research model.

- Normality Test of Substructure 1

Follow from (Mehta & Patel, 2013), it is stated that using Asymptotic P Values in the Kolmogorov-Smirnov test is highly discouraged for studies with small sample sizes. Given that this research involves a total of 190 samples, it is strongly recommended to use Exact P Values in the Kolmogorov-Smirnov normality test. The outcomes of the K-S test, with Exact P Values, are as follows:

**Table 3. Normality Test of Substructure 1
One-Sample Kolmogorov-Smirnov Test**

		Unstandardized Residual
N		182
Normal Parameters ^{a,b}	Mean	.0000000
	Std. Deviation	10.74053534
Most Extreme Differences	Absolute	.071
	Positive	.071
	Negative	-.047
Test Statistic		.071

Asymp. Sig. (2-tailed)	.024 ^c
Exact Sig. (2-tailed)	.296
Point Probability	.000

- a. Test distribution is Normal.
b. Calculated from data.
c. Lilliefors Significance Correction.

Table 3 above presents the outcomes of the normality test for Substructure 1, with an Exact Sig. value of 0.296, which is greater than 0.05. Thus, it can be inferred that the residual data adheres to a normal distribution.

- Normality Test of Substructure 2

**Table 4. Normality Test of Substructure 2
One-Sample Kolmogorov-Smirnov Test**

		Unstandardized Residual
N		182
Normal Parameters ^{a,b}	Mean	.0000000
	Std. Deviation	25.42923038
Most Extreme Differences	Absolute	.042
	Positive	.042
	Negative	-.035
Test Statistic		.042
Asymp. Sig. (2-tailed)		.200 ^{c,d}
Exact Sig. (2-tailed)		.893
Point Probability		.000

- a. Test distribution is Normal.
b. Calculated from data.
c. Lilliefors Significance Correction.
d. This is a lower bound of the true significance.

Table 4 displays the output of the normality test for Substructure 2, where the Exact Sig. value is 0.893 > 0.05. Therefore, it can be inferred that the residual data conforms to a normal distribution.

2. Multicollinearity Test

The objective of the multicollinearity test is to identify whether there is a correlation between the independent variables in a regression model, (Ghozali, 2018). To assess multicollinearity in this research model, we evaluate the VIF values. The results of this analysis are presented in the table below:

**Table 5. Output of Multicollinearity Test
Coefficients^a**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)	-8.368	5.095		-1.642	.102		
CR	.014	.016	.065	.833	.406	.870	1.149
NPM	.585	.177	.257	3.308	.001	.870	1.149

a. Dependent Variable: RETURN

According to Table 5, the findings of the multicollinearity test show that the Tolerance values for each independent variable are 0.870, which is greater than 0.10, and the VIF values are 1.149, which is less than 10. Hence, the regression model employed in this research satisfies the assumptions of classical multicollinearity tests. It can be inferred that the regression model does not exhibit multicollinearity, indicating that the model is appropriate.

3. Heteroscedasticity Test

A good regression model should exhibit homoscedasticity, meaning the variance of the residuals is constant and there is no mismatch, (Ghozali, 2018). The Glejser test will be used to detect whether there is heteroscedasticity in this study. The findings of the test are displayed in the table below:

- Glejser Test of Substructure 1

Table 6. Glejser Test of Substructure 1
Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	11.568	.742		15.583	.000
CR	-.017	.004	-.340	-4.858	.000

a. Dependent Variable: ABS1

In Table 6 above, it is noted that the significance value (sig.) for the Current Ratio variable is 0.000, which is less than 0.05. This suggests that the model displays heteroskedasticity. To address this issue, a White test will be performed. The presence of heteroskedasticity is determined by comparing the calculated Chi-Square value ($n \cdot R$ Squared) with the Chi-Square table. For heteroskedasticity to be absent, the calculated Chi-Square value should be lower than the value in the Chi-Square table, (Winarno, 2015).

Table 7. White Test of Substructure 1

R-Squared :0.157		n: 182	
Chi-Square Hitung	28.574	Chi-Square Tabel	212.303913

Based on the White test findings shown in Table 7 above, the calculated Chi-Square value is 28.574, which is lower than the Chi-Square table value of 212.303913. Thus, it can be concluded that the model is considered robust, as it demonstrates homoscedasticity and is free from heteroskedasticity.

- Glejser Test of Substructure 2

Table 8. Glejser Test of Substructure 2
Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1	(Constant)	18.775	3.186	5.892	.000
	CR	.013	.010	1.298	.196
	NPM	-.079	.111	-.057	.474

a. Dependent Variable: ABS2

Table 8 displays the results of the Glejser test for Substructure 2. The significance values (Sig.) are 0.196 for the Absolute residual of the Current Ratio (CR) variable and 0.474 for the Net Profit Margin (NPM) variable, both of which are greater than 0.05. These findings suggest that the model demonstrates homoscedasticity.

4. Linearity Test

This testing aims to examine whether the regression model operates linearly or follows a straight line. A good regression model is characterized by linearity, meaning the movement in one variable is linearly followed by another variable, (Ghozali, 2018). Below are the findings of the linearity test:

- Linearity Test of Substruktur 1

Table 9. Linearity Test of Substructure 1

ANOVA Table			Sum of Squares	df	Mean Square	F	Sig.
NPM * CR	Between Groups	(Combined)	20943.192	139	150.670	2.074	.004
		Linearity	3113.658	1	3113.658	42.870	.000
		Deviation from Linearity	17829.534	138	129.200	1.779	.016
	Within Groups		3050.463	42	72.630		
	Total		23993.655	181			

Table 9 above shows that the significance (Sig.) value for Deviation From Linearity is 0.016, which is less than 0.05. This suggests that there is no significant linear connection between the Current Ratio (CR) variable and the Net Profit Margin (NPM) variable in the model.

To address this issue, data transformation should be performed on the CR variable to create a transformed variable, CR_trans. Subsequently, a linearity test should be conducted using the transformed data.

Table 10. Linearity Test of Substructure 1 (after data transform)

ANOVA Table			Sum of Squares	df	Mean Square	F	Sig.
NPM * CR_trans	Between Groups	(Combined)	23549.635	178	132.301	.894	.657
		Linearity	3841.703	1	3841.703	25.956	.015
		Deviation from Linearity	19707.932	177	111.344	.752	.734
	Within Groups		444.020	3	148.007		
	Total		23993.655	181			

According the output of the linearity test for Substructure 1 after data transformation In Table 10 above, the significance (Sig.) value for Deviation From Linearity is 0.734, which is greater than 0.05. Hence, it can be determined that the model now exhibits a linear and significant relationship among the variables.

- Linearity Test of Substructure 2

Table 11. Linearity Test of Substructure 2 (CR to Return)

ANOVA Table

			Sum of Squares	df	Mean Square	F	Sig.
RETURN * CR_trans	Between Groups	(Combined)	123873.368	178	695.918	4.947	.105
		Linearity	181.300	1	181.300	1.289	.339
		Deviation from Linearity	123692.069	177	698.825	4.968	.105
	Within Groups		422.025	3	140.675		
	Total		124295.393	181			

In Table 11, it is noted that the significance (Sig.) the value of Deviation From Linearity is $0.105 > 0.05$. This indicates that the relationship between the Current Ratio (CR_trans) variable and the Stock Return (RETURN) variable is linear or operates around a straight line.

Table 12. Linearity test of Substructure 2 (NPM to Return Saham)

ANOVA Table

			Sum of Squares	df	Mean Square	F	Sig.
RETURN * NPM	Between Groups	(Combined)	89612.947	132	678.886	.959	.584
		Linearity	6798.458	1	6798.458	9.605	.003
		Deviation from Linearity	82814.489	131	632.172	.893	.697
	Within Groups		34682.446	49	707.805		
	Total		124295.393	181			

Table 12 presents the findings of the linearity test for Substructure 2, which examines the relationship between Net Profit Margin (NPM) and Stock Return (RETURN). The significance (Sig.) value for Deviation From Linearity is 0.697, which is greater than 0.05. Consequently, it can be concluded that the regression model demonstrates a linear relationship and thus passes the linearity test.

Hypothesis Testing Results

1. T test (Partial)

The statistical test or t-test (partial) assesses the significance of how an independent variable influences a dependent variable and identifies the direction of their relationship, (Ghozali, 2018). The partial t-test findings obtained are as follows:

Table 13. Partial Test of Substructure 1

Coefficients^a

		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
Model		B	Std. Error	Beta		
1	(Constant)	23.063	1.319		17.483	.000
	CR_trans	-.037	.006	-.400	-5.858	.000

a. Dependent Variable: NPM

**Tabel 14. Partial Test of Substructure 2
Coefficients^a**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1	(Constant)	-8.524	5.237	-1.628	.105
	CR_trans	.014	.017	.066	.406
	NPM	.592	.180	3.289	.001

a. Dependent Variable: RETURN

1. The Influence of Current Ratio on Stock Price

In Table 14, which presents the output of the t-test for Substructure 2, the significance value is 0.406. The computed t-value (t-statistic) for the variable CR_trans is 0.833. With a significance level of 0.05 and degrees of freedom (df) of 179 (computed as 182 - 3), the critical t-value (t-table) is 1.65341. Given that the calculated t-value of 0.833 is less than the critical t-value of 1.65341, and the significance value (Sig.) of 0.406 is greater than 0.05, it can be concluded that the Current Ratio has a positive but statistically insignificant effect on Stock Returns. Therefore, **Hypothesis 1 is rejected**.

2. The Influence of Net Profit Margin on Stock Price

In Table 14, which displays the t-test results for Substructure 2, the connection between Net Profit Margin (NPM) and RETURN shows a calculated t-value (t-statistic) of 3.289 with a significance value (Sig.) of 0.001. Given that the critical t-value (t-table) at a 0.05 significance level and 79 degrees of freedom (calculated as 182 - 3) is 1.65341, and the computed t-value of 3.289 surpasses this critical value, while the significance value of 0.001 is below 0.05, it can be concluded that the Net Profit Margin positively and statistically significant impact on Stock Returns. Therefore, **Hypothesis 2 is accepted**.

3. The Influence of Current Ratio on Net Profit Margin

According to the t-test results in Table 13 for Substructure 1, the connection between the CR_trans variable and NPM shows a calculated t-value (t-statistic) of -5.858 with a significance value (Sig.) of 0.000. With a significance level of 0.05 and degrees of freedom (df) of 180 (computed as 182 - 2), the critical t-value (t-table) is approximately 1.65336. Since the computed t-value of -5.858 is below the critical t-value of -1.65336, and the significance value of 0.000 is less than 0.05, it can be concluded that the Current Ratio has a negative and statistically notable impact on the Net Profit Margin. Therefore, **Hypothesis 3 is rejected**.

2. Path Analysis

Path analysis is a statistical technique aimed at quantifying the causal relationships or cause-effect sizes of a multiple regression model, where the independent variables are not solely related to the dependent variable directly but also have indirect relationships through other variables, known as mediator variables (Z) in this context, (Ferdinand, 2014).

1 Path Coefficient Model and Structural Equation for Substructure 1**Table 15
Model Summary of Substructure 1**

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.400 ^a	.160	.155	10.5809

a. Predictors: (Constant), CR_trans

Table 16
Coefficients of Substructure 1
Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	23.063	1.319		17.483	.000
	CR_trans	-.037	.006	-.400	-5.858	.000

a. Dependent Variable: NPM

In the table provided above, the R-Square value is 0.160, indicating that the Current Ratio variable accounts for 16% of the variation in the Net Profit Margin variable. The rest of the 84% is attributed to additional factors not included in this study. To determine the error value, it is calculated as $\sqrt{(1 - 0.160)} = 0.9165$. Hence, the regression equation for Substructure 1 can be expressed as follows:

$$\text{NPM} = 23,063 - 0,037 \text{ CR} + 0,9165$$

2. Path Coefficient Model and Structural Equation for Substructure 2

Table 17
Model Summary of Substructure 2

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.242 ^a	.058	.048	25.5709

a. Predictors: (Constant), NPM, CR_trans

Table 18
Coefficients of Substruktur 2
Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-8.524	5.237		-1.628	.105
	CR_trans	.014	.017	.066	.833	.406
	NPM	.592	.180	.260	3.289	.001

a. Dependent Variable: RETURN

In Table 17, the R-Square value for Substructure 2 is 0.058. This indicates that the Current Ratio and Net Profit Margin variables together account for 5.8% of the variation in the Stock Price. The remaining 94.2% of the variation is due to other factors not accounted for in the model. The error value is calculated as $\sqrt{(1 - 0.058)} = 0.9706$. Therefore, the regression equation for path substructure 2 is:

$$\text{Stock Price} = -8,524 + 0,014 \text{ CR} + 0,592 \text{ NPM} + 0,9706$$

3. The Influence of Current Ratio on Stock price through Net Profit Margin.

Direct Effect : 0,014

Indirect Effect : $-0,037 \times 0,592 = -0,0219$ Total Effect : $0,014 + (-0,0219) = -0,0079$

Based on the calculations, the total indirect effect of the Current Ratio on Stock Return through the Net Profit Margin is -0.0079. This indicates that the Net Profit Margin acts as a mediator in the relationship between the Current Ratio and Stock Return. The significance of the indirect effect, combined with the insignificance of the direct effect, supports this conclusion, (Baron & Kenny, 1986). Therefore, the Net Profit Margin fully mediates the connection between the Current Ratio and Stock Return, (Ghozali, 2018).

3. Sobel test

The Sobel test is employed to assess the importance of a mediation effect. To perform the Sobel test, the following steps are undertaken:

Calculating the Standard Error of the indirect effect of CR on Stock Price through NPM:

SeZXYZ = Standard error of the Mediation Effect

SeYZ = Standard error of the Regression Coefficient of Z on Y.

SeZX = Standard error of the Regression Coefficient of X on Z.

pZX = Path Coefficient of X on Z.

pYZ = Path Coefficient of Z on Y.

$$\begin{aligned}
 SeZXYZ &= \sqrt{pZX^2 \cdot SeYZ^2 + pYZ^2 \cdot SeZX^2 + SeZX^2 \cdot SeYZ^2} \\
 &= \sqrt{-0,037^2 \cdot 0,180^2 + 0,592^2 \cdot 0,0006^2 + 0,0006^2 \cdot 0,180^2} \\
 &= \sqrt{0,001369 \cdot 0,0324 + 0,350464 \cdot 0,000036 + 0,000036 \cdot 0,0324} \\
 &= \sqrt{0,0000443556 + 0,000012616704 + 0,0000011664} \\
 &= \sqrt{0,000058138704} \\
 SeZXYZ &= 0,007624874
 \end{aligned}$$

To calculate the Sobel test statistic (Z-score), you divide the coefficient of the indirect effect by its standard error.

$$\begin{aligned}
 t &= \frac{PZXYZ}{SeZXYZ} \\
 &= \frac{-0,0219}{0,007624874} \\
 t &= -2,87218
 \end{aligned}$$

The Sobel test calculation yields a Sobel test statistic (Z-score) of -2.87218, which is below the threshold Z-value of -1.96 at a 5% significance level (0.05) according to the Z-table. Therefore, it can be concluded that the Net Profit Margin has a significant impact and negatively mediates the relationship between the Current Ratio and Stock Return. Hence, **Hypothesis 4 is accepted.**

DISCUSSION

The research's findings suggest that the current ratio does not significantly influence stock prices, contrary to what Signalling Theory would predict. Both rises and falls in the current ratio seem to have no substantial effect on a company's stock prices. This is likely because the current ratio alone does not provide meaningful signals to investors, who may prioritize other variables or factors as more significant in their investment decisions. These results align with previous research on the topic, (Suryawan & Wirajaya, 2017), (Maylani Pratiwi & Rizca Amelia, 2020), (HM Hasibuan & Septian Rahman, 2023), and (Muslikin & Afrenal Alim, 2023).

The net profit margin ratio positively and significantly affects a company's stock price, indicating that profitability ratios can be a powerful signal for attracting investors. Since the primary goal of any business is to earn profit, companies that achieve high profitability ratios are viewed favorably by investors. Such companies are often seen as having strong performance and can offer returns either through dividend payments or increased stock prices, also known as capital gains. These findings are in line with previous research, (Siahaan et al., 2023), (Sudirman et al., 2020), (Dewi & Solihin, 2020), and (Fitriano & Herfianti, 2021).

The research findings reveal that the current ratio has a significant negative effect on the net profit margin, suggesting that higher liquidity within the company tends to lower profitability. This phenomenon may be attributed to indications of underutilized company resources, where a higher current ratio without a corresponding increase in profitability suggests that there are many current assets within the company that are not productive. This situation is detrimental to the company's overall performance and is not favorable. This conclusion aligns with the study by, (Sudirman et al., 2020).

The net profit margin ratio can act as a mediator in the relationship between the current ratio and stock price. Profitability ratios can serve as a stronger signal in influencing investor investment plans in a company compared to liquidity ratios. When profitability increases, it signals to investors that the company is capable of providing returns. Investors believe that a company with good profitability will be able to benefit shareholders, including through substantial dividend payouts. A company's efforts to increase profitability involve effectively utilizing available resources, including current assets, to support its operations and investments. These results are consistent with studies carried out by, (Sudirman et al., 2020), (Sudarman, 2017), (Ardiana & Chabachib, 2018), and (Kurniawan et al., 2016).

CONCLUSION

This research examines 19 companies that were continuously included in the LQ45 index from 2013 to 2022. The objective is to explore how the net profit margin profitability ratio mediates the relationship between the current ratio and stock prices. The study's findings show that the current ratio does not significantly affect stock prices, implying it does not offer a robust signal to attract investors. Nevertheless, the profitability ratio can mediate the connection between the current ratio and stock prices. Strong company profitability serves as an effective signal for attracting investment, as investors are inclined to invest in companies with solid profitability, believing they will deliver returns through shareholder value and dividend policy. To boost their stock prices, companies included in the LQ45 index should focus on enhancing their profitability ratios to provide compelling signals to investors. To enhance profitability, management must optimally utilize the company's resources, particularly current assets, to support operational activities and investments.

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