JURNAL JUKIM Vol 5 No. 04 Juli 2026 | P-ISSN: 2829-0488 E-ISSN: 2829-0518, page. 73-77

Effects of Current Ratio, Debt-to-Equity Ratio, and Return on Equity on PT United Tractors Tbk Stock Price

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Article History
Received : 15 June 2026
Revised : 30 June 2026
Accepted : 6 July 2026
Published : 21 July 2026

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Cite This Article:
Suwardi, S., Ayu, M. A., & Tanamas, R. R. (2026). Effects of Current Ratio, Debt-to-Equity Ratio, and Return on Equity on PT United Tractors Tbk Stock Price. *Jurnal Ilmiah Multidisiplin*, *5*(04), 73–77.

DOI:
https://doi.org/10.56127/jukim.v5i04.3003

Abstract: This study examines the effects of the Current Ratio, Debt-to-Equity Ratio, and Return on Equity on the stock price of PT United Tractors Tbk during the 2016–2023 period. The study employed a quantitative approach using secondary data obtained from the company's quarterly financial statements and stock price records published by the Indonesia Stock Exchange and the company's official website. Purposive sampling was applied, resulting in 32 quarterly observations. The data were analyzed using descriptive statistics, classical assumption tests, multiple linear regression, partial significance tests, simultaneous significance tests, and the coefficient of determination with IBM SPSS version 25. The results show that the Current Ratio has a negative and significant effect on stock price, with a significance value of 0.030. In contrast, the Debt-to-Equity Ratio and Return on Equity do not have significant partial effects, with significance values of 0.087 and 0.380, respectively. Simultaneously, the three financial ratios have a significant effect on stock price, as indicated by a significance value of 0.049. The adjusted coefficient of determination is 0.160, indicating that the model explains 16% of the variation in stock price, while the remaining 84% is associated with factors outside the model. These findings indicate that liquidity, leverage, and profitability should be considered collectively when evaluating stock price movements, although other financial and market-related factors remain dominant.
Keywords: Current Ratio, Debt-to-Equity Ratio, Return on Equity, Stock Price, United Tractors

INTRODUCTION

The capital market plays an essential role in facilitating corporate financing and providing investment opportunities for individuals and institutional investors. Stock prices represent market perceptions of a company's current performance and future prospects, making them one of the primary indicators used in investment decision-making. Fluctuations in stock prices are influenced by both internal corporate performance and external macroeconomic conditions, with financial performance remaining one of the most fundamental considerations for investors (Brigham & Houston, 2022; Gitman, Juchau, & Flanagan, 2021). Consequently, financial statement analysis has become an indispensable tool for evaluating firm value and predicting stock price movements.

Financial ratios are widely employed to assess a company's liquidity, leverage, and profitability because they provide measurable indicators of financial performance. Among these ratios, the Current Ratio (CR), Debt-to-Equity Ratio (DER), and Return on Equity (ROE) are frequently used by investors to evaluate a firm's operational efficiency and financial stability. A higher Current Ratio generally indicates stronger short-term liquidity, while the Debt-to-Equity Ratio reflects the proportion of debt financing relative to shareholders' equity. Meanwhile, Return on Equity measures management's effectiveness in generating profits from shareholders' investments (Ross, Westerfield, Jordan, Lim, & Tan, 2022). Previous empirical studies have reported inconsistent findings regarding the influence of these financial ratios on stock prices. Some studies found that liquidity and profitability positively affect stock prices, whereas others reported insignificant or even negative relationships depending on industrial characteristics and market conditions (Husnan & Pudjiastuti, 2018; Tandelilin, 2017).

PT United Tractors Tbk is one of Indonesia's leading heavy equipment distributors and mining contractors whose financial performance is closely monitored by investors. The company has experienced fluctuations in financial ratios and stock prices over recent years despite maintaining relatively strong operational performance. These conditions indicate that changes in stock prices may not always correspond directly to improvements in liquidity, leverage, or profitability. Although numerous studies have investigated the relationship between financial ratios and stock prices, limited evidence specifically examines PT United Tractors Tbk using quarterly financial data over the 2016–2023 period. This research therefore contributes by providing a more comprehensive analysis based on recent quarterly observations, allowing a more detailed understanding of the dynamic relationship between corporate financial performance and stock price movements.

Based on these considerations, this study aims to analyze the effects of the Current Ratio, Debt-to-Equity Ratio, and Return on Equity on the stock price of PT United Tractors Tbk during the 2016–2023 period. Specifically, the study investigates the partial effect of each financial ratio as well as their simultaneous effect on stock price using multiple linear regression analysis. The findings are expected to enrich the literature on financial ratio analysis and provide practical insights for investors, financial analysts, and corporate management in evaluating investment decisions based on financial performance indicators.

RESEARCHMETHOD

Research Design

This study employed a quantitative research approach with an explanatory design to examine the influence of financial ratios on stock prices. The explanatory approach was selected because it enables the investigation of causal relationships between independent variables, namely the Current Ratio (CR), Debt-to-Equity Ratio (DER), and Return on Equity (ROE), and the dependent variable, namely the stock price of PT United Tractors Tbk. The study used secondary data collected from publicly available financial reports and stock price information for the period 2016–2023.

Population and Sample

The population consisted of all quarterly financial reports and stock price data of PT United Tractors Tbk listed on the Indonesia Stock Exchange (IDX). The study adopted a purposive sampling technique by selecting quarterly observations that satisfied the research criteria during the 2016–2023 period. Based on these criteria, a total of 32 observations were obtained and analyzed. Quarterly financial statements were retrieved from the official website of PT United Tractors Tbk and the Indonesia Stock Exchange, while stock price data were obtained from publicly available capital market databases.

Variables and Operational Definitions

The dependent variable in this study was the stock price (Y), representing the market value of PT United Tractors Tbk shares during each observation period. The independent variables consisted of the Current Ratio (X_1), Debt-to-Equity Ratio (X_2), and Return on Equity (X_3). The Current Ratio measures the company's ability to meet short-term obligations using current assets. The Debt-to-Equity Ratio reflects the proportion of total liabilities relative to shareholders' equity, indicating the firm's financial leverage. Return on Equity measures the company's effectiveness in generating net income from shareholders' investment and represents profitability. The operational definitions and measurement formulas are presented in Table 1.

Table 1. Operational Definition of Variables

Variable	Indicator	Formula
Current Ratio (CR)	Liquidity	Current Assets / Current Liabilities
Debt-to-Equity Ratio (DER)	Leverage	Total Liabilities / Total Equity
Return on Equity (ROE)	Profitability	Net Income / Total Equity
Stock Price	Dependent Variable	Quarterly Closing Stock Price

Data Collection Technique

This research employed a documentation method to collect secondary data. Quarterly financial statements were obtained from the official website of PT United Tractors Tbk (https://www.unitedtractors.com) and the Indonesia Stock Exchange (https://www.idx.co.id), while stock price data were collected from publicly available financial market records. The collected data were verified to ensure completeness and consistency before statistical analysis was conducted.

Data Analysis Technique

Data analysis was performed using IBM SPSS Statistics version 25. The analysis began with descriptive statistics to summarize the characteristics of each research variable. Classical assumption tests, including the normality, multicollinearity, heteroscedasticity, and autocorrelation tests, were conducted to ensure that the multiple linear regression model satisfied the required assumptions. Subsequently, multiple linear regression analysis was applied to examine the relationship between the independent and dependent variables.

The regression model used in this study is expressed as follows:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$$

where:

- Y= Stock Price
- α= Constant
- $\beta_1, \beta_2, \beta_3$= Regression coefficients
- X_1= Current Ratio
- X_2= Debt-to-Equity Ratio
- X_3= Return on Equity
- ε= Error term

Hypothesis testing was conducted using the t-test to evaluate the partial effect of each independent variable and the F-test to assess their simultaneous effect on stock price. Furthermore, the coefficient of determination (Adjusted R^2) was used to measure the proportion of stock price variation explained by the regression model. A significance level of 5% ($\alpha = 0.05$) was adopted as the criterion for statistical decision-making.

RESULT AND DISCUSSION

Descriptive Statistics

Descriptive statistics were employed to provide an overview of the characteristics of the research variables before hypothesis testing. The analysis includes the minimum, maximum, mean, and standard deviation values of the Current Ratio (CR), Debt-to-Equity Ratio (DER), Return on Equity (ROE), and Stock Price based on 32 quarterly observations during the 2016–2023 period. The results are presented in Table 1.

Table 1. Descriptive Statistics

Variable	N	Minimum	Maximum	Mean	Std. Deviation
Current Ratio	32	110.78	246.25	179.3719	33.45310
Debt-to-Equity Ratio	32	33.36	103.82	65.6913	19.36452
Return on Equity	32	1.25	26.33	10.9163	6.88822
Stock Price	32	14,800	35,400	25,036.72	5,487.92

Source: Processed SPSS Output.

The Current Ratio recorded an average value of 179.37%, indicating that PT United Tractors Tbk maintained a relatively strong liquidity position throughout the observation period. The minimum value of 110.78% occurred in the third quarter of 2023, whereas the maximum value of 246.25% was recorded in the second quarter of 2016. These findings indicate that the company consistently possessed current assets exceeding its current liabilities.

The average Debt-to-Equity Ratio was 65.69%, suggesting that equity financing remained more dominant than debt financing during the study period. The ratio varied from 33.36% to 103.82%, reflecting fluctuations in the company's capital structure. Meanwhile, Return on Equity averaged 10.92%, with values ranging between 1.25% and 26.33%, indicating varying levels of profitability across quarters. Stock prices also fluctuated considerably, ranging from IDR 14,800 to IDR 35,400, with an average value of IDR 25,036.72.

Classical Assumption Tests

Normality Test

The normality of the regression residuals was examined using the One-Sample Kolmogorov–Smirnov test. The significance value obtained was 0.200, which is greater than the significance level of 0.05. Therefore, the residuals are normally distributed, indicating that the regression model satisfies the normality assumption.

Multicollinearity Test

The multicollinearity test was conducted using the Tolerance and Variance Inflation Factor (VIF) values. All independent variables showed tolerance values above 0.10 and VIF values below 10, indicating that multicollinearity was not present among the explanatory variables. Consequently, each independent variable provides unique information in explaining stock price variations.

Heteroscedasticity Test

The scatterplot of standardized residuals displayed a random distribution around the zero line without any discernible pattern. This result indicates the absence of heteroscedasticity, suggesting that the regression model fulfills the homoscedasticity assumption.

Multiple Linear Regression Analysis

Multiple linear regression analysis was performed to determine the effects of the Current Ratio, Debt-to-Equity Ratio, and Return on Equity on the stock price of PT United Tractors Tbk.

Table 2. Multiple Linear Regression Results

Variable	B	t-value	Sig.
Constant	65.403	3.308	0.003
Current Ratio	-0.157	-2.280	0.030
Debt-to-Equity Ratio	-0.208	-1.774	0.087
Return on Equity	0.137	0.893	0.380

Dependent Variable: Stock Price.

The estimated regression model is expressed as follows:

$$\boldsymbol{Y = 65.403 - 0.157CR - 0.208DER + 0.137ROE + \varepsilon}$$

The regression coefficients indicate that the Current Ratio and Debt-to-Equity Ratio have negative coefficients, whereas Return on Equity has a positive coefficient. These coefficients describe the direction of the relationship between each financial ratio and stock price before statistical significance is considered.

Partial Hypothesis Testing

Effect of Current Ratio on Stock Price

The statistical results indicate that the Current Ratio has a significant negative effect on stock price, with a significance value of 0.030, which is below the 5% significance level. This finding suggests that increases in liquidity were associated with lower stock prices during the observation period. A relatively high Current Ratio may indicate that the company holds excessive current assets that are not optimally utilized to generate returns, thereby reducing investor expectations regarding future profitability.

Effect of Debt-to-Equity Ratio on Stock Price

The Debt-to-Equity Ratio does not significantly influence stock price because the significance value of 0.087 exceeds the significance threshold of 0.05. Although the coefficient is negative, investors may perceive the company's debt level as remaining within an acceptable range. Consequently, changes in leverage did not substantially influence market valuation during the research period.

Effect of Return on Equity on Stock Price

Return on Equity also does not have a significant effect on stock price, as indicated by a significance value of 0.380. Although profitability is generally considered an important indicator in investment analysis, the results suggest that changes in quarterly profitability alone were insufficient to explain fluctuations in PT United Tractors Tbk's stock price.

Simultaneous Hypothesis Testing

The F-test results show an F-statistic of 2.964 with a significance value of 0.049, indicating that the Current Ratio, Debt-to-Equity Ratio, and Return on Equity simultaneously have a statistically significant effect on stock price. Although only the Current Ratio exhibits a significant individual effect, the combined contribution of liquidity, leverage, and profitability provides meaningful information in explaining stock price movements. These findings imply that investors tend to evaluate multiple aspects of financial performance simultaneously rather than relying on a single financial ratio.

Coefficient of Determination

The regression model produces an Adjusted R^2 value of 0.160, indicating that 16% of the variation in PT United Tractors Tbk's stock price can be explained by the Current Ratio, Debt-to-Equity Ratio, and Return on Equity. The remaining 84% is influenced by other variables not included in the model, such as Earnings per Share (EPS), Return on Assets (ROA), Net Profit Margin (NPM), macroeconomic conditions, commodity prices, exchange rates, interest rates, investor sentiment, and other market-related factors. These findings indicate that stock price movements are determined not only by internal financial performance but also by broader external economic conditions.

CONCLUSION

This study examined the effects of the Current Ratio, Debt-to-Equity Ratio, and Return on Equity on the stock price of PT United Tractors Tbk during the 2016–2023 period. The results show that the Current Ratio has a negative and significant effect on stock price, indicating that a higher level of liquidity does not necessarily lead to a higher market valuation. Excessive current assets may be perceived as an indication that company resources are not being used efficiently to generate returns. Meanwhile, the Debt-to-Equity Ratio and Return on Equity do not have significant partial effects on stock price, suggesting that changes in leverage and profitability were not sufficient to independently explain stock price fluctuations during the observation period. However, the three financial ratios simultaneously have a significant effect on stock price, which indicates that investors may assess liquidity, leverage, and profitability collectively when evaluating corporate financial performance.

The adjusted coefficient of determination of 0.160 shows that the research model explains 16% of the variation in stock price, while the remaining 84% is influenced by other factors outside the model. Therefore, future studies are recommended to include additional financial and external variables, such as Earnings per Share, Return on Assets, Net Profit Margin, dividend policy, commodity prices, exchange rates, interest rates, and market sentiment. Future research may also expand the observation period, include comparable companies, and apply panel data or time-series models to obtain more comprehensive findings. For investors, the results imply that investment decisions should not rely solely on liquidity, leverage, and profitability ratios, but should also consider broader company-specific and macroeconomic conditions.

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