Journal of Studies in Academic, Humanities, Research and Innovation
Volume 3 No 1 June 2026
E-ISSN: 3089-7106
https://journal.as-salafiyah.id/index.php/sahri
sahrijournaleditor@gmail.com

The Impact Of Liquidity And Profitability On Stock Prices In The Gas And Oil Sector 2020–2024

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Abstract: *The oil and gas sector is a strategic sector that plays an important role in supporting the Indonesian economy, but during the 2020–2024 period, this sector experienced stock price fluctuations that were not in line with the company's financial performance. This problem prompted this study, which aims to analyze the effect of liquidity and profitability on stock prices in oil and gas sub-sector companies listed on the Indonesia Stock Exchange (IDX) for the 2020–2024 period. This study uses a quantitative approach with multiple linear regression methods and secondary data in the form of annual financial reports from 12 oil and gas sub-sector companies obtained through the official IDX website using a purposive sampling technique. The results of the study indicate that the liquidity variable as measured by the Current Ratio (CR) and profitability as measured by the Net Profit Margin (NPM) do not have a significant effect either partially or simultaneously on stock prices. The coefficient of determination (R^2) value of 1.8% indicates that stock price variations are more influenced by external factors such as fluctuations in world oil prices, macroeconomic conditions, and energy market sentiment. This study concludes that internal financial ratios have not become the main determinant in stock price movements in the oil and gas sector, so investors need to consider global external factors in making investment decisions.*
Keywords: *Liquidity, Profitability, Stock Price, Signaling Theory, Oil And Gas Sector.*
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INTRODUCTION

Capital markets play a vital role in the economy, providing long-term funding for companies and providing investment alternatives for the public (Kusumadewi, 2017). Through capital markets, companies can obtain capital for business expansion and development, while investors gain the opportunity for returns commensurate with the level of risk they face. Stock prices reflect a company's value and performance, with fluctuations influenced by internal factors such as the company's financial condition and external factors such as changes in macroeconomic conditions (Hartono, 2017; Brigham & Houston, 2010).

Financial performance can be measured through ratio analysis, particularly liquidity and profitability. The Current Ratio (CR) indicates a company's ability to meet its short-term obligations, while the Net Profit Margin (NPM) illustrates the company's efficiency in generating

profits (Subramanyam, 2019; Dewi & Solihin, 2020). These two ratios provide important signals for investors in assessing a company's prospects and stability. The coal mining sector has a strategic role in the Indonesian economy, but data.

According to signaling theory, a high CR provides a positive signal about a company's ability to maintain liquidity, while a high NPM indicates a strong ability to generate profits. However, previous research has shown discrepancies. Purbasari & Djawoto (2024) and Priyowidodo (2023) found that CR and NPM significantly influence stock prices, while several other studies have shown inconsistent results.

This phenomenon was also seen in oil and gas sub-sector companies listed on the Indonesia Stock Exchange during the 2020–2024 period. For example, PT Ginting Jaya Energi Tbk had high liquidity but low profitability, resulting in relatively stagnant share prices. PT Surya Esa Perkasa Tbk recorded an increase in CR and NPM, followed by a rise in share prices, but this declined the following year. Conversely, PT Energi Mega Persada Tbk had a low CR but stable profitability, resulting in a sustained increase in its share price. This situation indicates a gap between theory and reality. Therefore, this study was conducted to re-examine the effect of Current Ratio (CR) and Net Profit Margin (NPM) on share prices in oil and gas sub-sector companies listed on the Indonesia Stock Exchange during the 2020–2024 period.

METHOD

This study uses a quantitative method with an associative approach to analyze the relationship between the Current Ratio (CR) and Net Profit Margin (NPM) on stock prices in gas and oil companies listed on the Indonesia Stock Exchange (IDX) for the 2020–2024 period. The data used are secondary data in the form of annual financial reports and stock price data obtained from the official IDX website (www.idx.co.id) and other supporting sources.

The research location was determined at the Indonesia Stock Exchange, with the implementation period from August to October 2025. The research population included 20 companies in the gas and oil subsector, while the research sample consisted of 12 companies selected using a purposive sampling technique based on the criteria of completeness of financial reports and availability of stock price data during the 2020–2024 period.

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The data used is quantitative, using officially published secondary data sources. Data collection techniques were conducted through documentation, namely by downloading financial reports and stock price data from the IDX website, and utilizing literature and scientific references to support the research analysis.

RESULTS AND DISCUSSION

Analysis Descriptive

This study uses secondary data in the form of annual financial reports from 12 gas and oil subsector companies listed on the Indonesia Stock Exchange (IDX) during the 2020–2024 period, resulting in 60 data observations. Data analysis was performed using SPSS version 27 software using multiple linear regression analysis methods, which aims to determine the effect of Current Ratio (CR) and Net Profit Margin (NPM) on stock prices in gas and oil subsector companies in Indonesia.

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
LIKUIDITAS	60	,2547	34,9934	2,599458	4,6244522
PROFITABILITAS	60	-1,1071	,8127	-,004521	,2903131
HARGA SAHAM	60	5	2390	415,90	507,536
Valid N (listwise)	60				

Table 1. *Analysis Descriptive*

Based on the results of the descriptive analysis, the Liquidity (CR) variable has an average of 2.5995 with a standard deviation of 4.6245, indicating that the ability of gas and oil sub-sector companies to meet their short-term obligations is quite good but with high differences between companies. The Profitability (NPM) variable has an average of -0.0045 and a standard deviation of 0.2901, indicating that the level of profitability is generally still low and some companies are experiencing losses. Meanwhile, the Stock Price has an average of 415.90 with a standard deviation of 507.54, indicating a fairly large difference in stock value between companies, which reflects differences in performance and market response to each gas and oil sub-sector issuer on the IDX for the 2020–2024 period.

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Multicollinearity Test

The multicollinearity test aims to test whether there is a correlation between independent variables in the regression model.

Coefficients[a]

Model		Collinearity Statistics	
		Tolerance	VIF
1	LIKUIDITAS	,999	1,001
	PROFITABILITAS	,999	1,001

a. Dependent Variable: HARGA SAHAM

Table 2. *Multicollinearity Test*

The results of the multicollinearity test show that the Tolerance value for the Liquidity (CR) and Profitability (NPM) variables are each 0.999, while the VIF value is 1.001. Based on the criteria according to Ghozali (2018), where the Tolerance value is > 0.10 and the VIF value is < 10, it can be concluded that there is no multicollinearity between the independent variables. Thus, the regression model used in this study is declared feasible because the CR and NPM variables are not strongly correlated with each other.

Heteroscedasticity Test

The heteroscedasticity test aimsto find out whether there is inequality in the variance of the residuals in the regression model.

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	317,327	51,210		6,197	,000
	LIKUIDITAS	15,241	9,718	,201	1,568	,122
	PROFITABILITAS	-176,733	154,794	-,146	-1,142	,258

a. Dependent Variable: ABRESID

Table 3. *Heteroscedasticity Test*

Based on the test results using the Glejser method, the significance value (Sig.) for the Liquidity (CR) variable was 0.122 and for the Profitability (NPM) variable was 0.258. Since both

significance values are greater than 0.05, it can be concluded that the regression model does not experience heteroscedasticity symptoms. Thus, the error variance between observations is the same or homoscedastic, so the regression model in this study has met the classic assumptions of heteroscedasticity and is suitable for further analysis.

Persial Test (t-Test)

The Persian test (t-test) is used to assess the influence of each independent variable individually on the dependent variable.

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	377,844	75,937		4,976	,000
	LIKUIDITAS	14,601	14,410	,133	1,013	,315
	PROFITABILITAS	-22,630	229,538	-,013	-,099	,922

a. Dependent Variable: HARGA SAHAM

Table 4.*Persian Test Results*

Based on the t-test results, the Liquidity (CR) variable has a significance value of 0.315 > 0.05, indicating no significant effect on stock prices. This may be because high current assets do not necessarily translate into efficient use of funds or improved company performance. The Profitability (NPM) variable also has a significance value of 0.922 > 0.05, indicating no significant effect on stock prices. Contributing factors include fluctuations in global oil prices and high operating costs, which make net profit less attractive to investors. Therefore, these two variables are not yet the main determinants of stock price movements in oil and gas subsector companies on the IDX for the 2020–2024 period.

Simultaneous Test (F Test)

The Simultaneous Test (F Test) is used to determine whether all independent variables together have a significant effect on the dependent variable.

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ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	272781,8	2	136390,901	,521	,597[a]
	Residual	14925190	57	261845,432		
	Total	15197971	59			

a. Predictors: (Constant), PROFITABILITAS, LIKUIDITAS

b. Dependent Variable: HARGA SAHAM

Table 5. *Simultaneous Test Results*

Based on the F-test results in the ANOVA table, the calculated F-value was 0.521 with a significance level of 0.597 > 0.05. It can be concluded that simultaneously, Liquidity (CR) and Profitability (NPM) do not significantly influence stock prices in gas and oil sub-sector companies on the IDX for the 2020–2024 period. This condition can be caused by several factors, such as fluctuations in world oil prices, high production operational costs, and global economic instability which have a greater influence on stock price movements than internal company factors. In addition, investors in this sector tend to consider external factors and the prospects of the energy industry, not just the company's short-term financial performance.

Test of the R2 Determination Coefficient

The R2 Determination Coefficient Test is usedto measure how far the model's ability to explain variations in dependent variables that are influenced by independent variables.

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,134[a]	,018	-,017	511,708

a. Predictors: (Constant), PROFITABILITAS, LIKUIDITAS

b. Dependent Variable: HARGA SAHAM

Table 6. *Results of the Determination Coefficient Test*

Based on the results of the coefficient of determination (R^2) test in the Model Summary table, an R Square value of 0.018 or 1.8% was obtained, which means that the Liquidity (CR) and Profitability (NPM) variables simultaneously are able to explain changes that occur in stock prices by 1.8%. Meanwhile, the remaining 98.2% is explained by other variables outside this study, such as fluctuations in world oil prices, macroeconomic conditions, company policies, and global

energy market sentiment. The Adjusted R Square value of -0.017 indicates that after adjusting for the number of independent variables, the model's ability to explain the dependent variable is in the very weak category, so there are still many other factors outside the research model that influence stock prices in gas and oil subsector companies on the IDX for the 2020–2024 period.

Discussion

The findings of this study indicate that liquidity, as measured by the Current Ratio (CR), and profitability, as measured by the Net Profit Margin (NPM), do not have a statistically significant effect on stock prices of oil and gas sub-sector companies listed on the Indonesia Stock Exchange during the 2020–2024 period. This result suggests that internal financial ratios, which are traditionally considered key indicators of firm performance, have limited explanatory power in determining stock price movements within this sector. The weak coefficient of determination further confirms that stock price fluctuations are predominantly driven by factors outside the firm's internal financial structure.

From the perspective of signaling theory, liquidity and profitability ratios are expected to provide positive signals to investors regarding a firm's financial health and operational efficiency (Brigham & Houston, 2010; Hartono, 2017). A high Current Ratio theoretically signals a firm's ability to meet short-term obligations, while a strong Net Profit Margin reflects effective cost management and sustainable profit generation (Subramanyam, 2019). However, the insignificance of these variables in this study indicates that such signals are not sufficiently persuasive for investors in the oil and gas sector, particularly during periods of heightened market uncertainty.

One plausible explanation lies in the unique characteristics of the oil and gas industry, which is highly sensitive to global commodity price fluctuations. During the 2020–2024 period, the sector experienced substantial volatility due to the COVID-19 pandemic, geopolitical tensions, and shifts in global energy demand. World oil prices, rather than firm-specific financial ratios, became the dominant reference point for investors when valuing oil and gas stocks (Sadorsky, 2021). Consequently, even companies with relatively strong liquidity positions or improving profit margins did not necessarily experience corresponding increases in stock prices.

The insignificant effect of liquidity on stock prices suggests that excess current assets may not be interpreted as value-enhancing by investors. In capital-intensive industries such as oil and gas, high liquidity can be perceived as inefficient capital allocation, indicating idle resources that could otherwise be invested in exploration, production, or technological upgrades (Ross et al., 2018). This finding aligns with prior studies that argue liquidity only becomes relevant when it directly supports growth opportunities or mitigates financial distress (Nuryani et al., 2023). In the absence of clear growth prospects, high liquidity alone may fail to attract positive market responses.

The lack of a significant relationship between profitability and stock prices indicates that short-term accounting profits are not the primary concern of investors in this sector. The Net Profit Margin, while useful in assessing operational efficiency, may be heavily distorted by volatile input costs, exchange rate fluctuations, and regulatory burdens characteristic of the oil and gas industry (Dewi & Solihin, 2020). Investors are therefore more inclined to focus on long-term cash flow potential, reserve replacement ratios, and strategic positioning in the global energy transition rather than current profitability levels.

These findings are consistent with studies that emphasize the dominance of macroeconomic and external factors in determining stock prices within commodity-based industries. Previous research has shown that global oil prices, inflation, interest rates, and geopolitical risk significantly influence investor sentiment and market valuation in the energy sector (Harinurdin, 2023; Sadorsky, 2021). As such, firm-level financial ratios may play only a secondary role, particularly during periods of global economic instability.

The results of this study contrast with empirical evidence from other sectors, such as manufacturing and consumer goods, where liquidity and profitability have been found to significantly affect stock prices (Agustinus, 2023; Camelia & Romula, 2024). This divergence underscores the importance of sectoral context in financial analysis. While internal performance indicators may be decisive in relatively stable industries, their relevance diminishes in sectors that are highly exposed to external shocks and cyclical demand patterns.

The very low explanatory power of the regression model also highlights the limitations of relying solely on financial ratios to predict stock price movements in the oil and gas sector. Variables such as global oil price indices, energy policy developments, environmental regulations,

and investor sentiment toward fossil fuels likely exert a far greater influence on stock valuations (Muslim et al., 2024). This reinforces the argument that stock prices in this sector are more reflective of macroeconomic expectations and global energy market dynamics than of firm-level accounting performance.

From a practical standpoint, these findings carry important implications for investors and corporate managers. Investors are encouraged to complement financial ratio analysis with broader macroeconomic and industry-specific assessments when making investment decisions in the oil and gas sector. Monitoring global oil prices, energy transition policies, and geopolitical developments is essential to understanding stock price movements. For corporate managers, the results suggest that improving liquidity and profitability alone may not be sufficient to enhance market valuation. Instead, strategic initiatives that strengthen long-term resilience, sustainability, and adaptability to global energy transitions may be more effective in attracting investor confidence.

This study demonstrates that liquidity and profitability do not significantly influence stock prices in Indonesian oil and gas companies during the 2020–2024 period. The findings confirm that external factors play a dominant role in shaping market valuations in this sector, thereby challenging the traditional assumption that internal financial performance is the primary driver of stock price movements. Future research is therefore encouraged to incorporate macroeconomic variables and global energy indicators to achieve a more comprehensive understanding of stock price behavior in the oil and gas industry.

CONCLUSION

This study examined the effect of liquidity and profitability on stock prices in oil and gas sub-sector companies listed on the Indonesia Stock Exchange during the 2020–2024 period. Liquidity was proxied by the Current Ratio, while profitability was measured using the Net Profit Margin. Based on the empirical results, the study concludes that neither liquidity nor profitability has a statistically significant influence on stock prices in the observed period. These findings indicate that internal financial performance indicators alone are insufficient to explain stock price movements in the oil and gas sector.

The results highlight the dominant role of external and macroeconomic factors in shaping market valuations within this industry. Global oil price volatility, geopolitical developments, shifts in energy demand, and regulatory dynamics appear to exert a stronger influence on investor decision-making than firm-specific financial ratios. As a result, traditional signals derived from liquidity and profitability measures are not consistently interpreted by investors as indicators of firm value in this sector. This outcome challenges the conventional assumption that strong internal financial performance automatically translates into higher stock prices, particularly in commodity-based and highly cyclical industries.

From a practical perspective, the findings carry important implications for both investors and corporate managers. Investors are encouraged to adopt a more comprehensive analytical approach that integrates financial ratios with macroeconomic indicators, global energy market trends, and policy developments when evaluating oil and gas stocks. For corporate managers, the results suggest that improving liquidity and profitability, while necessary for operational sustainability, may not be sufficient to enhance market valuation. Strategic emphasis on long-term resilience, risk management, and adaptation to global energy transitions may be more effective in strengthening investor confidence. This study contributes to the financial management and capital market literature by demonstrating that stock price formation in the oil and gas sector is primarily driven by external forces rather than internal financial ratios. Future research is recommended to incorporate macroeconomic variables, global oil price indices, and sustainability-related factors to provide a more comprehensive understanding of stock price behavior in energy-related industries.

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