

The Analysis of Fundamental Factors Affecting Company Stock Prices (Case Studies of Companies Listed on the Indonesia Stock Exchange and Incorporated in the LQ45 Index)

Anggoro Panji Nugroho¹, Purwito Kesdu A.C.², Siti Fatonah³, Nani Irma Susanti^{4*}

Universitas Dharma AUB Surakarta

ABSTRACT : The purpose of this study is to determine empirically the effect of Price Earning Ratio (PER), Price to Book Value (PBV), Dividend per Share (DPS), Earning Per Share (EPS), Debt to Equity Ratio (DER), Return On Equity (ROE), Return On Assets (ROA) and Net Profit Margin (NPM) on LQ45 company stock prices for the period 2010 – 2019. In this study stock prices are used as a dependent variable, whereas PER, PBV, DPS, EPS, DER, ROE, ROA and NPM are used as independent variables. The analytical tools used are multiple linear regression with the classic assumption test, t test, F test and the coefficient of determination test. The results of this study are PER, PBV and EPS have positive and significant effects on stock prices. ROE has a negative and significant effect on stock prices. DPS, ROA and NPM have positive and insignificant effects on stock prices. DER has a negative and insignificant effect on stock prices. The variable that has the most significant effect on stock prices is EPS. The implications of this research are that companies need to improve their performance through effective and efficient corporate financial management, increase creativity and innovation in producing new products and increasing effective marketing. For investors, EPS can be used as the main reference when conducting stock investment analysis.

Keywords : Stock Prices, The Indonesia Stock Exchange, Incorporated in The LQ45 Index.

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INTRODUCTION

* **Corresponding Author :** naniirma99@gmail.com
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The capital market is a market for various financial instruments that can be traded, such as bonds, stocks, mutual fund, and other derivative instruments. Law No.8 of 1995 concerning the Capital Market defines the capital market as “activities related to Public Offerings and securities trading, Public Companies related to the securities they issue, as well as institutions and professions related to securities”.

The capital market has an important function for the economy of a country because the capital market is a source of funding for companies and the government. For the public, the capital market is a means of investing in financial assets such as stocks, bonds, mutual funds, and others. The organizer of the capital market in Indonesia is The Indonesia Stock Exchange (IDX).

For investors, stocks are a very popular financial instrument because they have the potential to provide attractive returns. Stock investment provides benefits in the form of dividends as a share of company profits and in the form of capital gains, namely the difference between the selling price of the shares and the buying price of the shares. Stock investment provides enormous benefits in the long term, high levels of liquidity and can invest with small capital. Ellen May (2017:42-43), explains that based on the previous data and research results obtained by the IDX by measuring the performance of various investment instruments in the last 10 years, stock investment instruments rank first with a return of 269.45 percent. In second place is Fixed Income Mutual Funds with a yield of 238.12 percent and the third is government bonds of 223.70 percent. In fourth place is Mixed Mutual Funds with a yield of 217.57 percent, followed by Equity Funds of 211.82 percent. Gold investment in the last 10 years gave a yield of 193.36 percent. Meanwhile, bank deposits within 10 years provide a yield of 189.72 percent.

There are many factors that affect the stock price of a company, such as the political factors of a country or region and the macroeconomic conditions of a country as well as global economic conditions. These factors are systemic and affect the stock price as a whole. Other factors that affect share prices are industrial activity and the fundamentals of a company. These fundamental factors of the company directly influence investors' decisions to own shares in the long term. Meanwhile, certain information that affects share prices, for example government economic data, political news and global economy, is usually temporary.

In stock investing, there are 2 (two) types of analysis used by investors to determine the purchase or sale of company shares. The two analysis tools are Fundamental Analysis and Technical Analysis. Fundamental analysis is an analytical technique by studying things related to the financial condition of a company to determine the operational characteristics and financial health of a

public company. Financial ratios that are often considered in fundamental analysis are Price Earning Ratio (PER), Price to Book Value (PBV), Dividend Per Share (DPS), Earning Per Share (EPS), Debt to Equity Ratio (DER), Return On Equity (ROE), Return On Assets (ROA) and Net Profit Margin (NPM).

Index is an indicator or measurement of something. In the capital market, stock and bond indexes are used to measure changes in the price of these instruments continuously. When the stock index moves up, it means that the price of most of the stocks measured by the index increases. Conversely, if the stock index moves down, most of the shares of the index members will move down. By observing the movement of a stock index, investors can find out the price performance of the shares they own. On the IDX there are various types of stock price indexes, one of them is the LQ45 index. The LQ45 Index is a stock price index that measures the performance of 45 stocks that have high liquidity, large market capitalization and good company fundamentals.

Research results by Rosdian Widiawati Watung and Ventje Ilat (2016), show that ROA, NPM and EPS have a significant effect on stock prices, both simultaneously and partially. Ina Rianti's (2001) research results also show that ROA has a significant effect on stock prices. Meanwhile, the research results of Desy Arista and Astohar (2012) show that Return on Assets (ROA) and Earning per Share (EPS) have no significant effect on stock returns of manufacturing companies listed on the IDX. Ina Rianti's (2001) research results show that NPM has no significant effect on stock prices. Likewise, the research results of Samina Haque and Murtaza Faruquee (2013) show that EPS and ROA do not have a significant correlation with stock prices.

Susilawati's research results (2005) show that financial ratios have a significant effect on stock prices and the independent variables that have a significant effect are ROE and PBV. Research results by Rescyana Putri Hutami (2012) show that DPS and ROE have a positive and significant effect on stock prices. But the results of research by Samina Haque and Murtaza Faruquee (2013) show that DPS and ROE do not have a significant correlation with stock prices. The results of research by Rahmadewi and Abundanti (2018) and the results of research by Indrawati et al. (2016) show that ROE has a negative and significant effect on stock prices. Likewise, the research results of Mohammad Shadiq Khairi (2012) show that PBV does not have a significant effect on stock returns of Jakarta Islamic Index (JII) companies for the period 2008 - 2011.

The research results of Atika Jauharia Hatta and Bambang Sugeng Dwiyanto (2012) show that PER has a positive and significant effect on stock prices, while DER and the NPM have a negative and significant effect. In the research of Nurjanti Takarini and Hamidah Hendrarini (2011), it shows that Net Profit Margin (NPM) has a positive and insignificant effect on stock

prices and the Debt to Equity Ratio (DER) has a negative and insignificant effect on stock prices. Meanwhile, the research results of Diko Fitriansyah Azhari, Sri Mangesti Rahayu and Zahroh Z.A. (2016) show that PER has a significant effect on stock prices, but DER has no significant effect on stock prices. The results of Ida Nuryana's (2013) research show that PER has no significant effect on stock returns and DER has a positive and significant effect on stock returns.

The use of financial ratios to assess financial performance based on previous research shows that there is a strong influence and correlation with changes in stock prices. In making decisions, business people and the government need accurate information about the company's financial condition and performance. Financial ratio analysis is an alternative to assess the company's business prospects and predict the company's stock price performance.

However, several previous research results showed inconsistent results. Therefore, the authors are interested in conducting more research or study with the title: **Analysis of Fundamental Factors Affecting Company Stock Prices (Case Studies on Companies Listed on the Indonesia Stock Exchange and Incorporated in the LQ45 Index)**. Some of the fundamental factors studied consist of Price Earning Ratio (PER), Price to Book Value (PBV), Dividend per Share (DPS), Earning Per Share (EPS), Debt to Equity Ratio (DER), Return On Equity (ROE), Return On Assets (ROA) and Net Profit Margin (NPM)

THEORETICAL REVIEW

Signaling Theory Signaling Theory reveals that companies must provide information regarding financial statements to the company's shareholders. According to Jogiyanto, (2014), the signal that investors receive from the company is from any information announced by the company. The information in question can be seen from the financial ratios displayed in the annual report submitted by the company to the Indonesia Stock Exchange.

Price to Earning Ratio (PER) According to Anoraga et al (2006:59), the Market price or market price is the price in the real market, in the ongoing market or if the market has been closed, then the market price is the closing price. Basically, stock price is the value of shares in the market or what is commonly referred to as market value or market price that fluctuates from time to time depending on the company's future prospects. Companies that are expected to grow at a high growth rate (which means they have good prospects), usually have a high PER. Price to Earning Ratio can be measured by the formula:

$$PER = \frac{\text{Market Price Per Share}}{\text{Earning Per Share}}$$

Information:

PER = Price to Earning Ratio Market Per Share = Stock Market Price Earning Per Share = Book Value per Share

Price to Book Value (PBV) According to Hery, (2016), Price to book value is a ratio that shows the results of a comparison between the market price per share and the book value per share. As in the calculation of the PER rate, the market price per share of shares is the closing price. This ratio is used to measure the level of a stock price whether it is overvalued or undervalued, which can be one of the considerations for long- or short-term investments. The PBV value can be calculated by the following formula:

$$PBV = \frac{\text{Market Per Share}}{\text{Book Value per Share}}$$

The book value per share can be calculated by dividing the total equity by the number of shares outstanding. (Jogiyanto, 2014)

Dividend Per Share (DPS)

Dividend per share is a ratio that measures how much dividend is distributed compared to the number of shares outstanding in a given year. This ratio gives an idea of how much profit is distributed in the form of dividends to shareholders for each share. According to Tandelilin (2010: 384), to calculate dividend per share can use the formula:

$$DPS = \frac{\text{Cash Dividend}}{\text{Number of shares outstanding}}$$

Earning Per Share (EPS)

According to Tandelilin (2010:373), "Earnings per share is net profit after interest and taxes that are ready to be distributed to shareholders divided by the number of shares of the company". Furthermore, according to Fahmi (2013:96), "Earning Per Share (EPS) is a form of providing benefits given to shareholders from each share owned". The earnings per share formula is:

$$EPS = \frac{\text{EAT}}{\text{Jsb}}$$

Debt to Equity Ratio

According to Cashmere (2012, p. 157) states that "The Debt to Equity Ratio is a ratio used to assess debt to equity. This ratio is sought by comparing all debts, including current debt with all equity". A high Debt to Equity Ratio will have a bad impact on the company's performance due to higher debt levels, that way the interest expense will be greater which means it will reduce profits.

Return on equity (ROE)

The ratio that explains that the company is able to make a profit with the capital obtained from investors who invest in the company.

$$\text{ROE} = \frac{\text{Net profit after interest and taxes}}{\text{Total Equity}} \times 100\%$$

Return on asset (ROA)

ROA is a ratio that explains a company is able to manage all assets effectively and efficiently to obtain profit after interest and taxes.

$$\text{ROA} = \frac{\text{Net profit after interest and taxes}}{\text{Total Assets}} \times 100\%$$

Net Profit Margin

According to Syamsuddin (2014:62) "Net profit margin is the ratio between net profit (Net Profit), namely sales after deducting all expenses including taxes compared to sales, the higher the NPM, the better the operation of a company".

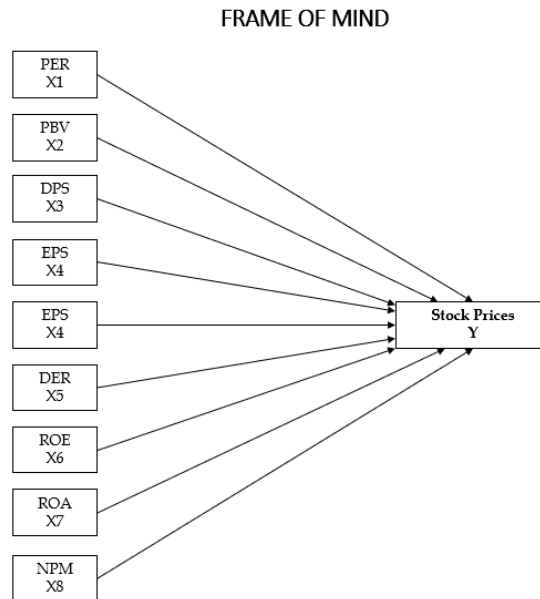


Figure 1 : Frame of Mind

METHODOLOGY

This research is a causal study, which is to test whether one variable causes the other variable to change or not. In other words, does the variable X cause the Y variable (Sekaran and Bougie, 2017). In this study, the independent variables (X) are PER, PBV, DPS, EPS, DER, ROE, ROA and NPM. While, the dependent variable (Y) is the stock price. The data used is secondary data from the Indonesia Stock Exchange (IDX). Samples were taken by purposive sampling method with samples of 17 companies. The samples criteria are companies listed on the IDX and are continuously included in the LQ45 Index for the period 2010 - 2019. The analysis tools used in this research are multiple linear regression with classical assumption tests, t test, F test and coefficient of determination test. The multiple linear regression equation model in this study is as follows:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \beta_7 X_7 + \beta_8 X_8 + \varepsilon \dots \dots (1)$$

Information:

- Y = Stock Prices
- X₁ = Price to Earning Ratio (PER)
- X₂ = Price to Book Value (PBV)
- X₃ = Dividend Per Share (DPS)
- X₄ = Earning Per Share (EPS)
- X₅ = Debt to Equity Ratio (DER)
- X₆ = Return on Equity (ROE)

X7 = Return On Assuet (ROA)

X8 = Net Profit Margin (NPM)

RESULTS

Classical Assumption Tests

To obtain a valid multiple linear regression model, a classical assumption test was carried out consisting of autocorrelation test, normality test, multicollinearity test and heteroscedasticity test. The results of the normality test using the One-Sample Kolmogorov-Smirnov Test method, it is known that the Asym.Sig. (2-tailed) value of 0.085 is greater than 0.05, so it can be concluded that the data is normally distributed. Based on the results of the multicollinearity test, it is known that the Tolerance value of the Collinierity Statistics for all independent variables is greater than 0.10 and the VIF value of all independent variables is less than 10.00, thus the regression model does not have multicollinearity symptoms. The results of the analysis of the heteroscedasticity test show that the significance value of all independent variables are greater than 0.05, thus the regression model does not show heteroscedasticity symptoms.

Multiple Regression Analysis

The results of the multiple regression analysis in this study are presented in the following table:

Table 1. The Results of Regression Analysis

Model	Unstandardized Coef f icients		Standardized Coef f icients		t Sig.	Collinearity	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)	-2,172	,517		-4,199	,000		
PER	,013	,006	,164	2,414	,017	,440	2,270
PBV	,036	,011	,362	3,137	,002	,152	6,595
DPS	,157	,094	,160	1,662	,098	,218	4,579
EPS	,710	,104	,645	6,845	,000	,228	4,393
DER	-,037	,040	-,082	-,926	,356	,257	3,887
ROE	-,750	,232	-,424	-3,231	,001	,117	8,540
ROA	,012	,015	,112	,820	,414	,108	9,254

Based on Table 1, the regression equation is obtained as follows:

$$Y = -2,172 + 0,013X_1 + 0,036X_2 + 0,157X_3 + 0,710X_4 - 0,037X_5 - 0,750X_6 + 0,012X_7 + 0,174X_8 \dots \dots \dots (2)$$

From the results above, it can be explained as follows:

- a. The constant value is -2,172 which means that if the PER, PBV, DPS, EPS, DER, ROE, ROA and NPM are constant, the stock price will decrease by 2.172 points.
- b. β_1 = PER regression coefficient of 0.013 indicates that PER has a positive effect on stock prices. This means that if the PER value increases by 1 point, the stock price will increase by 0.013 points with the assumption that PBV, DPS, EPS, DER, ROE, ROA and NPM are constant.
- c. β_2 = PBV regression coefficient of 0.036 indicates that PBV has a positive effect on stock prices. This means that if the PBV value increases by 1 point, the stock price will increase by 0.036 points with the assumption that PER, DPS, EPS, DER, ROE, ROA and NPM are constant.
- d. β_3 = DPS regression coefficient of 0.157 indicates that DPS has a positive effect on stock prices. This means that if the DPS value increases by 1 point, the stock price will increase by 0.157 points with the assumption that PER, PBV, EPS, DER, ROE, ROA and NPM are constant.
- e. β_4 = EPS regression coefficient of 0.710 indicates that EPS has a positive effect on stock prices. This means that if the EPS value increases by 1 point, the stock price will increase by 0.710 points with the assumption that PER, PBV, DPS, DER, ROE, ROA and NPM are constant.
- f. β_5 = DER regression coefficient of -0.037 indicates that DER has a negative effect on stock prices. This means that if the DER value increases by 1 point, the stock price will decrease by 0.037 points with the assumption that PER, PBV, DPS, EPS, ROE, ROA and NPM are constant.
- g. β_6 = ROE regression coefficient of -0.750 indicates that ROE has a negative effect on stock prices. This means that if the ROE value increases by 1 point, the stock price will decrease by 0.750 points with the assumption that PER, PBV, DPS, EPS, DER, ROA and NPM are constant.
- h. β_7 = ROA regression coefficient of 0.012 indicates that ROA has a positive effect on stock prices. This means that if the ROA value increases by 1 point, the stock price will increase by 0.012 points with the assumption that PER, PBV, DPS, EPS, DER, ROE and NPM are constant.
- i. β_8 = NPM regression coefficient of 0.174 indicates that NPM has a positive effect on stock prices. This means that if the NPM value increases by 1 point,

the stock price will increase by 0.174 points with the assumption that PER, PBV, DPS, EPS, DER, ROE and ROA are constant.

t Test

The results of the t test analysis are shown in the following table:

Table 2. Summary of t Test Results

Variables	t Test Value	Sig.	Standard	Hypothesis Conclusion
PER	2,414	0,017	< 0,05	Accepted
PBV	3,137	0,002	< 0,05	Accepted
DPS	1,662	0,098	< 0,05	Rejected
EPS	6,845	0,000	< 0,05	Accepted
DER	-0,926	0,356	< 0,05	Rejected
ROE	-3,231	0,001	< 0,05	Rejected
ROA	0,820	0,414	< 0,05	Rejected
NPM	1,178	0,240	< 0,05	Rejected

Based on table 2, the t test results can be explained as follows:

- a. The t value of the PER variable is 2.414 with a significance of 0.017. It is less than 0.05, which means that PER has a positive and significant effect on stock prices.
- b. The t value of the PBV variable is 3.137 with a significance of 0.002. It is less than 0.05, which means that PBV has a positive and significant effect on stock prices.
- c. The t value of the DPS variable is 1.662 with a significance of 0.098. It is greater than 0.05, which means that DPS has a positive and insignificant effect on stock prices.
- d. The t value of the EPS variable is 6.845 with a significance of 0.000. It is less than 0.05, which means that EPS has a positive and significant effect on stock prices.
- e. The t value of the DER variable is -0.926 with a significance of 0.356. It is greater than 0.05, which means that DER has a negative and insignificant effect on stock prices.
- f. The t value of the ROE variable is -3.231 with a significance of 0.001. It is less than 0.05, which means that ROE has a negative and significant effect on stock prices.

- g. The t value of the ROA variable is 0.820 with a significance of 0.414. It is greater than 0.05, which means that ROA has a positive and insignificant effect on stock prices.
- h. The t value of the NPM variable is 1.178 with a significance of 0.240. It is greater than 0.05, which means that NPM has a positive and insignificant effect on stock prices.

Based on this explanation, the variable Earning Per Share (EPS) or variable X₄ is the most influential and significant variable on stock prices with a t value of 6.845 with a significance of 0.000.

F Test

The results of the F test analysis in this study are shown in the following table:

Table 3. F Test Results

	Sum of				
1 Regression	144,824	8	18,103	41,736	,000a
Residual	69,834	161	,434		
Total	214,658	169			

- a. Predictors: (Constant), NPM, DPS, PER, ROA, DER, EPS, PBV, ROE
- b. Dependent Variable: Harga Saham

Based on the results of the F test analysis in Table 3 it can be seen that the F value is 41.736 with a significance of 0.000 less than 0.05. This means that the variables PER, PBV, DPS, EPS, DER, ROE, ROA, and NPM simultaneously have a significant effect on the company's LQ45 stock price for the period 2010 - 2019.

Determination Coefficient Test (R²)

The results of the coefficient of determination in this study are presented in the following table:

Table 4. Results of Determination Coefficient Test

		Adjusted	Std. Error of the Estimate	Durbin-Watson
1	a	,675	,659	,65860

- a. Predictors: (Constant), NPM, DPS, PER, ROA, DER, EPS, PBV, ROE
- b. Dependent Variable: Harga Saham

The coefficient of determination can be used if the results of the F test in the regression analysis are significant. The results of the F test analysis (ANOVA) in Table 4 are known to be significant, thus the results of the analysis of the

coefficient of determination in Table IV.12 can be used. Based on the table, the coefficient of determination (R^2) is 0.675 and the Adjusted R^2 value is 0.659. This means that the variables PER, PBV, DPS, EPS, DER, ROE, ROA, and NPM simultaneously affect the stock price by 67.5%. While the remaining 32.5% is influenced by other variables. Other variables can include national macroeconomic conditions, government regulations, the global economy and investor psychology in response to technical influences.

DISCUSSION

The Effect of PER on Stock Prices

Price to Earning Ratio (PER) describes the comparison of the market price of each share to earnings per share (EPS). This ratio shows how much investors value the share price against the profits generated by the company. The implications of the positive and significant effect of PER on stock prices are as follows:

- a. A high PER value indicates that investors are willing to pay a premium price. This means that investors assess the company as having future prospects for profit. Thus, a higher PER value means that the stock price will go up, but at a certain level traders will see that the PER is too high and start selling their shares as a result, the PER and the stock price will decline again.
- b. The company will be considered attractive by investors if it is able to show good performance, which is shown by the ability to generate high profits per share. With a high profit per share, it will increase the chances of increasing dividends to be distributed, so that many company shares are bought by investors which will increase PER and share prices will also rise.
- c. PER has a positive and significant effect on stock prices. It is in line with the research of Susilowati (2005), Hatta and Dwiyanto (2012) and shows that PER is one of the variables that has a positive and significant effect on stock prices.

The Effect of PBV on Stock Prices

Price to Book Value (PBV) is the ratio of price to book value. PBV is used to assess how much the market value of a company's stock is multiplied by its book value. The implications of the positive and significant impact of PBV on stock prices are as follows:

- a. Companies with good performance have the potential and prospects to generate profit growth in the future so that it will be attractive for investors

to own their shares. With more investor demand, the company's shares will have a high PBV value and thus the share price will also increase.

- b. A low PBV value indicates that the company's stock price is cheap, so by looking for a company with good performance but a small PBV ratio, investors have the opportunity to get a profit.
- c. PBV has a positive and significant effect on stock prices. It is in accordance with the research results of Arista and Astohar (2012), Susilowati (2005) and Cahyaningrum and Antikasari (2017).

The Effect of DPS on Stock Prices

A good company will distribute dividends regularly to shareholders, usually called Dividend Per Share (DPS). DPS has a positive effect on the company's stock price, namely the greater the dividend growth, the greater the stock price. (Jogiyanto, 2010: 139).

In this study, DPS has a positive effect on the LQ45 company stock price for the period 2010 - 2019 but not significant. This has the following implications:

- a. Investors consider the dividends paid by the company to be something normal so that it does not have a significant effect on stock prices. The increase in stock prices is more influenced by other factors such as PER, PBV, EPS and technical factors.
- b. Companies should maintain or increase dividends paid to shareholders to maintain investor interest in company shares.
- c. DPS has a positive and insignificant effect on stock prices. It is in line with the research by Samina Haque and Murtaza Faruquee (2013).

The Effect of EPS on Stock Prices

Earning Per Share (EPS) or net income per share is an analysis tool for measuring the level of profitability of a company. EPS is widely used to analyze company performance because it is simple and very clear in describing the company's financial performance. The implications of the positive and significant impact of PBV on stock prices are as follows:

- a. A high EPS ratio value illustrates that the company is able to generate profits from its business operations, meaning that the company has the opportunity to pay high dividends for shareholders. High company profits also have an opportunity for the company to expand its business. So a higher EPS will attract investors to buy the stock price, so that the stock price will rise. Thus the company is required to continue to improve its performance.
- b. In this study, EPS is the variable that has the greatest influence on stock prices. Thus, for investors, the EPS value can be used as the main indicator in analyzing the shares that will be purchased. This is conducted by selecting

the highest EPS among companies in the same sector or among the seventeen companies that are consistently included in LQ45 companies.

- c. EPS has a positive and significant effect on stock prices. It is in line with the research results of Watung and Ilat (2016), Arista and Astohar (2012), and Indrawati, et al. (2016).

The Effect of DER on Stock Prices

The DER ratio describes the company's capital structure. The greater the DER ratio value, it shows that the company's business is more and more financed by debt. Thus, the higher the DER ratio value, the more the company's business risk increases due to increased operating expenses. DER has a negative effect on stock prices, meaning that when the DER ratio increases, the stock price will decrease as investors try to avoid risk.

In this study, DER has a negative effect on the stock price of LQ45 companies for the period 2010 - 2019 but not significant. This has the following implications:

- a. Investors assess the company's DER ratio as still considered reasonable so that investors consider the company's financial risk to be under control.
- b. Companies should keep the DER ratio as optimal as possible so that the share price does not drop significantly.
- c. DER has a negative and insignificant effect on stock prices. It is in line with the research by Diko Fitriansyah Azhari, Sri Mangesti Rahayu and Zahroh Z.A. (2016)

The Effect of ROE on Stock Prices

Return On Equity (ROE) is a profitability ratio that measures a company's ability to generate returns from shareholder investments in the company. In this study, ROE has a negative and significant effect on the company's LQ45 stock price for the period 2010 - 2019. This has the following implications:

- a. Investors consider the company's ROE ratio to be optimal so that an increase in ROE actually causes the stock price to fall. This also indicates that the increased ROE is not attractive to investors because the company is less innovative in its business, either in producing products or in marketing them.
- b. Companies should maintain an optimal ROE ratio.
- c. Companies should innovate in their business either in producing products or in marketing so that they are more attractive to investors.
- d. ROE has a negative and significant effect on stock prices. It is in line with the research of Rahmadewi and Abundanti (2018) and Indrawati, et al

(2016), but contrary to the research results of Susilowati (2005) and Hutami (2012) showing that ROE has a positive and significant effect on stock prices.

The Effect of ROA on Stock Prices

The Return On Asset (ROA) ratio measures the effectiveness of a company in utilizing all of its assets. Companies always try to increase ROA, with increasing ROA, the better the company's profitability.

In this study, ROA has a positive effect on LQ45 company stock prices for the period 2010 - 2019 but not significant. This has the following implications:

- a. Investors consider the company's ROA ratio to be within reasonable limits so that it does not have a significant effect on share prices.
- b. Companies should maintain or increase the ROA value to maintain investor interest in company shares.
- c. ROA has a positive and insignificant effect on stock prices. It is in line with the research by Arista and Astohar (2012) and Samina Haque and Murtaza Faruquee (2013).

The Effect of NPM on Stock Prices

The Net Profit Margin (NPM) ratio shows how much the percentage of net profit is generated from each sale. A higher NPM can illustrate that the company's performance is better because it can generate large net income through its sales activities so that the company's shares are bought by many investors and will increase the company's stock price.

In this study, NPM has a positive effect on the LQ45 company stock price for the period 2010 - 2019 but not significant. This has the following implications:

- a. Investors consider the company's NPM ratio to be within reasonable limits so that it does not have a significant effect on share prices.
- b. Companies should maintain or increase the value of the NPM to maintain investor interest in company shares.
- c. NPM has a positive and insignificant effect on stock prices. It is in line with the research by Ina Rianti (2001) and Nurjanti Takarini and Hamidah Hendrarini (2011).

CONCLUSIONS AND RECOMMENDATIONS

Provide some conclusions and the implementation of the research results.

CONCLUSION

Based on the results of the research and discussion as presented in the previous chapter, several conclusions can be drawn:

- a. Price to Earning Ratio (PER), Price to Book Value

- b. (PBV) and Earning Per Share (EPS) have a positive and significant effect on stock prices.
- c. Return On Equity (ROE) has a negative and significant effect on stock prices.
- d. Dividend Per Share (DPS), Return On Asset (ROA)
- e. and Net Profit Margin (NPM) have a positive and insignificant effect on stock prices.
- f. Debt to Equity Ratio (DER) has a negative and insignificant effect on stock prices.
- g. Earning Per Share (EPS) is the most influential and
- h. significant on share price.
- i. Price to Earning Ratio (PER), Price to Book Value (PBV), Dividend Per Share (DPS), Earning Per Share (EPS), Debt to Equity Ratio (DER), Return on Equity (ROE), Return On Asset (ROA) and Net Profit Margin (NPM) simultaneously have a significant effect on stock prices.

RESEARCH LIMITATIONS

It should be realized that this research cannot be separated from the existing limitations, namely:

- a. This research only focuses on the variables Price to Earning Ratio (PER), Price to Book Value (PBV), Dividend Per Share (DPS), Earning Per Share (EPS), Debt to equity ratio (DER), Return on Equity (ROE), Return On Asset (ROA) and Net Profit Margin (NPM) with a determination coefficient (R^2) of 67.5% so that there are other variables that can be examined, such as macroeconomics, socio-politics, global economics and investor psychology.
- b. The sample of this research consists of companies from various sectors, so that in order to obtain a deeper analysis, it is necessary to analyze several companies in the same sector so that the comparison is more applicable.
- c. The data in this study uses annual data so that a more in-depth analysis can be conducted using quarterly, monthly, weekly or even daily data.

SUGGESTION

Based on the research results, the suggestions that can be given in this study are as follows:

- a. The variables that have a significant effect on stock prices are PER, PBV and EPS. All of these variables are related to how the company generates profits, so the company needs to improve its performance through effective and efficient corporate financial management, increase creativity and innovation in producing new products and increase effective marketing.

- b. The variable that has the most influence on stock prices is Earning Per Share (EPS), so that this can be the main reference for investors when analyzing stock investments.

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