ABSTRACT

The economic atmosphere around the world, including Indonesia makes the growth of investment meets its rapid development. The development indicates the growth and inclination of companies selling their stock to society or investor called go public company. The purpose of selling stock is to increase both of the domestic and foreign investors, company value, stock price, to expand market, product diversification, and to win the competition that can increase the income of a company.

The research purpose is to test the influence of CR, DER, ROA, ROE, and GPM toward stock price to companies which are listed in LQ-45 at Indonesia Stock Exchange in the period of 2009-2011. This research applies purposive sampling technique with 19 samples of companies. Multiple regressions are technical analysis method applied.

The result of t test indicates that CR, ROE, and GPM negatively and significantly influence dependent variable, which is stock price. DER and ROA positively and significantly influence stock price. Actually, there are some classical assumption tests, such as normality test, multicollinearity test, homoscedasticity test, and autocorrelation test.

Key Words: Stock’s Price, ROA, ROE, CR, DER, GPM, LQ45, Analysis Financial Ratio
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ABSTRAK

Semakin terbukanya perekonomian dunia termasuk perekonomian Indonesia membuat pertumbuhan investasi di Indonesia telah mencapai kemajuan yang pesat. Kemajuan ini ditandai dengan tumbuh dan munculnya perusahaan-perusahaan yang menjual sahamnya kepada masyarakat luas atau disebut perusahaan go public yang turut mendorong bertambahnya investor domestic atau investor asing, serta pelaku pasar modal lainnya yang terus meningkat. Penjualan saham kepada masyarakat luas atau go public oleh perusahaan bertujuan mengemban bagi perusahaan, menaikkan nilai perusahaan, meningkakan harga saham, memperluas ekspansi pasar dan memperluas diversifikasi produk serta memenangkan persaingan yang pada akhirnya dapat meningkatkan laba perusahaan.


Hasil uji t membuktikan secara parsial bahwa variabel CR, ROE dan GPM berpengaruh secara negatif dan signifikan terhadap variabel terikat, yaitu harga saham. Sedangkan variabel DER dan ROA berpengaruh secara positif dan signifikan terhadap harga saham. Selain itu
juga dilakukan uji asumsi klasik yang meliputi uji normalitas, uji multikolinearitas, uji homoskedastisitas, dan uji autokorelasi.

Kata Kunci : Harga Saham, ROA, ROE, CR, DER, GPM, LQ45, Analisa Rasio Keuangan

Article Journal

THE INFLUENCE OF FINANCIAL RATIO TOWARDS STOCK PRICE

(Empirical Study on Listed Companies in Indonesia Stock Exchange of LQ45 in 2009-2011)

By:

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INTRODUCTION

Background

Increasingly open world economy including Indonesia makes investment growth in Indonesia has achieved significant progress. Progress is marked by growth and the emergence of companies that sell shares to the public or known companies go public that have promoted increased domestic investors or foreign investors and other capital market participants continues to increase. The sale of shares to the public or go public by companies aiming to expand the company, raise the value of the company, raise their stock prices, expanding and expanding market expansion and product diversification to win the competition, which in turn can increase their profits.

The capital market is one alternative in developing economies, especially Indonesia. Capital markets provide an important role in the economy of the State due to the capital markets provide two functions, namely the function of economic and financial functions. Said to be a function of the economy because the capital markets provide facilities or interests unite the two parties has particularly excess funds (investors) and those that require funding (issuer). With the stock market, the public company may obtain public funds through the sale of fresh shares through an IPO or a bond procedure. Said to
be the finance function for the capital market provides the possibility and opportunity to earn returns for the owners of the funds, according to the characteristics of the selected investments.

In general, there are three alternatives for the people of Indonesia today. The third alternative is savings, insurance, capital markets and investment do. Investing in the stock market has a higher risk than the savings in the bank and follows the insurance such as life insurance or health. By investing in the stock market in the form of shares, the market demand for capital in addition to the bonds will be realized so that the company can increase productivity and be able to produce quality output, thus increasing the company's revenue and ultimately provide prosperity for the wider community.

Several alternative investment appraisal is one of the fundamental analysis. This means that a prospective investor tries to predict the future performance of the portfolio companies chosen based secondary data drawn from the company, in the form of balance sheet, income statement, changes in equity, cash flow and other supporting reports that compulsory identification of the prospective investor.

Fundamental analysis trying to predict stock prices in the future by estimating the values of the fundamental factors that influence in the years to come and apply relationships proficiency level variables in order to obtain the estimated stock price. In this research examined the fundamental factors that affect stock prices are seen from the financial ratio consisting of Liquidity Ratios (Current Ratio), Leverage Ratio (Debt to Equity Ratio), and Profitability ratios (Return on Assets, Return on Equity, and Gross Profit Margin).

Liquidity ratio is the ability of a company to fulfill the financial obligations that must be done immediately, or the company's ability to fulfill obligations at the time
billed. Financial obligations of a company are basically classified into two types, the first is the financial obligations associated with the parties outside the company (creditor) which is called the liquidity of business entities, and the financial obligations associated with the production process (internal company) which is called the liquidation of the company.

Leverage ratio is the ability of a company to funding its company activity through the liabilities. For example debt to equity ratio, and debt to total asset ratio.

Profitability ratio is the ability of the company to generate profits during the given period. For example: GPM, OPM, NPM, ROA, and ROE.

Based on explanation on top, researcher interesting to make a research with a title “THE INFLUENCE OF FINANCIAL RATIOS TOWARDS STOCK PRICE (Empirical Study on Listed Companies in Indonesia Stock Exchange of LQ45 in 2009-2011)”

Research Questions

Based on the given background, the problems in this research are formulated as follows:

1. Do the Current Ratio, Debt to Equity Ratio, Return on Assets, Return on Equity, and Gross Profit Margin simultaneously influence the stock price of companies that are listed at LQ45 in the period of 2009-2011?

2. Do the Current Ratio, Debt to Equity Ratio, Return on Assets, Return on Equity, and Gross Profit Margin partially influence the stock price of companies that are listed at LQ45 in period of 2009-2011?

Research Objectives
The objectives of this research is to find out whether the Current Ratio, Debt to Equity Ratio, Return on Assets, Return on Equity, and Gross Profit Margin have an influence to the stock price of companies that are listed at LQ45 in period of 2009-2011.

**Benefit of Research**

Benefits of this research are:

1. **Theoretical**

   Researcher can gain knowledge and experience in conducting research and preparing reports for the later can be a provision of current and future.

2. **Practical**

   The result is expected to be used for reference materials and additional information for all party as consideration for making decision.
LITERATURE REVIEW

Capital Market

Capital market is a market for securities (debt or equity), where business enterprises (companies) and governments can raise long-term funds. It is defined as a market in which money is provided for periods longer than a year, as the raising of short-term funds takes place on other markets (e.g. the money market) (Sullivan and Sheffrin, 2003).

Stock

Share is one of the most popular securities available. If a company wants to raise capital, one of its options is to issue stock. Stock also offers interesting return rate for its investors. That is why most investors choose stock for their investment. Stock can be defined as a sign of ownership of an individual or institution in a corporation. The person or institution who owns the stock can claim on the company's earnings, assets, and rights to attend its General Meeting of Shareholders.

Financial Ratio Analysis
According to Keown (2002:63), financial ratios is restating the accounting data in relative terms to identify some of the financial strengths and weaknesses of a company. The financial ratios analysis is the technique of analysis that is commonly used to evaluate the financial condition and achievement of the company.

Stated by Munawir in Mahardhika (2011), the ratio is number or percentage that shows the relation between several variable with other variable. The ratio will depicts a condition or the financial position of a company and also to shows the areas that needs attention to fix.

**Types of financial report ratio**

According to Brigham and Houston in Mahardhika (2011), the financial ratios can be divided into four categories, those are :

1. **Liquidity**

A ratio showing the company’s ability in fulfill their short term liabilities. The higher of the liquidity ratio, the better the company’s ability to fulfill their short term liabilities.

2. **Solvency (Leverage)**

The ability of the company to meet its financial obligations when the company's financial obligations have been liquidated, both short and long term.

3. **Profitability**

The ability of the company to generate profits during the given period. This ratio is used to assess the managerial level in manage the company that’s shown with the total income (from selling and investing).
4. Turnover Ratio

Turnover ratio is used to assess the company’s ability in managing their assets thus it can give cash flow to the company. The example of this ratio is inventory turnover ratio, fixed assets turnover ratio, total assets ratio.

5. Market Ratio

Generally, financial ratios consist of liquidity ratios, activity ratios, leverage ratios and profitability ratios, and profitability ratios. There is one more ratio that can be used to measure the performance of a company’s financial reports, called the market ratios.

Previous Research

This research is aimed to continue the previous research that has been done by Sasongko (2002), Antara and Lestari (2005), Hijriah (2007), Nurmalasari (2008), Simanungkalit (2009), Rinati (2009), Mahardhika (2011), Lindayati (2011), Kuswara (2011), Amalia (2010).

1. Sasongko (2002), “Pengaruh EVA dan Rasio-Rasio Profitabilitas Terhadap Harga Saham”. The aim of this research is knowing the effect of EVA and profitability ratio to the stock’s price of manufacture company that lists in IDX. The research objects is the manufactures company that lists in IDX for year 2001 – 2002. The method that used is multiple regression method. The result from this research is the Return on Assets (ROA), Return on Equity (ROE), Return on Stock (ROS), Break Even Point (BEP), and Earning Value Assets (EVA) are not giving any effect to
the stock’s price. While the Earning Per Share (EPS) is influencing the stock’s price.

2. Antara and Lestari (2005), “Faktor-Faktor yang Mempengaruhi Kinerja Saham Perusahaan Agribisnis di BEJ”. The aim of this research is to knowing are the EPS, NPM, PER, ROI, and ROE giving any influences to the stock’s price. This research object is the agriculture companies in IDX year 2001 – 2004. The method that used is purposive method. The result from this research is the EPS, NPM, PER, ROI, and ROE are simultaneous influencing the stock’s price.

3. Hijriah (2007), “Pengaruh Faktor Fundamental dan Risiko Sistematis Terhadap Harga Saham Properti di BEJ”. The aim of this research is to find out the effect of the fundamental factor and systematic risks to the stock’s price of the property companies that listed in IDX for year 2002-2006. The research object of this research is the property companies that listed in IDX for year 2002-2006. This research is using explanatory description method. The result of this research are:
   - ROE, PER, and BV is partialy influence to the stock’s price
   - ROA, ROE, DER, PER, EPS, and BV is significantly influence the stock’s price.

4. Nurmalasari (2005), “Analisis Pengaruh Rasio Profitabilitas Terhadap Harga Saham Emiten LQ45 yang Terdaftar di BEI Tahun 2005-2008. The aim of this research is to find out are the ROA, ROE, NPM, and EPS is influence to the stock’s price of the LQ45’s companies. The object of this
research is the companies that listed in LQ45 of IDX year 2005-2008. The method that used is multiple linear method. The result of this research are:

- ROA, ROE, NPM, and EPS is influencing the stock’s price.
- ROA is influencing the stock’s price in partially.

5. Simanungkalit (2009), “Pengaruh Profitabilitas dan Rasio Leverage Keuangan Terhadap Return Saham Pada Perusahaan Makanan dan Minuman Terbuka di Indonesia”. The aim of this research is to find out the effect from the profitability and leverage ratio in beverage companies stock’s price for year 2004-2007 that listing on IDX. The object of this research is beverage companies stock’s price for year 2004-2007 that listing on IDX. In this research, they are using double multiple regression method. The result of this research are:

- The ROA, ROE, and DTA is assembly giving the significant influence to the stock’s return
- The ROA is not influence the stock’s return
- ROE is having significant influence to the stock’s price
- DTA is not influence the stock’s price

6. Hidayat (2009) “Pengaruh Rasio Keuangan Terhadap Return Saham Pada Perusahaan yang Terdaftar di Bursa Efek Indonesia”. The aim of this research is to testing and analizing the effect of solvability ratio, profitability ratio, liquidity ratio, activity ratio, and market ratio to the return of stocks that lists in IDX. Those ratio are involve by current ratio (CR), debt to equity ratio (DER), leverage ratio (LEV), net profit margin
ratio (NPM), return on assets (ROA), return on equity (ROE), earning per share (EPS), total assets turnover (TATO), price to earnings ratio (PER), price to book value (PBV). This research is taking all of the issuer that listing in IDX from year 2004-2007 with total population 325 issuer. The analysis technique that used by this author is linear regression approach. The result of this research are the liquidity and solvability ratio is not significant in influencing the stocks price, and the second result is the profitability ratio, activity ratio, market ratio, and financial ratio are influencing simultaneous to the price stocks.

7. Rinati (2009), “Pengaruh NPM, ROA, dan ROE Terhadap Harga Saham Pada Perusahaan yang Tercantum Dalam Indeks LQ45”. The aim of this research is to find out what is the effect of NPM, ROA, and ROE to the stock’s price of the companies in LQ45 index. The research object is the companies that listed in LQ45 index. In this research, they are using double regression linear method. The result of this research are:

- The NPM, ROA, and ROE is assembly significantly influence to the stock’s price.
- In partially, the ROA is significantly influence to the stock’s price.

8. Kuswanto (2011), “Pengaruh Rasio Likuiditas, Leverage, dan Profitabilitas Terhadap Harga Saham (Studi Pada Perusahaan LQ45 yang Terdaftar di Bursa Efek Indonesia). The aim of this research is to find out the influence from current ratio (CR), debt to equity ratio (DER), return on assets (ROA), return on equity (ROE), and net profit margin
(NPM) to the stock price of the company that listed on the LQ45 board. The object of the research is the company that listed on LQ45 board in IDX. The analysis technique of this research is using the double linear regression method. The result of this research are:

- The CR, DER, ROE, and NPM is having influence to the stock’s price simultaneously.
- In partial, only CR and DER that influence the stock’s price. While the ROE and NPM is not having any influence to the stock’s price.

9. Mahardika (2011), “Pengaruh Return on Asset, Debt to Equity Ratio, Total Asset Turnover, Current Ratio, Book Value Per Shares Terhadap Harga Saham (Studi pada Perusahaan Pertambangan yang Terdaftar di Bursa Efek Indonesia, Periode Penelitian Tahun 2005 – 2009)”. The aim of this research is to find out the influences of ROA, DER, TATO, CR, and BVS to the stock’s price of the mining company. The object of this research is the mining company that listing on IDX. The analysis technique of this research is using the double linear regression method. The result from this research are:

- ROA, DER, TATO, CR, and BVS is significantly influences the stocks price.
- In partially, there are ROA, DER, and BVS that significant influence to the stock’s price.
- TATO and CR is not significant influence to the stock’s price.
- ROA is the dominant variable in stock’s price.
10. Lindayati (2011), “Pengaruh Rasio Keuangan Terhadap Harga Saham (Studi Empiris pada Perusahaan yang Terdaftar di Bursa Efek Indonesia)”. The aim of this research is to find out whether the Total Debt to Equity Ratio, Total Debt to Asset Ratio, Total Asset Turnover, Operating Profit Margin, Net Profit Margin, Return on Investment, Return on Equity is having influence to the stock’s price. The object of this research is the company that listing in IDX. The analysis technique of this research is using the multiple linear regression method. The result from this research are:

- The Total Debt to Equity Ratio, Total Debt to Asset Ratio, Total Asset Turnover, Operating Profit Margin, Net Profit Margin, Return on Investment, Return on Equity is significantly influence to the stock’s price.
- Partially, there are only NPM, ROI, and ROE that significant influence to the stock’s price.
- ROI is the dominant variable in stock’s price.

11. Kuswara (2012), “The Influence Of Liquidity, Solvency, And Profitability Towards Stock Price (Empirical Study on Listed Companies in Indonesia Stock Exchange of LQ45 in 2009-2011)”. The aim of this research is to find out the influence from current ratio (CR), debt to equity ratio (DER), return on assets (ROA), return on equity (ROE), and net profit margin (NPM) to the stock price of the company that listed on the LQ45 board. The results of this research is current ratio (CR), debt to equity ratio (DER), return on assets (ROA), return on equity (ROE), and net profit
margin (NPM) simultaneously and significantly influence the stock price at LQ45 in period 2009-2011.

12. Amalia (2010), “Pengaruh Kinerja Keuangan Terhadap Harga Saham” (Studi Pada Perusahaan Properti dan Real Estate yang Terdaftar di Bursa Efek Indonesia 2006-2010). The aim of this research is to find out whether the Gross Profit Margin (GPM), Operating Profit Margin (OPM), and Basic Earning Power (BEP), is having influence to the stock’s price. The object of this research is the company that listing in IDX. The results of this research is Gross Profit Margin (GPM), Operating Profit Margin (OPM), and Basic Earning Power (BEP) simultaneously and significantly influence the stock price at the property and real estate company that listed in IDX in period 2006-2010.

**Research Systematic**

- Current Ratio
- Debt to Equity Ratio
- Return on Assets
- Return on Equity

Stock Price
Hypothesis development

Hypothesis is the temporary idea from research that has to be tested to get the fact. From explanation above and from previous research, hypothesis from the research are:

a. H1: the Current Ratio, Debt to Equity Ratio, Return on Assets, Return on Equity, and Gross Profit Margin influence assembly towards stock price.

RESEARCH METHODOLOGY

Type of Research

Based on the type of the research, these research is the explanatory research. According to Burhan Bungin (2006:38) explanatory research is the research which explains about the correlation, difference and influence between one variable and another. The caracteristic of explanatory research is replication and development, which means that the author repeats from the similar prodecessor researcher but difference for the sample, variable, and period.

Population

According to Sugiyono (2009:90) he stated that population explain as generalization field which consists on object or subject that has certain charasteristic and quality that’s judged by the researcher to analyze and conclude. In this research, the population of the research is all of the company which enter the LQ45 for the stock in 2009-2011. The population is 68 in LQ45 in 2009-2011.

Types of Data
The data that is used in this research is secondary data. The secondary data is the data that is collected, processed, and served by other party. The form of the secondary data is the annual that has been issued by the company that contained of balance sheet, income statement, cash flow statement, owner’s equity statement, and the financial statement.

Source of Data

The data that is used in this research is derived from the IDX’s website (www.idx.co.id). Beside the data that will be served in this research also provides by the data that the Author’s get from the Pojok Bursa Efek Indonesia Faculty of Economics University of Brawijaya in the form of Indonesian Capital Market Directory (ICMD).

Data Collecting Method

The data collecting method that is used in this research is documentation method. Documentation method is a data collecting technique by recording, and copying the secondary data, in which all of the data that has been collected comes from many resources, and then will be chosen related to the Author’s need.

Identification and Definition of Operational Variable

The variable that is used in this research covers five main variables. These variables are distinguished into two variables, they are the dependent variable and independent.

Data Analysis Method
According to Singarimbun and Efendi (1995;64), to know the effect of independent variable that is used (CR, DER, ROA, ROE, and GPM) towards the dependent variable (stock’s price), the double linear regression model is used. With the mathematic formulation as follow:

\[ Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \beta_5X_5 + e \]

Information:
- \( Y \) = Stock’s price
- \( X_1 \) = Current ratio
- \( X_2 \) = Debt to equity ratio
- \( X_3 \) = Return on assets
- \( X_4 \) = Return on equity
- \( X_5 \) = Net profit margin
- \( \beta_0 \) = Intercepts
- \( e \) = Errors

\( \beta_1, \beta_2, \beta_3, \beta_4, \beta_5 \) = Regression coefficient for each dependent variable.

This research will be using SPSS for windows program.

1. **Classic Assumption Test**
   
a. Normality Test
   
b. Multicollinearity Test
   
c. Autocorrelation Test
   
d. Heteroscedasticity Test

2. **Multiple Regression Linear Analysis**
Conclusions

According to discussion that analyzes the financial ratio that are represented by current ratio (CR), debt to equity ratio (DER), return on assets (ROA), return on equity (ROE), and gross profit margin (GPM) as independent variable and stock price at LQ45 in period of 2009-2011 as dependent variable with 19 companies representing the LQ45 company in period of 2009-2011 as sample of this research, there are some conclusion that can be taken from these research which comprise:

1. The discussions explain that current ratio (CR), debt to equity ratio (DER), return on assets (ROA), return on equity (ROE), and gross profit margin (GPM) simultaneously and significantly influence the stock price at LQ45 in period 2009-2011. It means those financial ratios are still useful for consideration of investor to make decision before investing their money in certain companies stock.

2. Based on this research, having all independent variables that influence partially and significantly towards stock price. There are independent
variables are current ratio (CR), return on assets (ROA), and return on equity (ROE), Debt to Equity Ratio (DER), Gross Profit Margin (GPM). Return on equity and Gross Profit Margin is one of the variables that are significant and negative for the stock price. It is because, when GPM increase the stock price decrease and if GPM decrease stock price will increase. Return on equity negative influence because return on equity will increase if the owner equity decreases. When owner equity decreases, the company will finance its asset with the debt. It will be risky for the company because the debt interest has to be paid by company. Return on assets are also significant and have a positive influence towards stock price. It is because when the company increases its income, the total assets has to decrease. Too much total asset is not good for the company because the asset cannot make the profit if the asset is still on hand. It will occur with the current ratio. Decreasing for the current ratio is a positive concern for the investor to make decision.

5.2 Suggestions:

1. For the next researcher, it will be expected to make a wider category of sample and number of independent variables not only financial report ratio, but also book value ratio and the others to make better conclusion and research.

2. For the company, it will be expected to provide financial report better and fair. It is because financial report is one of the most valuable information that investor has to get the truth regarding of company conditions through financial ratio and others.
3. For the investor, it will be expected to get much information to make some decision. Not only financial report of company, but also external information that influence toward stock price. If the company wants to predict the future with the financial report, the author suggests that profitability is one of the important factors that influences stock price.

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