EFFECT OF FINANCIAL PERFORMANCE COMPANY THE COMPANY ON SHARE PRICE IN INDONESIA STOCK EXCHANGE LISTING

Utami Dwi Okty[1], Siti Hamidah Rustiana[2] & Muh Andi Alfian Parewangi[3]

1) Alumny Accounting Master Program , Faculty of Economics and Business Universitas Muhammadiyah Jakarta
2) & 3) Accounting Master Program , Faculty of Economics and Business Universitas Muhammadiyah Jakarta

sitirustiana@gmail.com

Abstract

This study analyzes the effect of the financial performance of companies on stock prices of companies listed on the Indonesia Stock Exchange. In this thesis, the company's financial performance is measured by Return on Assets (ROA), Debt to Equity Ratio (DER), Price Earning Ratio (PER) and Earning Per Share (EPS). While the share price is using the closing price of individual stocks. The time span of this research is 5 years, ie from 2009 to 2013. This data includes 26 050 obesrvasi. The estimation technique used is the panel data estimation. This study use the FEM model. The conclusion of this thesis Financial Performance dalah that have a significant effect on stock prices. While partially, factors that significantly influence the stock price is Return On Assets (ROA) and Earning Per Share (EPS).

Keywords: *Financial Performance, Stock Price and Data Analysis Panel*

INTRODUCTION

The development of business and investment requires companies may present financial statements are accurate, transparent, and accountable. Currently, investment can be done easily and without any limits. To that end, where the capital market is very pnting experience in the development of a country. The quality of trading in the stock market would not be separated from economic conditions both locally and internationally. The economic crisis that occurred in 2007-2008 certainly enormous impact on the Indonesian economy. According to Hamid (2009), the economic crisis that occurred in the United State have an impact on Indonesia's economic slowdown, the fall in the stock index in the Indonesia Stock Exchange until the close of the exchange activity some time ago. The impact of the crisis is also evident in the decline in export turnover of Indonesia products to the world market, especially the United States, including entrepreneurs also managed by the SME.

In the investment world, the most important factors that encourage an investor to invest is besran return will receive from investments that implanted. The magnitude of return to be received can be seen on the dividends received. According to Campbell in Nathan S Balke (2005) to predict the movement of the stock dividend and the possibility of return will be accepted.

It can not be denied this time is that the capital market is an important source of funds in the business world, where capital market activity may reflect the absence of a country's economic doldrums. In a study conducted by Nathan S Balke (2005), states that the share price is determined solely by the real dividend growth expectations in the future, real interest rates, as well as the excess income (excess retun).

Husnan (2001: 315) states that in order to analyse and select the stocks, there are two basic approaches are Technical Analysis and Fundamental Analysis. Technical analysis is the analysis of stock price movements everyday which is usually used for short-term investments. With technical analysis, investors can take advantage of the stock price movement due to volatility to take advantage of the daily stock trading. While fundamental analysis is an analytical method based on the fundamentals of a company. This analysis focuses on financial ratios and events that directly or indirectly affect its financial performance.

Fundamental analysis is very important to look at the performance of a company from the inside which will be visible from the fundamental structure of the company. The better the fundamentals of a company, the better the company to develop, and the sooner the increase in stock prices in the future. In fundamental analysis, investors typically make an assessment and analysis of the financial statements of a company. Analysis of the financial statements that are typically used are ratio analysis because ratio analysis is relatively simple and quite informative translate the figures in the financial statements. With the results of the calculation of financial ratios, it is known whether a company has a good quality or not. The value of these financial ratios can directly affect the stock price.

Based on research Karina Dewi Puspita (2008), Effect of Price Earning Ratio (PER), Debt to Equity Ratio (DER), and Return On Equity (ROE) to the price of the stock market after the IPO in the Indonesia Stock Exchange. The results of this analysis showed that only a PER that significantly determine the market price of the company's stock. Another study conducted by Angrawit Kusumawardani (2009) who argued that the Debt to Equity Ratio (DER), the Current Ratio (CR), and Financial Leverage (FL) on stock prices of companies LQ45. AMOS calculation results, Debt to Equity Ratio (DER) significantly affect the share price of 102.4%. This ratio shows the composition or structure of the total loan capital (debt) to total capital of the company. DER showed the extent to which companies may bear the losses without harming creditors. On the Current Ratio (CR) and Financial Leverage (FL) has no influence on the company LQ45.

In research Gatiningsih (2009), which used a sample of food and beverage companies listed on the Indonesia Stock Exchange indicating that the Return On Assets (ROA), Return on Equity (ROE), and Debt to Equity Ratio (DER) has a significant influence on stock prices ,

ISBN 978-602-17688-9-1

LITERATURE REVIEW

The company's performance is a formal business carried the company to evaluate the efficiency and effectiveness of the company's activities that have been implemented in certain periods. The financial performance analysis can reflect the health of the business within the company. Analysis of the company's financial performance as well as combining all sources of financial information into the information that can be easily inferred. Financial performance is also a full integration between planning, forecasting, and budgeting of the company. This integration allows you to manage your financial future and also to compare the company's financial status on performance whether it has been aligned with the strategic objectives or otherwise. If the users of financial statements information need valid information, transparency and accountability, it would require an analysis of the financial performance of the company.

Measuring The Company Financial Performance

A performance measure is a numeric description of an agency’s work and the results of that work. Performance measures are based on data, and tell a story about whether an agency or activity is achieving its objectives and if progress is being made toward attaining policy or organizational goals. Although performance measures may have other characteristics, these have been established by the Governmental Accounting Standards Board. OFM uses these as criteria in Performance Assessments and they are used in almost every kind of performance audit : 1). Relevant measures matter to the intended audience, and clearly relate to the activit being measured. Logic models are a way of establishing relevant measures.
2). Understandable measures are clear, concise, and easy for a non-specialist to comprehend. This applies to language used in the title and description, and to technical aspects of the measure such as the scale used in charts or selection of performance targets. 3). Timely measures have information available frequently enough to have value in making decisions. 4). Comparable measures have enough data to tell if performance is getting better, worse or staying about the same. They also provide the reader with a frame of reference or context to tell if current performance meets or exceeds expectations. 5). Reliable measures have data that is verifiable, free from bias, and an accurate representation of what it is intended to be.
6. Cost effective measures justify the time and effort to collect, record, display, and analyze the data given the measure’s value. Another aspect of cost-effectiveness is feasibility. For instance, an ideal metric may require data collection, the scope and scale of which is far beyond its potential usefulness.

From the above statement it can be concluded that performance measurement is a numerical description for the work of companies that can show whether the company has been able to achieve its objectives. There are four principal qualitative characteristics set by the Accounting Standards Board consists of: understandable, relevant, reliability, and comparability.

ISBN 978-602-17688-9-1

Financial statements

At the end of the period, usually a quarter or year, the financial statements prepared for the reporting financing and investing activities at that time, and to summarize the operating activities during the previous period. (Subramanyam and Wild, 2010: 23) following exposure to the type of financial statements made by the company:

1. Balance Sheet
According to Brigham and Houston (2010: 87) Balance Sheet reflects the photo position of a company at a given point in time. The left side of the report presents the assets owned by the company. The right hand side presents the liability and equity reflecting a claim on assets.

2. Income Statement
The statements of income (income statement) to measure the financial performance of companies between the balance sheet date. This report reflects the operating activities of the company. An income statement provides details of revenues, expenses, profit and loss of the company for sutau period of time. (Subramanyam and Wild, 2010: 26)

3. Retained Earnings Reports
Changes in retained earnings in the balance sheet date are reported in retained earnings (statement of retained earnings). Retained earnings reflects the claim to the assets, and not the asset itself. Moreover, the company retained earnings to invest back into the business, which would be to invest in plant and equipment, the supplies, and so on, rather than to cultivate cash in bank accounts. Change happens because the retained earnings of ordinary shareholders to allow management to invest kembai funds should be distributed as dividends. So the account of retained earnings reported in the balance sheet does not reflect cash and are not available for dividend or other things. (Brigham and Houston, 2010: 101)
4. Statement of Cash Flows
According to Brigham and Houston (2010: 97) Net cash flows reflect the cash generated by a business in a given year. But the fact of a company generates high cash flow does not always mean cash reported in the balance sheet is also high. Cash flows are not usually used to increase the cash account, but used to pay dividends, increase inventory, accounts receivable financing, investment in fixed assets, pay off debt, and repurchase common stock.

Ratio analysis

The ratio is interpreted correctly identify areas that require further investigation. Ratio analysis can reveal important relationships and become a basis for comparison in finding conditions and trends that are difficult to be detected by studying each of the components that make up the ratio. Like the other tools, the most useful when the ratio is future oriented. This means that we often adjust the factors that affect the ratio for possible trends and its size in the future. We also have to assess the factors that could potentially affect the ratio in the future. Therefore, the utility ratio depending on the application and interpretation skills, and this is the most challenging part of ratio analysis.

The ratio used in this study are: 1). The rate of return on assets (ROA) = net profit /Average shareholders' equity. This ratio shows howmuch assets owned by the company is able to generate profits. This ratio can be seen in the effectiveness of the assets owned by the company in generating profits. 2). Total Debt to Equity (DER) = Total Liabilities / Equity Shareholders. This ratio shows how much a company can pay off the debt with its own capital. In this ratio can be known how much debt composition dominating source of corporate financing. 3). Earning Per Share (EPS) = Profit Shares of the relevant section / Number of shares. This ratio shows how much return per share to be received by the investors on investment. The information generated by this ratio is the information most sought after by investors. In addition ratios in the bag, there is also the ratio of Ratings Market (Market Based Ratio). This ratio is the ratio of common and are specifically used in the capital markets which describes the situation / circumstances achievements of companies in the capital market. (Harahap, 1998: 10). 4). Price Earning Ratio (PER) = Price Stock Market / Net profit

In a study conducted by Annio et. Al (2007) in Maftukhah (2010) analyzed the effect of the fundamental and technical factors on the price of shares listed on the Jakarta Stock Exchange. Results pnelitiannya stated that the fundamental variables (leverage ratio, Fixed Assets Turn ratio (FATO), Quick Ratio (QR), Operating Profit Margin (OPM), Return On Investment (ROI), Price Book Value (PBV) and variable technical (trading volume and the stock price index individual) positive and significant effect on stock prices. While the Current Ratio (CR), Debt to Equity Ratio (DER), Inventory Turn Over (ITO), Total Assets Turn Over (TATO), Gross Profit Margin (GPM), net Profit Margin (NPM), Return on Equity (ROE) (TATO), Gross Profit Margin (GPM), net Profit Margin (NPM), Return on Equity (ROE), Price Earning Ratio (PER) negative and not significant to stock price.

Maftukhah et. al (2010) showed that partially by t test, variable sales growth and Gross Profit Margin (GPM) have significant effect on the Debt to Equity Ratio (DER). Variable sales growth and the Gross Profit Margin (GPM) has no effect and does not significantly influence stock prices. While the variable Debt Equity Ratio (DER) significantly affects stock prices. Simultaneous testing by F test, variable sales growth and the Gross Profit Margin (GPM) influential and significant to Debt Equity Ratio (DER), while variable sales growth (Growth Sales), Debt to Equity Ratio (DER), and the Gross Profit Margin (GPM) have significant effect on stock prices.

Effendi et.al (2008) showed that all variables ROE, EPS, PER, Interest Rates, Inflation and Growth in total assets simultaneously significant effect on stock prices of companies LQ 45, and the ability of all the variables in explaining the share price perbahan amounted to 54.1%. Partially, ROE, EPS, PER and interest rates have a significant effect on stock prices. Inflation and growth of the company (total assets) had no significant effect on stock prices. EPS is the dominant variables that affect stock prices.

Stock price

One alternative for companies to obtain funding or additional capital is to issue securities and then the securities or shares newly issued by the company is sold in the primary market in the form of Initial Public Offerings (IPO) or the initial offering of the shares, or can be with how to add new securities if the company is already going public. Furthermore, securities that have been circulating traded in the secondary market (Hatta and Isfaatun, 2007)

Stock analysis

Fabozzi (1999) in Pasaribu (2008) stated that in the analysis skuritas digunkan there are two approaches are fundamental and technical analysis. Fundamental analysis is based on two basic models are earning multiplier securities valuation and asset values, while technical analysis is generally focused attention on the changes of volume and price of the securities market.

Fundamental factors are often used to predict stock prices or stock return is a financial ratio and the ratio of the market. Financial ratio which serves to predict stock prices, among others, return on assets (ROA), debt equity ratio (DER), and book value per share (BVS). The ratio of the market is often associated with the prices or stock returns are price-book value (PBV). Technical factors measured by several indicators, among others, inflation, currency exchange rates, and market risks. Shares of companies that go public is a risky investment commodity, because it is sensitive to changes that occur, both changes in domestic and overseas changes. (Pasaribu, 2008)

METHODOLOGY

In this study the research object is the company's financial performance and stock price. Type of research is quantitative research to test hypotheses. The population in this study are all companies in the form of a limited liability company registered the Indonesia Stock Exchange in the period from 2009 to 2013. From the years 2209 to 2013. All the population sampled in this study. This study used secondary data derived from the financial statements of companies listed on the Indonesia Stock Exchange. The data used in this research is quantitative data in the form of secondary data obtained through IDX Monthly Statistics. Data in the form of financial ratios. Data processing techniques used in this research is panel data is the data pool (combination of time series data) and the cross-section data. Regression using panel data regression model called panel data. Linear regression model using cross section data and time series.

ISBN 978-602-17688-9-1

1. Model with cross section data : Yi = α + β Xit + € it; i; = 1,2, ... N (1)
N = the number of cross section data

2. Models with time series data : Yi = α + β Xit + € it; i; = 1,2, ...T (2)
T = number of time series data

3. The integrated model cross section data and time series data

Yit = α + β Xit + € it; i; = 1,2, ..., N; t = 1,2, ..., T (3)

Where:
N = number of observations
T = the amount of time
N x T = number of panel data

DISCUSSION

The unit of observation in this study are all companies listed in Indonesia Stock Exchange from 2009 to 2013. The number of companies listed on the Indonesia Stock Exchange from 2009 to 2013 were as follows:

Table 2
Observation unit

PERIOD	NUMBER OF COMPANY				
	2009	2010	2011	2012	2013
Januari	402	402	426	444	466
Februari	401	404	426	446	469
Maret	401	404	426	446	469
April	402	405	427	446	471
Mei	402	405	430	446	469
Juni	396	405	432	446	476
Juli	406	412	432	455	472
Agustus	406	412	436	456	472
September	406	413	436	458	474
Oktober	406	416	436	458	477
November	406	421	430	462	492
Desember	406	413	430	463	498
Total	4840	4912	5167	5426	5705
GRAND TOTAL					26050

Source: IDX Monthly Statistic

Model Validation Test

Before the author choose which model will be used in this study, first author to make a validation test on the model taking into account the following matters:

ISBN 978-602-17688-9-1

Table 3
Test result

CRITERIA	PLS	FEM	REM
R Squae	0.473230	0.062326	0.080339
T test	ROA, EPS Sig	ROA, EPS Sig	ROA, EPS Sig
Durbin Watson	1.924609	0.442681	0.332426

Test period fixed effects

Effects Test	Statistic	d.f.	Prob.
Period F	1.894093	(58,22099)	0.0000

From the third test of the above models, it can be seen that the value of its significant F, so it can be concluded that the FEM model is better than the PLS model. While testing the model of FEM and REM looks as follows:

Correlated Random Effects - Hausman Test
Pool: GOOD4REM
Test period random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Period random	0.000000	4	1.0000

* Period test variance is invalid. Hausman statistic set to zero.
** WARNING: robust standard errors may not be consistent with assumptions of Hausman test variance calculation.
** WARNING: estimated period random effects variance is zero.

Period random effects test comparisons:

Variable	Fixed	Random	Var(Diff.)	Prob.
ROA?	13.167557	13.121318	0.045198	0.8278
EPS?	1.605120	1.597075	-0.000003	NA
DER?	-0.469243	-0.616349	0.043332	0.4798
PER?	-0.002256	-0.003856	0.000006	0.5234

ISBN 978-602-17688-9-1

From testing the model above, it can be seen that the value of F was not significant, so it can be concluded that the FEM model is better than the Model REM. Based on a series of tests on that, the authors decided to select as the FEM model estimation results.

RESULTS ESTIMATES

Panel data estimation model used is the approach using Fixed Effect Model (FEM). In general, the value of R square for each model is 0.062326 for model 1, this means that stock prices (y) is able to be explained simultaneously by ROA, DER, PER, and EPS amounted to 6.2326%, while the remaining 93.76% is explained by the factors that are not included in the model. As for the model 2 is 0.06428, this means that the price of shares able to be explained simultaneously by ROA, DER, PER, and EPS amounted to 6428%, while the remaining 93 752% can be explained by the factors that are not included in the model. For model 3 is 0.063428, this means that the price of shares able to be explained simultaneously by ROA, DER, PER, and EPS amounted to 6.3428% while rest of 93 657% can be explained by the factors that are not included in the model.

Based on F test statistic in the third FEM model mentioned above, it can be seen that the F statistic worth 1.894093, while the F table is 0. This means that the F statistic> F table, then Reject H0. this means that the company's financial performance variables measured by ROA, DER, PER, and EPS affect stock prices. This is in line with research conducted by Pasaribu (2008) which states that simultaneous and partial, growth, profitability, leverage position, liquidity, and efficiency significantly influence stock prices in eight industries.

Partially, the results of t-test statistic can be concluded that only the EPS and ROA significantly affect stock prices, while the PER and DER does not significantly affect the stock price. This is in line with research Effendi et.al (2008) which states that partially, ROE, EPS, PER and interest rates have a significant effect on stock prices. Inflation and growth of the company (total assets) had no significant effect on stock prices. EPS is the dominant variables that affect stock prices.

In terms of level of significance, the three models mentioned above have had a probability figure 0, which means that the company's financial performance as measured by ROA, PER, DER, and EPS have signifikan effect on stock prices.

CONCLUSIONS

Based on the results and discussion contained in the previous section, it can be concluded:
The market capitalization is one measure of the level of success and failure of companies listed on the Stock Exchange. In a period of 5 years of research, a business group that has the largest market capitalization is a finance group that consist of kalompok banking business, financing business groups, as well as insurance. This means that stout interested investors for shares in this group because they have a good prospect. From the statistical test result can be seen that the Model Fem has an advantage compared with the PLS model and REM. The company's financial performance as measured by ROA, PER, DER, and EPS jointly affect stock prices. Partially, it can be concluded that the ROA, and EPS significantly influence stock prices.

ISBN 978-602-17688-9-1

Based on the above conclusions, the suggestions that can be given is as follows: Suggestions for management and decision makers in the company to always consider the company's fundamentals because the quality of the company's fundamentals will determine the company's stock price movements. If a company has good fundamentals, it is likely to attract investors in order to invest into a greater chance. Suggestions for further research is to increase the company's financial performance variable because a lot of ratios that can be used to assess the quality of the performance of the company, both the ratio of liquidity, solvency, and profitability ratios.

REFERENCES

Brigham dan Houton, 2010, Dasar-dasar Manajemen Keuangan, Penerbit Salemba Empat, Jakarta

Effendi, dkk, 2008, Pengaruh Beberapa Faktor Fundamental dan Pertumbuhan Perusahaan terhadap Harga Saham (Studi pada Perusahaan yang Terdaftar dalam Indeks LQ 45 di BEI)

Harahap, Sofyan Syafri, 1998, Analisis Kritis atas Laporan Keuangan, Penerbit PT Raja Grafindo Persada, Jakarta

Husnan, Suad, 2001, Dasar-Dasar Teori Portofolio dan Analisis Sekuritas, Penerbit AMP YKPN

IDX Newsletter, Edisi Februari 2014

Isfaatun dan Hatta, 2010, Analisis Informasi Penentu HArga Saham Saat Initial Public Offering

Maftukhah, 2010, Pengaruh Faktor-Faktor Fundamental yang Mempengaruhi Harga Saham pada Perusahaan Food and Beverage yang Terdaftar di Bursa Efek Indonesia tahun 2008-2010

Mulyana, Deden, 2011, Analisis Likuiditas Saham serta Pengaruhnya Terhadap Harga Saham pada Perusahaan yang berada pada Indeks LQ 45 di Bursa Efek Indonesia

Mutia, Evi, 2010 Analisis Pengaruh Dividen Payout Ratio dan Capital Structure terhadap Beta Saham (Studi pada Saham Syariah dan Non Syariah Perusahaan Non Keuangan di Bursa Efek Indonesia)

Pasaribu, 2008, Pengaruh Variabel Fundamental Terhadap Harga Saham Perusahaan Go Public di Bursa Efek Indonesia (BEI) Periode 2003-2006

Peter, Maksus, 2011, Main Saham untuk Karyawan Kecil, Penerbit Flash Books

Puspita, Karina Dewi (2008), Effect of Price Earning Ratio (PER), Debt to Equity Ratio (DER), and Return On Equity (ROE) to the price of the stock market after the IPO in the Indonesia Stock Exchange.

Subiyantoro dan Andreani, 2001, Analisis Faktor-Faktor yang Mempengaruhi Harga Saham

Subramanyam, KR dan Wild, John.J, 2010, Analisis Laporan Keuangan Financial Statement Analysis, Penerbit Salemba Empat, Jakarta

Sugiyono, 2011, Metode Penelitian Kuantitatif dan Kualitatif dan R&D