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Effect of Financial Performance on Stock Prices in Producing Product of Raw Materials Registered in Indonesia Stock Exchange

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ABSTRACT:- *This study aims to examine and analyze Effect of Financial Performance consisting of Current Ratio, Debt to Equity Ratio, Return on Assets, and Total Asset Turnover on Stock Price In Producing Industrial Raw Materials Listed on the Indonesian Stock Exchange. This research uses 7 (seven) samples of the company of 21 (twenty one) number of industrial enterprises producing raw materials listed in the Indonesia Stock Exchange in 2009-2013. The sampling technique is done by using purposive S sampling method, testing is menggunakann multiple linear regression analysis is the classical assumption test, t test and F test. The results showed that simultaneous variables of financial performance that is comprised of Current Ratio, Debt to Equity Ratio, Return on Assets, and Total Asset Turnover and significant effect on the price of shares in Industrial Raw Material Producing Listed on the Indonesian Stock Exchange. Then the partial test results only Total Asset Turnover who have influence and significant impact on stock prices, while the Current Ratio, Debt to Equity Ratio and Return on Assets has influence but no significant effect on the stock price on Industrial Producer Raw Materials Listed on the Indonesian Stock Exchange*

KEYWORDS - *Current Ratio, Debt to Equity Ratio, Return on Assets, and Total Asset Turnover and Share Price*

I. INTRODUCTION

The purpose of analyzing the company's financial statements, namely to assess or evaluate a particular performance of company management in an accounting period, and determine the strategy that will be applied in the next period with the company's goals have been achieved. One of the main objectives of financial decisions is to maximize the level of prosperity of the owner of the company or shareholders, determine the amount of remuneration, determine the price of shares, and assess the company's performance to predict the future state of the company for shareholders and prospective shareholders.

Based on financial ratio analysis tools, shareholders tend to sell their shares if the company's financial ratios are wrong. Improved financial analysis skills will help business owners predict the financial situation. Financial analysis expertise that should be focused on analyzing liquidity ratios, asset management ratios, debt management ratios, and profitability ratios (Do, *et al.*, 2019). Conversely, if the company's financial ratio is good, shareholders will maintain it. Likewise, with potential investors, if the company's financial ratios are wrong, they tend not to invest their capital, and vice versa if the company's financial ratios are right, potential investors will invest their capital (Hendrata, 2001: 4). Seeing this trend, the stock price changes in the capital market is very influential in the company's financial performance.

So far, financial ratio analysis that is commonly used in evaluating a company's performance is divided into four main categories, namely profitability ratios, activity ratios, leverage ratios, and liquidity ratios (Hendrata, 2001: 4).

Basically, excellent company performance will have a high stock price (Robert Ang: 1997: 8) because, in the world of investment, stock prices can be reflected on the company's financial performance, where the higher the stock price, the better a company's performance will be said. Financial performance is a basis for seeing the extent to which company management is by principles and by applicable regulations. The better financial performance means the healthier the company.

I. THEORETICAL FRAMEWORK

Financial ratio analysis is part of the analysis of financial statements. Financial ratio analysis is an analysis conducted by linking various estimates contained in the financial statements in the form of financial ratios. According to Wild, Subramanyam, and Halsey (2005: 36), "ratio analysis (ratio analysis) can reveal

important relationships and become the basis of comparison in finding conditions and trends that are difficult to detect by studying each component that makes up the ratio."

To analyze the financial statements an analytical tool is needed that is the financial ratios of financial ratios can be grouped into five types based on the scope or objectives to be achieved, namely (Robert Ang, 1997: 23): Liquidity Ratios This ratio states the ability of the company's long-term short of fulfilling bonds (liabilities) that are due. This liquidity ratio consists of the current ratio (quick ratio), quick ratio, and networking capital. Activity Ratios, i.e., This ratio shows the ability and efficiency of a company are utilizing its assets. This activity ratio consists of: total asset turnover, fixed asset turnover, accounts receivable turnover, inventory turnover, average collection period (day's sales accounts receivable), and day's sales in inventory. Profitability Ratios ie, this ratio shows the success of the company in generating profits. This profitability ratio consists of gross profit margin, net profit margin, operating return on assets, return on assets, return on equity, and operating ratio. Leverage Ratios This ratio shows a company's ability to meet its long-term obligations. This ratio is also called solvency because it is a leverage ratio that is using borrowed money (debt) to obtain profits. This leverage ratio consists of the debt ratio, debt to equity ratio, long-term debt to equity ratio, long-term debt to capitalization ratio, times interest earned, cash flow interest coverage, cash flow to net income, and cash return on sales. Market Ratios are ratios that show important company information disclosed on a per-share basis. This market ratio consists of dividend yield, dividend per share, earnings per share, dividend payout ratio, price earning ratio, book value per share, and price to book value.

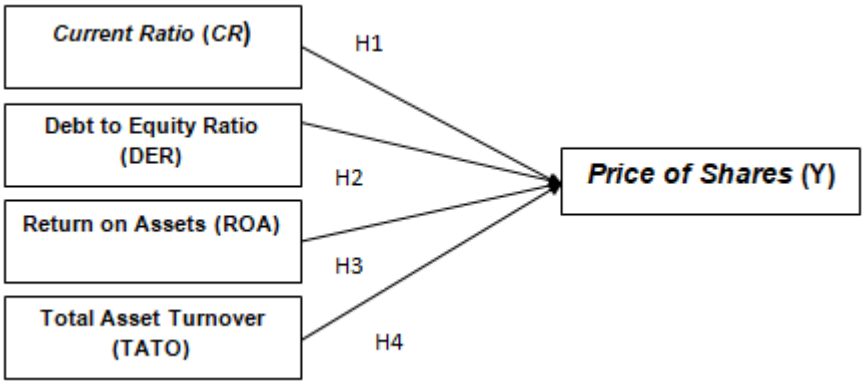
Darmadji and Fakhrudin (2001: 5) state that shares are a sign of ownership or ownership of a person or entity in a company or limited liability company. Being a Stock is a piece of paper that explains that the owner of the paper is the owner of the company that issued the securities. The portion of ownership is determined by how much investment is invested by investors in the company. Suad Husnan (1996: 276), shares are proof of ownership of a company.

The stock price is the present value of the cash flows that will be received by the shareholders in the future. Share price is the money spent to obtain proof of ownership or ownership of a company (Anoraga dan Pakarti, 2006: 100). High stock prices indicate that the shares are actively traded, and if an active stock is traded, the dealer will not hold the stock for a long time before trading.

Several studies on financial performance in relation to stock prices have been carried out, including Laoli (2009), showing that the fundamental factors of the most dominant companies affecting stock prices are CR and TATO. Thus for investors and financial managers in fundamental analysis can consider these variables. Then, Ilham (2013) found that showed that the variable ratio of the Current Ratio, Return on Assets, and Debt to Equity Ratio was statistically simultaneous significant effect to predict the price of shares to be traded while statistically partial variable Debt to Equity Ratio has no significant effect on predicting the price of shares to be traded on the stock exchange. Likewise, Sari, *et al.*,(2014) research found that Current Ratio (CR), Net Profit Margin (NPM), Return On Assets (ROA), Debt to Equity Ratio (DER) variables, Total Assets Turnover (TATO), and Earning per Share (EPS) only variable Current Ratio (CR), Net Profit Margin (NPM), Debt to Equity Ratio (DER), and Total Assets Turnover (TATO) that have a significant effect on company stock prices. While the Return on Assets (ROA) and Earning per Share (EPS) variables have no effect on stock prices.

So to facilitate understanding of the effect of financial performance on stock prices, it can be described as follows:

Figure 1: Research Model



H1: Current Ratio have significant effect on the price of shares in Industrial Raw Material Producing Listed on the Indonesian Stock Exchange

H2: Debt to Equity Ratio have significant effect on the price of shares in Industrial Raw Material Producing Listed on the Indonesian Stock Exchange
H3: Return on Assets have significant effect on the price of shares in Industrial Raw Material Producing Listed on the Indonesian Stock Exchange
H4: Total Asset Turnover have significant effect on the price of shares in Industrial Raw Material Producing Listed on the Indonesian Stock Exchange

II. RESEARCH METHOD

The data collection method used in this study is the documentation method, which is a data collection technique by viewing, using and studying secondary data, namely the stock price obtained from the daily closing price of shares, and the Indonesian Capital Market Directory (ICMD), which is the company's financial statements selected as a sample registered on the Indonesia Stock Exchange in 2009-2013.

The population in this study are all industries producing raw materials that have been listed or gone public on the Indonesia Stock Exchange (BEI) during the 2009-2013 period, namely as many as 21 (twenty-one) raw material producing companies that have gone public. The selection of research samples is based on the method of purposive sampling. The purposive sampling method is a sampling technique that is based on certain criteria in accordance with the objectives of the study. Criteria for companies being sampled in this study are registered as companies producing raw materials on the Stock Exchange before 31 December 2009 and still registered until 31 December 2013. Publish audited financial statements for the 2009-2013 period. The company uses the unit of Rupiah in financial statements.

III. RESULT

Hypothesis testing is done to analyze the effect of financial performance, namely the current ratio, debt to equity ratio, return on assets, and total asset turnover to the stock prices of raw material producing industries listed on the Indonesia Stock Exchange. The results of testing multiple linear regression statistics, using SPSS, can be seen in table 1.

Table 1 Multiple Linear Regression Test

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	1687,059	1738,943		,970	,340		
	CR	-3,254	2,467	-,242	-1,319	,197	,595	1,681
	DER	-13,013	8,832	-,309	-1,473	,151	,454	2,203
	ROA	106,299	93,331	,204	1,139	,264	,624	1,604
	TATO	2549,805	917,373	,433	2,779	,009	,823	1,214

Based on table 2, the regression equation can be seen:

Y = 1687,059 - 3,254X1 - 13,013X2 + 106,299X3 + 2549,805X4

a. Constants (α) = 1687,059
The constant value (α) of 1687,059 with a positive value indicates that if the financial performance variables, namely current ratio, debt to equity ratio, return on assets, and total asset turnover are considered 0 (zero), the stock price increases by 1687,059.
b. Regression coefficient X1 = -3,254
The current ratio coefficient of -3.254 shows a negative relationship. If it is assumed that the other independent variables are constant, then every 1% increase in the current ratio (CR) in the stock price will decrease by -32.54%.
c. Regression coefficient X2 = -13,013
Debt to Equity Ratio coefficient with a negative direction of -13,013. This shows that a 1% increase in the variable Debt to Equity Ratio (DER), then the stock price will decrease by -1.3%, assuming the other variables are constant
d. Regression coefficient X3 = 106,299
Return on Assets has a regression coefficient with a positive direction of 106.299. If it is assumed that the other independent variables are constant, then every 1% increase in Return on Assets (ROA) on the stock price will increase by 10,629%.

e. Regression coefficient X4 = 2549,805
Total asset turnover has a regression coefficient with a positive direction of 2549.805. This shows that an increase of 1% in the variable Total asset turnover (TATO), then the stock price will increase by 2549,805%, assuming the other variables are constant.

Based on the results of the SPSS output shows that the partial effect of the four independent variables (current ratio, debt to equity ratio, return on assets, and total asset turnover) on stock prices can be seen in Table 1 as follows:

a. Effect of Current Ratio on Share Prices
Based on the results of SPSS processing, the t-value of -1.319 is obtained while the table is 2.039. Then the t-value -1.319 <of the value of t table 2.021 with a significance value obtained by the current ratio of 0.197> of the significant standard of 0.05, meaning this indicates H1 is accepted and H0 is rejected, then the current ratio partially has no significant effect on stock prices.

b. Effect of Debt to Equity Ratio on Share Prices
The result of processing is obtained the significance value of debt to equity ratio of 0.151> from the value of 0.05, while the t-value obtained is -1.473. T value <of the table value of 2,039. Based on this value, it can be concluded that H1 is rejected H0 is accepted; this shows the debt to equity ratio has no significant effect on stock prices.

c. Effect of Return on Assets on Stock Prices.
From the results of SPSS processing, Return on Assets has a significance value of 0.264, meaning this value is greater than 0.05, while the T value is obtained 1.139. T value is greater than the table value of 2,039. Based on this value, it can be concluded that H1 is rejected H0 is accepted; this shows that Return on Assets has no significant effect on stock prices.

d. Effect of Total Asset Turnover on stock prices
Total Asset Turnover has a significance value of 0.009, which means it is greater than 0.05, while the T value obtained is 2.779 greater than the table of 2.021. Based on this value, it can be concluded that H1 is accepted, and H0 is rejected, then Total Asset Turnover has a significant effect on stock prices.

Table 2.
Statistic F-Test

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	110400151,400	4	27600037,850	5,010	,003[b]
	Residual	165261784,200	30	5508726,140		
	Total	275661935,600	34			

Based on the results of testing the hypothesis using SPSS listed in table 2, an F value of 5.010 was obtained with a significance of 0.000 less than the significance level of 0.05. This shows that the F value obtained is greater than the F table (k-1, nk), then an F table value of 2.68 is obtained, with these results it is concluded that the F value of 5.010> from F table 2.68, then H1 is accepted and H0 is rejected, meaning that from the conclusion there is a simultaneous influence between the current ratio variable, debt to equity ratio, return on assets, and total asset turnover to stock prices that can be measured as a measure of corporate financial performance.

IV. CONCLUSION

Current Ratio (CR) variable current ratio has a negative but not significant effect on stock prices. This is because the Current Ratio has decreased due to an increase in current debt that is not proportional to the increase in current assets and the accumulation of long-term debt and maturing interest so that the additional debt is relatively large compared to the additional current assets of the company. The results of the current coefficient regression coefficient have a negative sign that explains the company in its current assets has not been used for company activities, or the company is too full consideration of debts that will mature, so this results in a decline in corporate profits which also results in a decline in the company's stock price .

Debt to Equity Ratio (DER) ie, DER has a negative but not significant effect on stock prices. This shows that the debt to equity ratio has decreased due to increased debt, decreased ability of companies to make profits, accumulated debt, and interest due. So that the company's debt is relatively greater than the company's assets, and there is a decline in equity capital every year. In this study, companies each year use more debt relative to equity. Rising or falling stock prices are not influenced by the debt to equity ratio in this study because the companies that are sampled, and the research period is limited.

Return On Assets (ROA) The results in this study indicate that Return On Assets (ROA) has a positive but not significant effect on stock prices. Thus this shows that the data in the study there are some net income

with a negative nominal and more data the company has a low net profit compared to its total assets, this shows that the companies that have a net profit is not maximal in the use of company assets so that profits are also obtained low, then reducing the interest of investors to make investments will have implications for lower dominant share prices.

Total Assets Turnover (TATO), the Total Assets Turnover variable has a positive and significant effect on stock prices. This shows that the companies that were sampled in this study, the use of their total assets to produce sales more effectively, can be seen in the company's reports that total assets are balanced with net sales results. Turnover of company assets measured by sales shows the company in its assets can spin faster and achieve profits and show more efficient use of overall assets in generating sales, thus giving investors the view that sales of a company that rotates efficiently can process assets will increase investor interest.

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