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STOCK PRICE IMPACT FROM PROFITABILITY, DEBT TO EQUITY RATIO AND SALES GROWTH

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ABSTRACT

This study aims to determine the determinants of the stock price of the impact of profitability, debt to equity ratio and sales growth in the automotive sub sector companies and its components listed on the Indonesia Stock Exchange in the period 2015-2019. Method This research uses quantitative verification analysis, panel data regression analysis test using purposive sampling method obtained a sample of 12 companies in the automotive sub sector and its components listed on the Indonesia Stock Exchange for the period 2015-2019. The results showed profitability had no effect on stock prices, the result was 0.4551, debt to equity ratio had an effect on stock prices, that is 0.0411 and sales growth had no effect on stock prices with a yield of 0.7834.

Keywords: *Stock Price, Profitability, Debt to Equity and Sales Ratio*

Introduction

The capital market functions to connect investors, companies and government institutions through the trading of long-term financial instruments. Capital market players can be individuals or organizations / companies. The most common forms of capital market investment are stocks, bonds and mutual funds. Tjiptono Darmadji and Hendy M. Fakhruddin are of the opinion that the capital market is a market for a variety of long-term financial instruments that can be traded, whether in the form of debt, equity (shares), derivative instruments or other instruments.
The capital market according to Suad Husnan is a market for various financial instruments or long-term securities that can be traded. This includes debt and equity, both issued by the government, public authorities and private companies.
The capital market has an important role for the economy of a country because it performs two functions, namely as a means for business funding or as a means for companies to get funds from investors. Funds obtained from the capital market can be used for business development, expansion, addition of working capital, etc. As well as the second function, which is a means for people to invest in financial instruments such as stocks, mutual fund bonds and others.
The public can place their funds in accordance with the profit and risk characteristics of each instrument. Economic conditions that are experiencing a decline with the Corona Covid 19 virus require a reliable source of funds for the company to meet long-term needs. One of them is by finding sources of funds through the capital market (Arianty and Sulasmiyati, 2016). Capital market activities, stock prices are very important factors and must be considered by investors in investing because share prices show the achievements of the issuer. The movement of stock prices is in line with the company's performance, if the company has a better performance.

Literatur Review

Effect of Profitability on Stock Prices

Munawir argues (2014) profitability shows the ability of companies to generate profits over a certain period. Kasmir (2015) states that the Profitability Ratio is a ratio to assess a company's ability to look for profits or profits in a certain period. Profitability ratios also provide a measure of the effectiveness of a company's management as indicated by profits generated from sales or from investment income. Irham Fahmi (2015) argues that the ratio that measures the

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overall effectiveness of management aimed at the size of the level of profits obtained in relation to sales and investment. The better the profitability ratio, the better the ability to describe the high profitability of the company. Profitability Ratios are ratios or comparisons to determine a company's ability to earn profits from revenue related to sales, assets, and equity based on certain measurements. Profitability ratios are used to show how much profit or profit derived from the performance of a company that affects the records of financial statements that must be in accordance with financial accounting standards. Return On Equity is used by investors as a benchmark for investing in a company, because this ratio illustrates the company's ability to make a profit, where a portion of the profits will be distributed to investors in the form of dividends. (Syamsudin, 2012). The financial statements report the position of the company at one point in time and its operational activities over the past several periods. The most important ratio is return on equity, which is net income for shareholders divided by total shareholder equity. Shareholders expect a high rate of return on invested capital, and ROE shows the level they have earned (Brigham dan Houtson, 2013). This research is in line with research conducted by Rizqi Aning Tyas dan Rishi Septa Saputra (2016) Cahyaningrum and Antikasari (2017), Alamsyah (2019) which states that profitability affects stock prices. The results of this study differ from research conducted by Sorongan, (2019) which shows profitability has no effect on stock prices.

Effect of Debt to Equity Ratio on Share Prices

Debt to Equity Ratio is the ratio of debt to capital, to measure the size of the company financed by debt. The higher the Debt to Equity Ratio value illustrates the poor performance of the company, the price of the company's shares will decline because the company is difficult to get investors to buy company shares in the capital market. (Agus Sartono, 2011). Debt to Equity Ratio of the company is high, there is a possibility that the company's stock price will be low because if the company makes a profit, the company tends to use that profit to pay its debt compared to dividend dividing. (Dhamastuti, 2004). Return On Equity is used by investors as a benchmark for investing in a company, because this ratio illustrates the company's ability to make a profit, where a portion of the profits will be distributed to investors in the form of dividends. (Syamsudin, 2012). The financial statements report the position of the company at one point in time and its operational activities over the past several periods. The most important ratio is Return On Equity, which is net income for shareholders divided by total shareholder equity. Shareholders expect a high rate of return on invested capital, and Return On Equity shows the level they have earned(Brigham dan Houtson, 2013). This research is in line with research conducted by Cahyaningrum and Antikasari (2017), Alamsyah (2019) which states that profitability affects stock prices. The results of this study differ from research conducted by Sorongan, (2019) which shows profitability has no effect on stock prices.This research is in line with research conducted by Rimbani (2016) which states that the debt to equity ratio affects stock prices. The results of this study differ from research conducted by Patriawan (2011) which states that the debt to equity ratio has no effect on stock prices.

Effect of Sales Growth on the Stock Price

Sales are the spearhead of a company. Appropriate sales forecasts are needed, so the company can prepare everything needed for the production process. Van Horne and Wachowicz (2011: 321) state that if sales are increased, then assets must be added while on the other hand, if the company knows for sure its future sales demand, the results of its receivables, and product schedules, the company will be able to set a fall schedule the debt's tempo to match future net cash flow.

As a result, profits can be maximized and investors increasingly interested so that stock prices will rise. High sales growth can increase stock prices. Sales growth reflects the prospects of companies in the future. If company profits increase, sales growth will increase and company performance will be good. This affects the stock price which is likely to rise because the stock price is influenced by future profits. The increase in sales growth causes investors to be interested in buying shares so that the stock price will continue to rise. The results of this study are in line with research conducted by Anggre (2012) which states that sales growth affects stock prices, this is supported by Wijaya and Utama (2014) which states that sales growth affects stock prices. The results of this study are not in line with research conducted by Ningrum and Suzan (2015) which suggests that sales growth has no effect on stock prices.

Hypothesis

H_1 : Profitability, Debt to Equity Ratio and Sales growth affects stock prices
H_2 : Profitability affects stock prices
H_3 : Debt to Equity Ratio affects stock prices
H_4 : Sales growth affects the stock price

Research Methods

The type of research used is basic research with a quantitative approach. Quantitative approach is an approach where the process begins with research proposals, processes, hypotheses, goes to the field, analyzes data and then concludes the data up to its writing using aspects of measurement, formula calculation, and certainty of numerical data. In this study, the findings of the research data are in the form of statistical analysis using statistics.

Research Results and Discussion

Panel Data Regression Results

Table 1 Panel Data Regression Results

Dependent Variable: HARGASAHAM				
Method: Panel Least Squares				
Date: 03/01/20 Time: 23:43				
Sample: 2015 2019				
Periods included: 5				
Cross-sections included: 12				
Total panel (balanced) observations: 60				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
PROFITABILITAS	-2626.144	3485.629	-0.753421	0.4551
LEVERAGE	45627.46	21699.60	2.102687	0.0411
SALES GROWTH	-246.6862	891.8945	-0.276587	0.7834
C	1852.413	362.9401	5.103908	0.0000
Effects Specification				
Cross-section fixed (dummy variables)				
R-squared	0.815197	Mean dependent var		2225.550
Adjusted R-squared	0.757703	S.D. dependent var		2523.266
S.E. of regression	1242.045	Akaike info criterion		17.29922
Sum squared resid	69420393	Schwarz criterion		17.82281
Log likelihood	-503.9767	Hannan-Quinn criter.		17.50403
F-statistic	14.17875	Durbin-Watson stat		1.679376
Prob(F-statistic)	0.000000			

Source: Data Processing Results (2020)

The regression model for this study is as follows:

Y = 1852.413 - 2626.144 + 45627.46 - 246.6862 + e

Based on the regression model this research can be interpreted as follows:

1. The value of a positive sign of 1852,413 indicates that if profitability, Debt to Equity Ratio, sales growth is equal to zero then the value of the stock price will rise by 1852,413.
2. The coefficient value for the profitability independent variable (X1) is negative at -2626,144 which means that every time profitability decreases by a unit, the value of the stock price decreases by -2626,144 assuming that the other independent variables are considered constant.
3. The coefficient value for the independent variable Debt to Equity Ratio has a positive value of 45627.46 which indicates that for each increase in Debt to Equity Ratios by unit, the stock price will increase by 45627.46 assuming that the other independent variables are considered constant.
4. The coefficient value for the independent variable of sales growth has a negative value of -246.6862, which indicates that every decline in sales growth is by unit, the value of the share price has decreased by -246.6862 assuming that the other independent variables are considered constant.

Discussion Result

The Effect of Profitability on Share Prices in Automotive Sub Sector Companies and Its Components Listed on the Indonesia Stock Exchange in the Period 2015-2019

The test results show that profitability has no effect on stock prices in the automotive subsector and components so that the first hypothesis is rejected.This condition shows that the company's ability to get profits does not affect the stock price increase. When a high rate of return on assets of a company is obtained, then this will have an impact on rising stock prices. High company assets reflect the company has a strong funding structure. these conditions can attract investors to invest, then this will increase the stock price. The results of this study are in line with the results of research by Ade, Isharijadi and Murwani (2011) which states that profitability has no effect on stock prices. However, this research is not in line with research conducted by Alamsyah (2019) which states that profitability affects stock prices.

The Effect of Debt to Equity Ratio on Share Prices in Automotive Sub Sector Companies and Its Components Listed on the Indonesia Stock Exchange in the Period 2015-2019

The second hypothesis in this study Debt to Equity Ratio affects stock prices. The test results show that the Debt to Equity Ratio affects the stock price in the automotive and component subsectors, so the second hypothesis is accepted. Debt to equity ratio is a debt ratio to measure the level of loans from a company's finances and is calculated based on a comparison of the total amount of liabilities compared to the total amount of equity. Debt to Equity Ratio is used to indicate how much debt a company has used to carry out its operations compared to the value of its equity. Debt to Equity Ratio provides an overview of the value of debt owned by a company. with the value of equity owned. The results of this study are in line with research conducted by Rimbani (2016) which states that Debt to Equity Ratio affects stock prices. The results of this study differ from the results of research conducted by Asmirantho and Yuliawati (2015), Reina, Damayanti, Reva Maria Valianti (2016), Muksal (2017) and Ibrahim (2019) who stated that Debt to Equity Ratio had no effect on changes in Share Price .

Effect of Sales Growth on Stock Prices in Automotive Sub Sector Companies and Its Components Listed on the Indonesia Stock Exchange in the Period 2015-2019

The hypothesis of this research is positive sales growth on stock prices, the results of the study indicate that sales growth does not affect the stock prices in the automotive and component subsectors, so the hypothesis can be rejected. This condition was caused by surging sales and operating expenses which caused net profit to decline even though sales growth had increased so that when sales growth increased it was not always accompanied by an increase in share prices. Sales growth reflects the realization of investment success in the past period and can be used as a prediction for the future. High sales growth will reflect increasing income, it tends to have an impact on dividend payments which are expected to increase and can push stock prices to rise even higher. The results of this study are in line with research conducted by Firmansyah (2019) which states that sales growth has no effect on stock prices. However, it is different from the results of research conducted by Anggre (2012) which states that sales growth affects stock prices.

Conclusion

1. Profitability has no effect on stock prices in the automotive sub-sector and its components listed on the Indonesia Stock Exchange in the period 2015-2019
2. Debt to Equity Ratio affects stock prices in the automotive sub-sector and its components listed on the Indonesia Stock Exchange in the period 2015-2019.
3. Sales growth has no effect on stock prices in the automotive sub-sector and its components listed on the Indonesia Stock Exchange in the period 2015-2019.

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