INTERNAL FACTORS OF COMPANIES AFFECTING SHARE PRICES IN BANKING SUB-SECTOR COMPANIES LISTED ON THE IDX

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ABSTRACT

The company's performance can be seen from the value of the company which is reflected in the company's share price that continues to increase. Increase in the company's stock price is influenced by internal factors and external factors of the company. The company's internal factors are factors that originate within the company which can affect the company's stock price, namely the company's financial ratios. Financial ratios that can affect include profitability, leverage and company size. The purpose of this study was to determine the effect of corporate internal factors in the form of financial ratios that affect the company's share price in banking sub-sector companies listed on the Indonesia stock exchange.

The population in this study is the banking sector companies listed on the Indonesia Stock Exchange in the 2016-2018 period as many as 43 companies. Data in the form of secondary data. The method of determining the sample using a purposive sampling method. The number of samples taken was 28 companies. The data analysis method used is panel data regression analysis with the eviews 10 program.

The results showed that profitability (ROE) had a significant positive effect on stock prices. Leverage (DER) has a significant negative effect on stock prices. While the size of the company has a significant positive effect on stock prices. The adjusted R2 value of 0.611414 can be interpreted that the contribution of all independent variables in the form of profitability, leverage and company size affects overall as much as 61.14% of the share price in the banking sub sector companies in the Indonesian Securities Exchange.

The company banking sector should pay attention to the company's internal factors, namely financial ratios, especially profitability, leverage and company size so that the company's stock price can increase, so that it can reflect the value of a good company.

Keywords: Profitability, Leverage, Company Size and Stock Prices

INTRODUCTION

The capital market is one way that can be used to obtain funds, where there is an allocation of funds from parties that have excess funds to parties who need funds. The presence of the capital market increases the choice of sources of funds for investors and increases investment options. Stocks are one of the most widely used investment alternatives by investors because the profits obtained are greater and the funds needed by investors are not large when compared to bonds. The company's goal of investing in stocks is to maximize the welfare of shareholders by maximizing the value of the company's shares which in turn will reflect the share price. The movement of stock prices is in line with company performance, if the company has a better performance, the profits generated from operations will be even greater.

Stock price movements that cannot be predicted with certainty, cause an investor to have an effective investment plan in order to gain profits in the capital market. This planning includes considering the decision to invest in a company, because an investor does not want to experience losses in investing his funds, but expects a return on the funds invested. The factors that investors consider in investing their funds are the company's profitability, leverage and company size.

Stock prices fluctuate and cannot be predicted with certainty, causing an investor to have an effective investment plan in order to gain profits in the capital market. This planning includes considering the decision to invest in a company, because an investor does not want to experience a loss in investing his funds, but expects a return on the funds invested (Maria, 2016).

Variables that can affect stock prices include the level of profit or profitability. Investors do not only see the company's ability to earn profits, but also how much debt is used by the company. Leverage is the proportion of debt used by the company in carrying out its investment activities. The debt ratio used in this study is the Debt to Equity Ratio (DER). DER is the ratio between debt and equity in company funding and shows the ability of the company's own capital to meet all of its obligations.

The use of debt that is too high will endanger the company because the company will fall into the extreme leverage category, namely the company is trapped in a high level of debt and it is difficult to release the debt burden (Fahmi, 2014). Using large amounts of debt will increase the risk borne by shareholders and tends to lower the share price (Sitanggang, 2013). The owner of the capital or the investor must pay attention to various factors that affect the share price if he will invest / invest in a particular company's stock. Various factors that affect stock prices such as profitability, leverage, and company size are internal factors that can affect the ups and downs of the company's stock prices.

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

The capital market has a big role for a country's economy because it is able to carry out two functions at once, namely economy and finance (Darmadji and Fakhruddin, 2011). The capital market is said to have an economic function because it provides facilities or a vehicle that brings together two interests, namely those who have funds (investors) and parties who need issuer funds (in this case companies) can use these funds for investment purposes without having to wait for the availability of funds from operations company. The capital market is said to have a financial function because it provides the owner of the funds with the possibility and opportunity to obtain returns according to the characteristics of the chosen investment.

Share prices experience fluctuating changes from one time to another. These changes depend on the strength of supply and demand, if a stock is in excess of demand, the price tends to rise. Conversely, if there is an excess supply, the stock price tends to fall. According to Kodrat and Kurniawan (2010), basically share prices are influenced by supply and demand, however, to assess stock prices properly, company operational data is treated such as audited financial reports, future company performance and economic conditions.

The share price of a company is determined by several factors consisting of internal factors and external factors. One of the external factors that affect stock prices is demand and supply between buyers and sellers. Stock price fluctuations depend on the power of supply and demand or how much buying and selling of a stock will greatly affect the ups and downs of the stock price. If a stock experiences an increase in demand, the stock price will tend to rise. Conversely, if there is a decrease in demand for a share, the stock price will tend to fall (Simatupang, 2010).

Effect of Return on Equity (ROE) on Stock Prices

One of the factors considered by investors in investing their funds is the company's profitability. Profitability is the company's ability to generate profits. Profit in this case shows the company's ability to manage its assets. Profitability related to efficiency in generating profit is the Return on Equity (ROE). The higher the ROE value, the greater the profit received by the company, causing the greater investor demand for these shares, so that it tends to increase its share price. Thos it can be interpreted that Return on Equity (ROE) has a significant positive effect on stock prices according to the research of Arie (2017), Maria (2016) and Ulfa and Nurfauziah (2019) showing that Return on Equity (ROE) has a positive and significant effect on prices stock.

Research that examines the relationship between profitability represented by Return on Equity (ROE) on stock prices has been conducted by Arie (2017), Maria (2016), Siti (2016), Ulfa and Nurfauziah (2019), Randi (2016), Janu (2010), Karnawi (2017), Edhi and Oktiviani (2017). The results of research conducted by Arie (2017), Maria (2016), Ulfa and Nurfauziah (2019) show that Return on Equity (ROE) has a positive and significant effect on stock prices, but research conducted by Siti (2016) shows that Return on Equity (ROE) has a negative and significant effect on stock prices. Meanwhile, the results of research conducted by Randi (2016) and Karnawi (2017) show that Return on Equity (ROE) has a significant effect on stock prices, while research conducted by Janu (2010), Edhi and Oktiviani (2017) has no significant effect to the share price.

From this explanation, the first hypothesis formulated is as follows:

H1: Profitability Has a Significant Positive Effect on Stock Prices.

Effect of Debt to Equity Ratio (DER) on Stock Prices

Investors do not only see the company's ability to earn profits, but also how much debt is used by the company. Leverage is the proportion of debt used by the company in carrying out its investment activities. The debt ratio that will be used in this research is the Debt to Equity Ratio (DER), which is the ratio used to compare debt and equity in company funding and to show the company's own capital ability to fulfill all of its obligations. The use of debt that is too high will endanger the company. Using large amounts of debt will increase the risk borne by shareholders and tends to lower the share price (Sitanggang, 2013). Thus it can be interpreted that the Debt to Equity Ratio (DER) has a significant negative effect on stock prices according to The results of research by Ashari and Ari (2018), Hari (2017), Andri (2013) and Maria (2016) show that the Debt to Ratio (DER) has a negative and significant effect on stock prices, while research conducted by Siti (2016), and Ulfa and Nurfauziah (2019) show that the Debt to Ratio (DER) has a positive effect on stock prices. The results of research by Randi (2016), Muhammad and Islahuddin (2017), Karnawi (2017), and Edhi and Oktiviani (2017) show that the Debt to Ratio (DER) has no significant effect on stock prices.

From this explanation, the second hypothesis formulated is as follows:

H2: Leverage has a significant negative effect on stock prices.

The Influence of Company Size on Stock Prices

Apart from profitability, leverage, investors can also view Company Size. Company size is a scale in which a company can be classified as large or small in various ways, one of which is by looking at the company's total assets. The greater the number of assets, the greater the size of the company. Companies that have large total assets indicate that the company has good prospects and is more able to generate profits, while companies that have small total assets tend to be vulnerable to risk. Thus, the size of a company that is classified as large is generally more attractive to investors because it can provide benefits for them, so that the stock price tends to rise. Thus it can be interpreted that company size has a significant positive effect on stock prices according to research by Arie (2017), Hurin (2019), Muhammad and Islahuddin (2017), Ashari and Ari (2018), Maria (2016), and Siti (2016) states that company size has a positive and significant effect on stock prices.

Research examining the relationship between company size and stock prices has been conducted by Arie (2017), Hurin (2019), Muhammad and Islahuddin (2017), Ashari and Ari (2018), Maria (2016), Siti (2016) and Diana and Rofidatul (2018). The results of research conducted by Arie (2017), Hurin (2019), Muhammad and Islahuddin (2017), Ashari and Ari (2018), Maria (2016), and Siti (2016) state that company size has a positive and significant effect on stock prices. However, the results of research conducted by Diana and Rofidatul (2018) show that company size does not have a significant effect on stock prices.

From this explanation, the third hypothesis formulated is as follows:

H3: Company size has a significant positive effect on stock prices.

This type of quantitative research, where the data collected is in the form of numbers which are secondary data, namely the financial statements of banking sector companies listed on the IDX for the 2016-2018 period which are stated using financial ratio analysis. The population in this study were 43 companies in the banking sector listed on the Indonesia Stock Exchange for the 2016-2018 period. Based on the predetermined criteria, there are 28 banking sector companies that can be researched. In this study the data used are secondary data, namely data or audited company financial reports for the 2016-2018 period obtained from the official website of the IDX (www.idx.co.id). The type of data used in this study is time series data and cross section data or often referred to as panel data.

METODOLOGY ANALYSIS

This study uses data in the form of annual reports of banking sector companies listed on the Indonesia Stock Exchange for the period 2016-2018. The data collection technique used in this research is documentation. This method is carried out by collecting data in the form of share prices and financial reports from 2016 to 2018.

Data analysis in this study used panel data regression analysis with the tool used, namely the Eviews program. Panel data regression is a combination of cross section data (individual) and time series data (time series), where the same cross section unit is measured at different times. And in other words, panel data is data from several of the same individuals who were observed over a certain period of time.

To choose the most appropriate model to use in managing panel data, there are several tests that can be done according to Gujarati (2012), namely: (1) Chow test, used to determine whether the panel data regression technique with the Fixed Effect model is better than the Common Effect regression model. (2) Hausman test, is used to determine whether the correct panel data regression model uses the Random Effect or Fixed Effect. (3) LM (Lagrange Multiplier) test, is used to determine the Common Effect or Random Effect model that is most appropriate to use in estimating panel data.

RESULTS AND DISCUSSION

Based on the test results with panel data, the Chow test obtained the Fixed Effect Model, the Hausman test obtained the Random Effect Model, and the Lagrange Multiplier test obtained the Common Effect Model. Therefore, the best model in the discussion in this study is the common effect model. The next test is to test the t-statistic probability comparison of the three models, which later will be selected which model is appropriate to use in this study.

Hypothesis testing t test is used to determine whether there is a partial effect of Profitability, Leverage and Company Size on Stock Price. The test criteria states if the probability is smaller than the level of significance ($\alpha = 0.05$) or for the calculated t value is greater than the t table value with degrees of freedom: df = nk (n = 84, k = 4) or df = 80 with $\alpha = 0.05$ indicates that it is 1.66412, so there is a partially significant effect of profitability on stock prices, there is a partially significant effect of leverage on stock prices, and there is a partially significant effect of company size on stock prices.

Hypothesis 1 Test Profitability on Stock Prices

From the analysis, the t value is greater than the t table value (4.114616> 1.66412), it means that partially profitability has a positive effect on stock prices. Based on the test results, the first hypothesis states that "Profitability has a positive effect on stock prices in banking companies in Indonesia". Received.

The results of this study are in line with the research of Arie (2017), Maria (2016) and Ulfa and Nurfauziah (2019) which state that Return on Equity (ROE) has a positive and significant effect on stock prices. The existence of a significant positive effect of Return on Equity (ROE) on stock prices indicates that the performance of banking companies is increasingly efficient in using their own capital to generate profit or net profit. High Return on Equity (ROE) in banking companies tends to increase investors' interest in buying shares in this sector, because they consider banking companies to have good prospects for increasing profits, so that in the end it will cause stock prices in the banking sector to tend to increase (Maria, 2016).

Hypothesis Test 2 Leverage on Stock Prices

From the analysis, the calculated -t value which is smaller than the -t table value (-3.701417 <-1.66412) means that partially leverage has a negative effect on stock prices. Based on the test results, the second hypothesis states that "Leverage has a negative effect on stock prices in banking companies in Indonesia". Received.

The results of this study are in line with the research of Ashari and Ari (2018), Hari (2017), Andri (2013) and Maria (2016) which state that the Debt to Equity Ratio (DER) has a negative and significant effect on stock prices.

Debt to Equity Ratio (DER) reflects the company's ability to meet all of its obligations, which is indicated by some part of its own capital used to pay debts. The high Debt to Equity Ratio (DER) in the banking sector shows that the composition of total debt (short-term debt and long-term debt) is getting bigger when compared to the total capital itself, so that it will have an impact on the greater burden of banking companies on external parties (creditors).) in fulfilling its debt obligations, namely paying the principal of the debt plus the interest. The increase in the burden on creditors will show that the source of the company's capital is very dependent on external parties, as well as the higher level of risk in a company. This reduces investors' interest in investing their funds in banking companies so that it will have an impact on lowering share prices in that sector (Maria, 2016).

Hypothesis Testing 3 Company Size on Stock Prices

From the analysis, the t value is greater than the t table value (6.158974> 1.66412), it means that partially the size of the company has a positive effect on stock prices. Based on the test results, the third hypothesis states that "Company size has a positive effect on stock prices in banking companies in Indonesia". Received.

The results of this study are in line with the research of Arie (2017), Hurin (2019), Muhammad and Islahuddin (2017), Ashari and Ari (2018), Maria (2016), and Siti (2016) which state that company size has a positive and significant effect on stock price. This means that the larger the company size, the higher the bank's profitability because larger banks can work more efficiently. The greater the total assets of a company, the greater the company's ability to generate profits. Companies with large total assets reflect the company's stability. According to Sudarmadji and Sularto (2007), the bigger the company, the greater the total assets and the more capital invested and the more money turns and sales increase so that performance increases. Therefore, large-scale banks that have better market access should have the possibility to get large profits that can improve company performance. The increase in assets followed by an increase in operating results will further increase the confidence of outsiders in banking companies. It is in such conditions that the stock price of banking companies in the capital market will move up due to the increasing demand for shares.

CONCLUSION

Profitability, which is proxied by Return On Equity (ROE) by comparing net income after tax and total equity, has a t-count value of 4.114616 which is greater than t table 1.66412 and a probability of 0.0001 is smaller than 0.05, so it can be concluded that profitability is partially influential significant to the share price. The regression coefficient value of 0.603917 indicates that profitability has a positive effect on stock prices. This means that if there is an increase in profitability of 1%, it will increase the share price by 0.603917%.

Leverage proxied by Debt to Equity Ratio (DER) by comparing total debt and total equity has a calculated t value of -3.701417 smaller than t table -1.66412 and a probability of 0.0004 less than 0.05, so it can be concluded that leverage is partially has a significant effect on stock prices. The regression coefficient value of -0.914552 indicates that leverage has a negative effect on stock prices. This means that if there is an increase in leverage by 1%, it will decrease the share price by 0.914552%.

Company size as proxied by Ln Total Asset has a t value of 6.158974 which is greater than t table 1.66412 and a probability of 0.0000 is less than 0.05, so it can be concluded that the size of the company partially has a significant effect on stock prices. The regression coefficient value of 11.07835 indicates that company size has a positive effect on stock prices. This means that if there is an increase in the size of the company by 1 unit, it will increase the share price by 11.07835.

The implication of the results of this study for companies can use the information in the results of this study in determining the use of ratios to determine the use of debt and planning strategies for profit so that the company can increase its share price. This research is expected to be a consideration in determining and deciding which investment to make, because of course every investor wants better prospects for his company in the future and gets the benefits as expected.

For further researchers to extend the observation period of stock price movements. Adding research variables that are thought to affect stock prices, such as activity ratios, liquidity ratios, dividends, capital structure, financial structure. Further researchers can expand their reach, not only in the banking sector but also in other sectors so that the research results can provide many benefits.

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