

The influence of profitability ratio, market ratio, and solvency ratio on the share prices of companies listed on LQ 45 Index

Abhimada Gatuth Satryo¹, Nur Aini Rokhmania², Pepie Diptyana³

^{1, 2, 3} STIE Perbanas Surabaya, Nginden Semolo Street 34-36, Surabaya, 60118, East Java, Indonesia

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ABSTRACT

This research aims to analyze the influence of profitability ratio, market ratio, and solvency ratio on the share price of companies listed on LQ 45 Index. The independent variables used in this research is Return on Assets (ROA), Return on Equity (ROE), Earning per Share (EPS), Price to Book Value (PBV), Debt to Equity Ratio (DER), and Debt to Assets Ratio (DAR), while the dependent variable used is share price. The samples of this study are companies listed on LQ 45 Index in Indonesia Stock Exchange from 2010 to 2014. The samples are selected by using purposive sampling method and obtained 15 companies that fulfill the criteria specified. Data are processed using Multiple Regression Analysis and statistical test. The results of this study show that Return on Assets (ROA), Return on Equity (ROE), Debt to Equity Ratio (DER), and Debt to Assets Ratio (DAR) have no effect on share price, while Earning per Share (EPS) and Price to Book Value (PBV) have an effect on share price.

ABSTRAK

Penelitian ini bertujuan untuk menganalisis pengaruh rasio profitabilitas, rasio pasar, dan rasio solvabilitas terhadap harga saham perusahaan yang terdaftar di LQ 45 Index. variabel independen yang digunakan dalam penelitian ini adalah Return on Assets (ROA), Return on Equity (ROE), Earning per Share (EPS), Price to Book Value (PBV), Debt to Equity Ratio (DER), dan Debt to Assets Ratio (DAR), sedangkan variabel dependen yang digunakan adalah harga saham. Sampel dari penelitian terdiri dari perusahaan yang terdaftar di Indeks LQ 45 di Bursa Efek Indonesia dari 2010 sampai 2014. Sampel dipilih dengan menggunakan metode purposive sampling dan diperoleh 15 perusahaan yang memenuhi kriteria yang ditentukan. Datanya diolah dengan menggunakan Analisis Regresi Berganda dan uji statistik. Hasil penelitian ini menunjukkan bahwa Return on Assets (ROA), Return on Equity (ROE), Debt to Equity Ratio (DER), dan Debt to Assets Ratio (DAR) tidak berpengaruh terhadap harga saham, sedangkan Earning per Share (EPS) dan Price to Book Value (PBV) berpengaruh terhadap harga saham.

1. INTRODUCTION

Investment is the commitment of a number of funds or other resources done at a certain time, to obtain profit in the future, Tandelilin (2010). In analyzing and selecting the share, investors need relevant and adequate information through the company's financial statements. Therefore, the information contained in the financial statements is very useful for the parties who have an interest in the company. The management, as the internal party of the company, uses financial statements as the basis

for measuring the company's performance. The external parties, such as investors, also use the financial statements to assist the investment activity in the capital market. The analysis of the company's financial performance relies heavily on the information provided by the company in the form of financial statements and as one of the important sources of information related to the information about industry, economic conditions, company's market share, management quality and other information in measuring the company's performance.

* Corresponding author, email address: ² nuraini@perbanas.ac.id.

In fundamental analysis, there are several financial ratios to reflect the company's financial condition and performance. There are 5 financial ratios, namely liquidity ratio, profitability ratio, solvency ratio, activity ratio, and market ratio. Financial ratios are used to explain the strengths and weaknesses of a company's financial condition as well as to predict stock returns in the capital market. The ratios used in this study include profitability ratio, market ratio and solvency ratio. The main attraction for the company owners (shareholders) in a company is profitability. In this context, profitability is the results obtained through the efforts of the management on the funds invested by the company owners. Researches relating to the effect of financial ratios on the stock price have been done by some researchers. And the research results obtained have different conclusions. The different research results are the reason for the researchers to re-examine in order to know more about the effect of profitability ratio, market ratio, and solvency ratio on the share price of the companies listed on LQ 45 Index. LQ 45 Index is a stock index that is promising in investing because the position is on the TOP 95% of the total average annual value of stock transactions in the regular market.

2. THEORETICAL FRAMEWORK AND HYPOTHESIS

Signaling Theory

Jogiyanto (2008) states that the information published as an announcement will give a signal to investors in making investment decisions. If the announcement contains a positive signal, it can be expected that the market react as the announcement is received by the market. Signaling theory is based on the assumption that the information received by each party is not the same. In other words, signaling theory is associated with information asymmetry.

The information received by the investor is first translated as good news (good signal) or bad news (bad signal). If the earnings reported by the company increased, then the information can be categorized as a good signal because it indicates the good condition of the company. Conversely, if the earnings reported decreased, the company is not in good condition so it is considered as a bad signal.

Financial Ratios

Van (2005) stated that financial ratios are tools used to analyze the financial condition and performance of a company. According to Mamduh M. Hanafi and Abdul Halim (2005), the purpose of financial

ratios analysis is to help financial managers to understand what need to be done by the company based on the limited information derived from financial statements.

This research used three financial ratios: profitability ratio, market ratio, and solvency ratio. The following is the description of the three ratios related to this research:

1. Profitability Ratio

According to Mamduh and Abdul Halim (2005: 85), profitability ratio measures the company's ability to generate certain returns on assets and capital stock. The higher the profitability ratio is, the better the ability of the company to generate high profit. This can attract investors and ultimately the company's stock price will also increase.

The profitability ratios used in this study are:

a. Return On Assets (ROA)

This ratio measures the company's ability to generate net income based on a certain level of assets. This ratio can be formulated as follows:

$$\text{ReturnOnAssets} = \frac{\text{NetProfit}}{\text{TotalAssets}}. \quad (1)$$

b. Return On Equity (ROE)

This ratio measures the company's ability to generate profits based on a certain capital stock. This ratio can be formulated as follows:

$$\text{ReturnOnEquity} = \frac{\text{NetProfit}}{\text{CapitalStock}}. \quad (2)$$

2. Market Ratio

Market ratio or stock ratio is the ratio used to measure the value of stock. Market ratio consists of Earning Per Share (EPS) and Price to Book Value (PBV).

a. Earnings Per Share (EPS)

Earnings per Share is a ratio that indicates the size of profit (return) obtained by investors or shareholders per share (Darmadji and Fakhrudin, 2001). The higher the value of EPS, the happier the shareholders, because the profit provided to shareholders is getting bigger. Earnings per Share (EPS) can be formulated as follows:

$$\text{EarningsPerShare} = \frac{\text{NetProfit}}{\text{NumberOfSharesOutstanding}}. \quad (3)$$

b. Price to Book Value (PBV)

Sihombing (2008: 95) states that Price to Book Value (PBV) is a value that can be used to compare whether a share is more expensive or cheaper than the other shares. According to Ratnasari (2003), the higher the value of the Price to Book Value (PBV) indicates the higher the market price of the share. If the market price

of the share is higher, the capital gain (actual return) will also be higher. The company that has good performance, the value of its PBV is usually above one. It indicates that the share market value is higher than its book value.

Market value is the share price occurring in the share market at a certain time which is determined by market participants, ie by the demand and supply of the relevant shares in the share market. The book value per share shows the net assets owned by shareholders by owning one share. Since the net assets are equal to total shareholders' equity, the book value per share is total equity divided by number of shares outstanding. The book value (BV) can be formulated as follows:

$$BookValue = \frac{TotalEquity}{NumberOfSharesOutstanding}. \quad (4)$$

$$PBV = \frac{CurrentPrice}{BookValue}. \quad (5)$$

3. Solvency Ratio

Solvency ratio indicates the company's ability to meet all obligations by using all its assets when the company is liquidated. Solvency ratio has an effect on the company's financial performance, so this ratio has a relationship with the company's share price.

a. Debt to Equity Ratio

Debt to Equity Ratio illustrates the extent to which the capital owners cover the entire debt (both current liabilities and long-term debt) to external parties and as the ratio that measures the extent to which the company is financed by debt. This ratio is also called leverage ratio.

The formula to calculate Debt to Equity Ratio is:

$$DebtToEquityRatio = \frac{TotalDebt}{Equity}. \quad (6)$$

Sofyan (2013: 303) states that smaller Debt to Equity Ratio is better. And for external security, the best ratio is when the amount of capital is greater, or at least the same, as the amount of debt.

b. Debt to Assets Ratio

This ratio is the ratio between total debt and total assets. So, this ratio indicates the extent to which the debt can be covered by the assets. According to Agnes (2008: 13), Debt to Assets Ratio is a ratio that shows the proportion of liabilities held and all assets owned.

The formula to calculate Debt to Assets Ratio is:

$$DebtToAssetsRatio = \frac{TotalDebt}{TotalAssets}. \quad (6)$$

The higher the value of debt ratio, the greater the company's financial risk or failure risk in re-

paying the loan. And vice versa, the smaller the debt ratio, the smaller the company's debt, which means that the company's financial risk to repay the loan is getting smaller.

Share Price

Shares are securities that show the ownership of a company, so the shareholders have the right to claim on the dividends or other distributions done by the company to its shareholders, including the right to claim the company's assets with the priority after the claim rights of the holders of other securities are met in case of liquidity. According to Kieso et.al (2014: 705), shares show the ownership of an entity. The share price is the price of a share that is going on in the share market at a certain time, which is determined by market participants and by the demand and supply of shares concerned on the capital market, Jogiyo (2008: 167). Sartono (2003: 70) states that the market price of a share is formed through the mechanism of demand and supply in the capital market. The share price is one of the indicators of the company's management. The success in generating profits will give satisfaction to rational investors. The high share price will be profitable, in the form of both capital gains and better image for the company, thus making it easier for the management to obtain funds from outside of the company.

LQ 45 Index

LQ 45 Index is created and published by the Indonesia Stock Exchange (www.idx.co.id). This index consists of 45 stocks, with high liquidity, selected through several selection criteria. In addition to an assessment of liquidity, the selection of these stocks also considers market capitalization. According to Jogiyo (2008), LQ 45 Index shares have the criteria to have been listed on the Indonesia Stock Exchange (IDX) of at least 3 months, and included in the top 60 of the total share transactions in the regular market, which are ranked based on the average market capitalization for 12 months. This Index will continually be reviewed every six months to ensure that the shares still meet the existing criteria.

Research Hypothesis

The research framework is shown Figure 1. The hypothesis of this study are as follow:

H₁: Return on Assets (ROA) has an effect on the Share Price.

H₂: Return on Equity (ROE) has an effect on the Share Price.

H₃: Earning Per Share (EPS) has an effect on the Share Price.

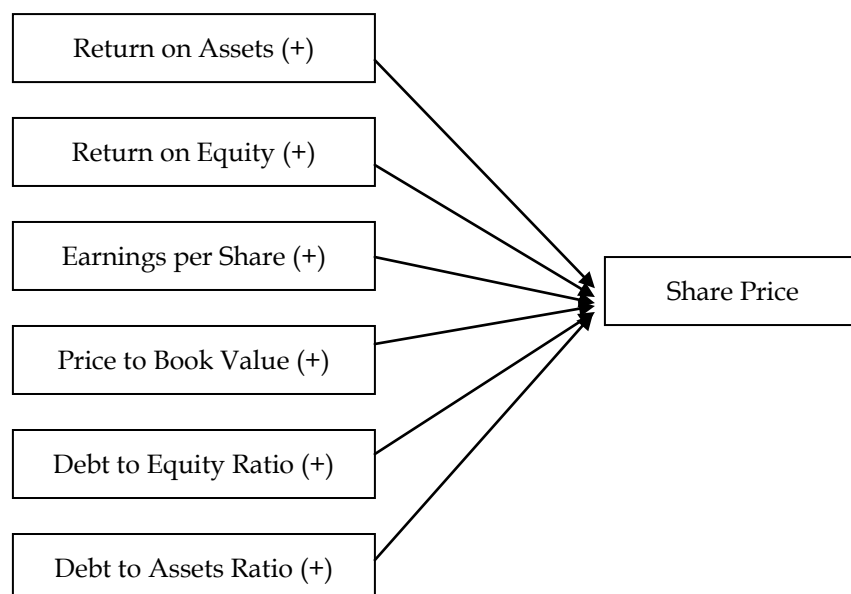


Figure 1
Framework

H₄: Price to Book Value (PBV) has an effect on the Share Price.

H₅: Debt to Equity Ratio (DER) has an effect on Share Price.

H₆: Debt to Assets Ratio (DAR) has an effect on Share Price

3. RESEARCH METHOD

This research used the sample of companies listed in LQ 45 Index that have been classified based on specific characteristics included in the criteria of purposive sampling in the period of 2010-2014. This research uses quantitative method, in which the data collection is done through documentation. The data collecting techniques are performed by studying the records existing in the company and sourced from secondary data.

Variables Identification

The variables used in this study are divided in two: independent variable and dependent variable.

1. The independent variable includes *Return on Assets (ROA)*, *Return on Equity (ROE)*, *Earning per Share (EPS)*, *Price to Book Value (PBV)*, *Debt to Equity Ratio (DER)*, and *Debt to Assets Ratio (DAR)*.
2. The dependent variable is *Share Price*.

Data Analysis Technique

The data were analyzed using a quantitative approach with statistical tool of SPSS version 22.0. The data processing performed in this study includes classical assumption test using normality

test; hypothesis test consisting of F test, determination coefficient (Adjusted R Square), t test; descriptive analysis.

4. DATA ANALYSIS AND DISCUSSION

Normality Test

This analysis was used to measure whether the data have a normal distribution or not. The variables used include Return on Assets (ROA), Return on Equity (ROE), Earning Per Share (EPS), Price to Book Value (PBV), Debt to Equity Ratio (DER), Debt to Assets Ratio (DAR) and share price per sheet.

The results of One Sample Kolmogorov-Smirnov test state that the data were not distributed normally. It can be seen from the significant value of 0.030. This value is much below 0.05 that becomes the reference that the data are normal. However, Ghozali (2007) states that the regression model can still be used if normality is treated in a certain way. The way is to find outlier data and dispose of such data. There are two outlier data in the 75 samples, because the value of ZSR (Z-Score Standardized Residual) ≥ 2.5 , i.e. PT Indo Tambanraya Tbk. in 2010 and 2013. The data is omitted because it has extreme value of the other samples, bringing the total of 73 samples. After being retested using normality test without outlier data, the result indicates the significant value of 0.087, which is above 0.05 as a reference for normal data. So, the data is declared normally distributed.

Multiple Linear Regression Test

To test the hypothesis, the statistical analysis used

in this study is Multiple Regression Analysis (MRA). This analysis is used to examine the influence of independent variables, consisting of Return on Assets (ROA), Return on Equity (ROE), Earning Per Share (EPS), Price to Book Value (PBV), Debt to Equity Ratio (DER), and Debt to Assets Ratio (DAR), on dependent variable, consisting of Share Price. F test results show the value of R^2 is 0.562, which means that 56.2% of the share price variance can be explained by changes in the six independent variables, namely ROA, ROE, EPS, PBV, DER, and DAR. The remaining ($100\% - 56.2\% = 43.8\%$) is explained by other factors outside the model. The significance value is 0.00, or less than 0.05, so it can be explained that the regression model fits to the data of the study. Then, partial test (t test) is conducted with the aim to test whether there is an effect partially between independent variables (ROA, ROE, EPS, PBV, DER, and DAR) and dependent variable (company's share price). The test is conducted using Multiple Regression Analysis, with the test results as follows:

Hypothesis Testing on ROA

Based on t test in Table 6 on companies listed on the LQ 45 Index, the value of t count is $-1.096 \leq t_{table}$ with a significance level of $0.277 > 0.05$. So, it can be stated that H_0 is accepted, which means that variable of Return on Assets (ROA) has no effect on the share price.

Hypothesis Testing on ROE

Based on t test in Table 6 on companies listed on the LQ 45 Index, the value of t count is $1.433 \leq t_{table}$ with a significance level of $0.157 > 0.05$. So, it can be stated that H_0 is accepted, which means that variable of Return on Equity (ROE) has no effect share price.

Hypothesis Testing on EPS

Base on t test in Table 6 on companies listed on the LQ 45 Index, the value of t count is $6.714 > T_{table}$ with a significance level of $0.00 > 0.05$. So, it can be stated H_0 is rejected, which means that variable of Earnings per Share (EPS) has an effect on share price.

Hypothesis Testing on PBV

Based on t test in Table 6 on companies listed in the LQ 45 Index, the value of t count is $2.151 > T_{table}$ with a significance level of $0.35 < 0.05$. So, it can be stated that H_0 is rejected, which means that variable of Price to Book Value (PBV) has an effect on share price.

Hypothesis Testing on DER

Based on t test in Table 6 on companies listed in the LQ 45 Index, the value of tcount is $0.016 \leq T_{table}$ with a significance level of $0.987 > 0.05$. So, it can be stated that H_0 is accepted, which means that variable of Debt to Equity Ratio (DER) has no effect on share price.

Hypothesis Testing on DAR

Based on t test in Table 6 on companies listed in the LQ 45 Index, the value of tcount is $-0.807 \leq T_{table}$ with a significance level of $0.423 > 0.05$. So, it can be stated H_0 is accepted, which means that variable of Debt to Assets Ratio (DAR) has no effect on share price.

Descriptive Statistics

The first descriptive analysis is on the variable of Return on Assets (ROA). The minimum value of ROA variable is 0.03 (rounding) acquired by PT. Adaro Energy Tbk. (ADRO) in 2014. This is because PT. Adaro Energy Tbk. (ADRO) only earned a net profit of IDR 2,747,044 and the total assets owned by the company amounting to IDR 91,540,444. This indicates that PT. Adaro Energy Tbk. (ADRO) is not able to optimize its assets to generate profits. The maximum value of 0.4 is acquired by PT. Unilever Indonesia Tbk. (UNVR) in 2012. During the period, PT. Unilever Indonesia Tbk. (UNVR) earned a net profit of IDR 4,839,145 and the total assets of IDR 11,984,979. This indicates that PT. Unilever Indonesia Tbk. (UNVR) is able to optimize its assets to generate profits. The mean value of the variable of Return on Assets (ROA) of the entire samples is 0.1596, with the standard deviation of 0.080407.

The second descriptive analysis is on the variable of Return on Equity (ROE). The minimum value of ROE variable is 0.07 acquired by PT. Adaro Energy Tbk. (ADRO) in 2014. This indicates that the equity capital of PT. Adaro Energy Tbk. (ADRO) is not able to generate profits. The maximum value of 1.26 is acquired by PT. Unilever Indonesia Tbk. (UNVR) in 2013. This indicates that the equity capital of PT. Unilever Indonesia Tbk. (UNVR) is able to generate profits. The mean value of the variable of Return on Equity of the entire samples is 0.2818, with the standard deviation of 0.23039.

The third descriptive analysis is on the variable of Earning per Share (EPS) which is measured by net profit divided by the number of outstanding shares. The minimum value of EPS variable EPS is IDR 28.45 acquired by PT. Kalbe Farma Tbk. (KLBF) in 2012 from the total net profit of IDR

Table 8
Summary of Test Results Based on Hypothesis

Hypothesis	Test Results	Explanation
H1	H0 is accepted	Return on Assets (ROA) has no effect on Share Price
H2	H0 is accepted	Return on Equity (ROE) has no effect on Share Price
H3	H0 is rejected	Earnings Per Share (EPS) has an effect on Share Price
H4	H0 is rejected	Price to Book Value (PBV) has an effect on Share Price
H5	H0 is accepted	Debt to Equity Ratio (DER) has an effect on Share Price
H6	H0 is accepted	Debt to Assets Ratio (DAR) has no effect on Share Price

Source: SPSS Output, processed.

1,755,099 and the number of shares outstanding is as many as 61,691 sheets. Meanwhile, the company with the biggest EPS, compared to other companies as sample, is PT. Astra International Tbk. (ASII) in 2011 which gained EPS of IDR 4,393.14 with a net profit of IDR 21,077,000 and the number of shares outstanding is 4,798 sheets. The mean value of the variable of earning per Share (EPS) is IDR 826.9993, with the standard deviation of 924.54279.

The fourth descriptive analysis is on the variable of Price to Book Value (PBV) which is measured using the division of BV ratio by the number of shares outstanding. The minimum value of PBV variable is 0.81 acquired by PT. Adaro Energy Tbk. (ADRO) in 2014. The maximum value of 45.03 x is acquired by PT. Unilever Indonesia Tbk. (UNVR) in 2010. The mean value of the variable of Price o Book Value (PBV) of the entire samples is 5.6058 with the standard deviation of 8.29975.

The fifth descriptive analysis is on the variable of Debt to Equity Ratio (DER) which is measured by dividing the total liabilities to the total equity held. The minimum value of DER variable is 0.13 acquired by PT. Indocement Tunggal Prakasa Tbk. (INTP) in 2014, while the maximum value of 2.02 is acquired by PT. Unilever Indonesia Tbk. (UNVR) in 2012. The mean value of the variable of Debt to Equity Ratio (DER) of the entire samples is 0.713, with the standard deviation of 0.46526.

The Sixth descriptive analysis sixth is on Debt to Assets Ratio (DAR) which is measured by dividing the total liabilities to total assets. The minimum value of DAR variable is 0.12 acquired by PT. Indocement Tunggal Prakasa Tbk. (INTP) in 2012. The maximum value of 0.67 is acquired by PT. Unilever Indonesia Tbk. (UNVR) in 2012. The mean value of the variable of Debt to Assets Ratio of the entire samples is 0.3770, with the standard deviation of 0.15290.

The last descriptive analysis is on the variable of share price, as the dependent variable. In this study, the share price is using company's share market prices listed in the index. The share price

used as the sample is the closing share prices per December 31 that have been adjusted. According to the Table 7, it can be explained that the average price of shares of the companies listed in LQ 45 Index during 2010-2014 was IDR 11,274.8219, while the highest share price in the period of the study is achieved by PT. Indo Tambangraya Tbk. (ITMG) in 2012 amounted to IDR 41,550. This means the ITMG has been able to convince investors that the company has a good performance. Lowest share price is owned by PT. Kalbe Farma Tbk. (KLBF) in 2010 amounted to IDR 650. This means that KLBF is less able to convince investors in the achievement of the performance done in the period.

Discussion

The summary of the results of the test can be seen in Table 8. Based on the test results of Multiple Regression Analysis (MRA), the variables of Return on Assets (ROA), Return on Equity (ROE), Earning per Share (EPS), Price to Book Value (PBV), Debt to Equity Ratio (DER) and Debt to Assets Ratio (DAR) simultaneously have an influence on the share price of the companies listed in the LQ-45 Index. Based on the value of R², it can be seen that the variables of Return on Assets (ROA), Return on Equity (ROE), Earning per Share (EPS), Price to Book Value (PBV), Debt to Equity Ratio (DER), and Debt to Assets Ratio (DAR) have a contribution of 56.2%, the remaining 43.8% is influenced by other variables that are not included in the regression model. Other variables that are known to affect the share price are Net Profit Margin (NPM) and Dividend per Share (DPS). These results support the findings of the research conducted by Hutami (2012) entitled "The effect of Dividend per Share, Return on Equity and Net Profit Margin on the Share Market", which shows that DPS, ROE, and NPM simultaneously have an influence on share price.

ROA is the ratio used to measure the net profits derived from the use of the assets. The first hypothesis testing shows that Return on Assets has no

effect on share prices. This could happen because manufacturing companies, such as PT. Astra International Tbk. (ASII) in 2013, has assets as much as IDR 213.994 million, with the amount of profit generated as much as IDR 22.297 million, and the share price of IDR 5,916. In 2014, PT. Astra International Tbk. (ASII) experienced an increase in assets to IDR 238.029 million, but the profits decreased to IDR 22.125 million, and the share price increased to IDR 6,699.42. This is possibly caused by many spare parts that were damaged from too long in storage, so that the assets owned by the company cannot be used optimally to gain the profit. These results are consistent with the research conducted by Noer Sasongko and Nila Wulandari (2006) stating that the variable of Return on Assets has no effect on share prices. However, these results are in contrast to the research conducted by Susilawati (2012) stating that Return on Assets has an effect on share price.

In this study, ROE is not proved to have an effect on share price. This means that changes in ROE do not affect the value of share price. For example, PT. Astra Agro Lestari Tbk., a company engaging in plantation, in 2012 had a total equity of 9,365,411, generating a profit of 2,520,266, and the share price of 18,826. In 2013, PT. Astra Agro Lestari Tbk. got an increase in equity to 10,267,859, but there was a decline in profits to 1,903,088, with the share price of 23,761. This means that PT. Astra Agro Lestari Tbk. (ASII) cannot use the equity held to generate profits well. This can occur due to changes in extreme climate and difficult to predict, so there are a lot of crop failures. The results of this research, therefore, cannot support the research conducted by Hutami (2012), but in line with the research conducted by Noer Sasongko and Nila Wulandari (2006).

The third hypothesis testing states that Earning per Share (EPS) has an effect on share prices. These results indicate that EPS information, which reflects its association with the number of shares, becomes valuable information for investors. For example, PT. Unilever Indonesia (UNVR) in 2010 had EPS of 443.9 and the share price worth 16,500. In 2011, PT. Unilever Indonesia (UNVR) had an increase in EPS to 545.66 and followed by an increase in share price to 18,800. In this case, the higher the EPS, the greater the company's EPS. This will allow investors to gain greater profit sharing. This is certainly good news for investors. Such conditions seem to support the increasing demand for the shares that offer greater profit. These results are consistent with the research conducted by Atika Jauharria Hatt and

Bambang Sugeng Dwiyanto (2012) stating that the variable of Earning per Share has an effect on share prices.

The fourth hypothesis testing states that Price to Book Value (PBV) has an effect on share prices. The positive and significant results of the variable of Price to Book Value are caused by the existence of interest of an investor using ratio analysis of Price to Book Value. For example, PT. Telekomunikasi Indonesia (TLKM) in 2011 had the value of PBV of 2.33 and the share value of 1,410. In 2012, PT. Telekomunikasi Indonesia (TLKM) got an increase in the value of PBV of 2.72, and followed by an increase in share price to 1,810. By looking at the book value of a company, an investor can find out the good and bad condition of the company which will be used as a place for investment. When there are many investors who invest in the company, the company's book value will increase. The size of the company's book value will affect the Price to Book Value. This implies that the company value will be fully taken into account by investors in the purchase of shares. This can be explained that the greater the Price to Book Value, the better the growth of the company, so investors also find that the condition of the company will be profitable for investment. This, in turn, will increase the company's share price. The results of this research are consistent with the study conducted by Permana (2009) stating that the Price to Book Value has an effect on stock prices.

The fifth hypothesis testing finds that Debt to Equity Ratio (DER) has no effect on share prices. That is, the magnitude of DER does not affect the decline in share price. This is evidenced by the DER value of 0.65 acquired by PT. Telekomunikasi Indonesia Tbk. (TLKM) in 2013, with the share price of 2,150. In 2014, the DER of PT. Telekomunikasi Indonesia Tbk. (TLKM) increased to 0.71, with share price of 2,865. This can occur because of the good name of PT Telkom in the eyes of investors. So, the great amount of the company's DER is not a barometer of the company's share price. These results are consistent with the research conducted by Malintan (2012) stating that the variable of Debt to Equity Ratio (DER) has no effect on share prices.

The sixth hypothesis testing proves that Debt to Assets Ratio (DAR) has no effect on share prices. This means that the magnitude of DAR does not affect the decline in the company's share price. This is evidenced that the DAR calculation of PT. Unilever Indonesia Tbk. (UNVR) in 2013 was 0.38, with the share price of 26,000. Meanwhile, in 2014, PT. Unilever Indonesia Tbk. (UNVR) got an in-

crease in DAR calculation to 0.64, with the share price of 32,300. This can happen because PT. Unilever Indonesia Tbk. has an ability to manage its assets well, so PT. Unilever Indonesia Tbk. gains confidence from investors who will buy the company's shares. These results are consistent with the study conducted by Malintan (2012) stating that DAR has no effect on share prices.

From the testing on the effect of the variables of Return on Assets (ROA), Return on Equity (ROE), Earning per Share (EPS), Price to Book Value (PBV), Debt to Equity Ratio (DER), and Debt to Assets Ratio (DAR) on the share price, it can be seen from the fundamental analysis that the variables of Earning per Share (EPS) and Price to Book Value (PBV) have a significant positive effect on share prices. An investor should give priority more on the variables of Earning per Share (EPS) and Price to Book Value (PBV) in purchasing company's shares than on the variables of Return on Assets (ROA), Return on Equity (ROE), Debt to Equity Ratio (DER), and Debt to Assets Ratio (DAR) which have no effect on share prices.

5. CONCLUSION, IMPLICATION, SUGGESTION, AND LIMITATIONS

In general, it can be concluded that, partially, Earnings per Share (EPS) and Price to Book Value (PBV) have significant positive effect on share prices. This means that the investors take into account more on Market Ratios than on Profitability Ratios and Solvency Ratios in making investment decision in the market.

The limitations of this study as follows:

1. There are some data that are not normally distributed, with a total initial sample as many as 75 data.
2. The discovery of 2 data outliers in the sample studied.
3. The existence of profitability ratios which have no effect on the company's share prices, namely the variables of Return on Assets (ROA) and Return on Equity (ROE).

Researchers realize that there are still several limitations in this study. Therefore, the researchers suggest that for further research, the researchers should consider all parties, especially for those who will conduct similar research such as the following:

1. Further researches are expected to expand the sample to another index.
2. Further researches are also advised to use other fundamental factors eg, Net Profit Margin (NPM) and Dividend per Share (DPS).

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APPENDICES

Table 1
One-Sample Kolmogorov-Smirnov Test with Data Outlier

		Unstandardized Residual
N		75
Normal Parameters ^{a,b}	Mean	.0000000
	Std. Deviation	7655.35388401
	Absolute	.108
Most Extreme Differences	Positive	.108
	Negative	-.105
Test Statistic		.108
Asymp. Sig. (2-tailed)		.030 ^c

a. Test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

Table 2
Data Outlier Scores

No.	Data TO	Company Code	Year	ZSR (Z-Score Standardized Residual)
1.	26	ITMG	2010	2.96692
2.	29	ITMG	2013	2.97414

Source: SPSS output processed.

Table 3
One-Sample Kolmogorov-Smirnov Test without Data Outlier

		Standardized Residual
N		73
Normal Parameters ^{a,b}	Mean	.0000000
	Std. Deviation	.95742711
	Absolute	.097
Most Extreme Differences	Positive	.072
	Negative	-.097
Test Statistic		.097
Asymp. Sig. (2-tailed)		.087 ^c

a. Test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

Table 4
Table of Summary of Multiple Linear Regression Model

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.750 ^a	.562	.522	6828.44453

a. Predictors: (Constant), DAR, EPS, ROE, ROA, PBV, DER

Table 5
Multiple Linear Regression Test of ANOVAs Table

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	3951048287.238	6	658508047.873	14.123	.000b
Residual	3077425209.447	66	46627654.689		
Total	7028473496.685	72			

a. Dependent Variable: HSP

b. Predictors: (Constant), DAR, EPS, ROE, ROA, PBV, DER

$df1 = k - 1 = 7 - 1 = 6$

$df2 = n - k = 73 - 7 = 66$

k : number of variables (independent + dependent)

n: number of observations / regression-formed sample

$F_{table} = 2.24$ (see in F table)

Table 6
Multiple Linear Regression Test of Coefficients Table

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	11193.765	4663.563		2.400	.019
ROA	-20703.196	18896.486	-.176	-1.096	.277
ROE	8331.434	5813.324	.194	1.433	.157
EPS	6.722	1.001	.629	6.714	.000
PBV	481.709	223.967	.405	2.151	.035
DER	137.377	8668.394	.006	.016	.987
DAR	-19416.327	24068.251	-.300	-.807	.423

a. Dependent Variable: HSP

$\alpha = 5\% : 2 = 2.5\%$

$Df = n - k = 73 - 7 = 66$

n : number of observations

k : number of variables (independent + dependent)

$T_{table} = 1.99656$ (see in T table)

Table 7
Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
ROA	73	.03	.40	.1596	.08407
ROE	73	.07	1.26	.2818	.23039
EPS	73	28.45	4393.14	826.9993	924.54279
PBV	73	.81	45.03	5.6058	8.29975
DER	73	.13	2.02	.7130	.46526
DAR	73	.12	.67	.3770	.15290
HSP	73	650.00	41550.00	11274.8219	9880.16637
Valid N (listwise)	73				