

THE IMPORTANCE OF FUNDAMENTAL ASPECTS FOR INVESTORS: PURCHASE OF STOCK MANUFACTURING COMPANIES

Fandi Kharisma

Universitas Muhammadiyah Kalimantan Timur, Kaltim, Indonesia

fk674@umkt.ac.id

ABSTRACT

Investors need to consider to make an investment decision, which is to use the information from the financial statements. The financial statements made by the company provide a lot of information including assets, debts, capital and corporate profits. Information about company profits is most often used by investors in making investment decisions. An investor should not only look at the net income statement obtained in the financial statements of public companies, but also must conduct an analysis all of the issuer's financial statements. Capital market is one of the business alternatives that can provide benefits. So that all information can be used as input to assess stock prices. The analytical tool used in this study is to use a regression based on the classical assumption test so that the results of the study are valid. This study found that fundamental aspects such as net income, dividends and earnings per share had a significant positive effect on increasing stock prices of manufacturing companies.

Keywords: *Investors, Financial statements, and Investment*

INTRODUCTION

Capital market is growing quickly, Investors when they are investing need consideration, so accurate information will be needed to obtain profits. The place for companies and investors to conduct share sale and purchase transactions is the Indonesia Stock Exchange (IDX)

The value of the company can basically be measured through various aspects, one of which is through stock prices. The value of companies that have gone public is reflected in the company's stock price (Margaretha, 2011), because the company's stock price reflects the overall assessment of investors for each equity owned. High corporate value can increase the prosperity of shareholders, so that shareholders will invest their capital into the company (Haruman, 2008). Investors need to make considerations to make investment decisions. An investor should not only

look at the reports of net income obtained in the company's financial statements. Investors should see from net income combined with analyzing the company's financial performance. If this continues to be done by investors and potential investors, the benefits will be obtained and able to avoid losses. Stock prices are the results of a company's performance that can affect market strength. The stock price has not a fixed value at any time depending on the number of requests and offers for the stock. If more shares demand, then the stock price rises.

Conversely, if the demand for shares drops dramatically, it will reduce the value of stock prices in the eyes of potential investors and investors. "Companies that achieve good performance, the company's shares will be in great demand by investors" (Astohar & Setiawan 2009). The stock price reflects the value of a company. Companies with good financial

performance will make their shares bought by a lot of investors. Good financial performance can be seen from the financial statements published by the company. The higher the stock price, the value of the company and the prosperity of shareholders also increases. Based on the explanation above, it is very

LITERATURE REVIEW

The research conducted by Safitri (2013) explains that EPS, PER, ROA, DER and MVA simultaneously influence the Stock Price in the JII Group in 2008-2011, and partially only EPS, PER and MVA have a significant positive effect on the Stock Price while ROA and DER have no significant effect on Stock Prices in the JII Group in 2008-2011.

The research by Hutami (2019) found that the Dividend per Share has a positive and significant effect on the Stock Prices of Manufacturing Industry Companies listed on the Indonesia Stock Exchange Period 2006-2010 with $r = 0.914$, $r^2 = 0.836$, $t \text{ value} = 27.882 > t \text{ table} = 1.960$. (2) Return on Equity has a positive and significant effect on the Stock Prices of Manufacturing Industry Companies listed on the Indonesia Stock Exchange Period 2006-2010 with $r = 0.451$, $r^2 = 0.204$, $t \text{ value} = 6.256 > t \text{ table} = 1.960$. (3) Net Profit Margin positive and significant effect on the Stock Prices of Manufacturing Industry Companies listed on the Indonesia Stock Exchange Period 2006-2010 with $r = 0.543$, $r^2 = 0.295$, $t \text{ value} = 8.006 > t \text{ table} = 1.960$. (4) Dividends per Share, Return on Equity and Net Profit Margin have a positive and significant effect on the Stock Prices of Manufacturing Industry Companies listed on the Indonesia Stock Exchange Period 2006-2010 with $R = 0.917$, $R^2 = 0.840$, $F \text{ value} = 264.539 > F \text{ table} = 2, 67$.

The next study by Ratih & Saryadi (2013) found that Earning Per Share (EPS), Price Earning Ratio (PER), and

important for investors to know which stocks must be purchased, which are seen from fundamental factors. This study will explain the relationship between fundamental factors on stock prices so that investors can choose stocks that are able to produce high returns.

Return On Equity (ROE) had a positive and significant effect on Stock Prices. Meanwhile, Debt To Equity Ratio (DER) has a negative effect on Stock Prices. Simultaneously there is a significant effect between Earning Per Share, Price Earning Ratio, Debt To Equity Ratio, and Return On Equity to Stock Prices.

Research conducted by Kusuma & Priantinah (2012) The results of this study indicate Earning per Share has a positive effect on Stock Prices. Based on the results of simple linear regression analysis, the calculated r value is positive at 0.681 or greater than r table at 0.349 with an error rate of 5% and $N = 31$, which means that Earning per Share on Stock Prices has a positive relationship. The coefficient of determination (r^2) of 0.463 means that this variable is capable of predicting 46.3% of the variance that occurs at the Stock Price. The results of research conducted by Hanum (2015) which carried out an analysis of the effect of EPS on stock prices showed that the value of t count was 4.766 and table 2.032 with a significance number of $0.000 < 0.05$, so that statistically proved that EPS had a positive and significant effect. Research that discusses EPS on stock prices is carried out by Menike & Prabath (2014) which shows that the positive and significant influence of EPS on the price of the company's shares is listed on the Colombo Stock Exchange.

H1: There is a positive and significant effect of EPS on stock prices.

The study that analyzed the effect of Price Book Value on stock prices was conducted by Suselo et al. (2015) which shows the results of research that PBV has a positive and significant effect on stock prices. Other research by conducting analysis starting in 2010-2014 also supports that there is a positive and significant influence between PBV on stock prices (Cahyaningrum & Antikasari, 2017).

H2: There is a positive and significant effect of PBV on stock prices.

Research conducted by Hutami (2012) discusses the effect of dividends on stock prices of manufacturing companies from 2006-2010, the results of this study show that there is a positive and significant influence between dividends on stock prices. The next study that discusses the effect of dividends on stock prices in mining companies is a study conducted by Priatinah & Kusuma (2012) who found that the positive and significant effect of dividends on stock prices.

H3: There is a positive and significant effect of dividends on stock prices.

Research that explains the effect of Profit on stock prices conducted by Tyas & Saputra (2016) shows the results that there is a significant and positive influence between company profits represented by profitability ratios to stock prices of automotive companies. Research that also supports previous research is a study conducted by Zuliarni (2012) which explains that the positive and significant influence between earnings and stock prices.

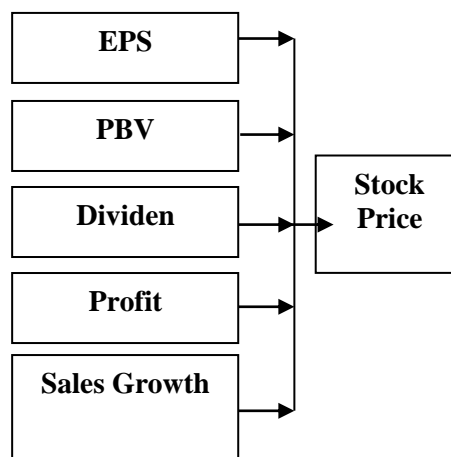
H4: There is a positive and significant effect of earnings on stock prices.

Research that discusses the influence of sales growth on stock prices in manufacturing companies listing in

2009-2011 is a study by Mahapsari & Taman (2013) which shows the results that there is a positive and significant influence between sales growth on stock prices. Other research that is in line with the results of this study is that research conducted by Wijaya & Utama (2014) discusses the effect of sales growth on stock prices on property companies and the results show that there is a positive and significant relationship between sales growth and stock prices.

H5: There is a positive and significant effect of sales growth on stock prices.

Based on the description that has been stated, the variables in this study can be formulated through the conceptual framework as follows:



Picture 1. Conceptual Framework

RESEARCH METHODS

This research was conducted with a quantitative approach to test the Effect of EPS, Dividend Policy, Net Profit, PBV, Sales Growth on Stock Prices in Manufacturing Companies in 2017. The research data is obtained from the financial statements of Manufacturing Companies listed on the Indonesia Stock Exchange. The analysis of the research conducted will use multiple linear regression analysis tools so that it is expected to be able to get good research

results. Research objects of Manufacturing Companies listed on the Indonesia Stock Exchange in 2017. The population in this study are all manufacturing companies listed on the Indonesia Stock Exchange. The sample is taken by cluster technique, which is the financial statements of 2017 manufacturing companies. Data were analyzed by multiple regression. Multiple linear regression analysis is used to test the effect of independent variables namely EPS Effect, Dividend, Net Profit, PBV, Sales Growth on the dependent variable, namely the Stock Price.

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + e$$

Dimana :

- Y : Stock Price
- α : Constanta
- β : Regression Coefficient
- X1 : EPS
- X2 : PBV
- X3 : Dividen
- X4 : Profit
- X5 : Sales Growth

RESULTS AND DISCUSSION

This study will answer the hypotheses that have been made previously, namely to see the effect of fundamental indicators on the stock prices of manufacturing companies.

According to the results above, DW shows a value of 1.390, this number will be compared with a significance value of 5% (n = 23) from the table number. There are 2 independent variables (k = 5), dL =

Classic assumption test :

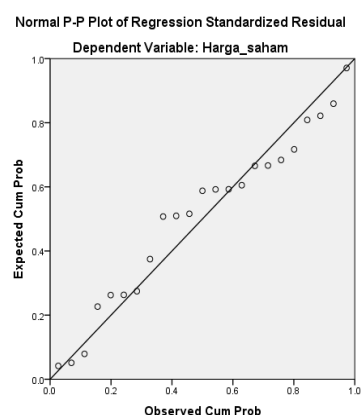


Figure 2. Normality Test

Source: data processed in 2019

Based on Figure 2 shows the results of the normality test that the plot approaches the diagonal line. The image produces information that the data is normally distributed.

The autocorrelation test was performed by the Durbin Watson test by comparing the value of Durbin Watson count (d) with the Durbin Watson table value. In this study can be seen in the table as follows:

Table 1. Autocorrelation Test

R Square Change	Change Statistics				Durbin-Watson
	F Change	df1	df2	Sig. F Change	
.939	51.978	5	17	.000	2.275

Source: data processed in 2019

0.8949 and dU = 1.9196. Because dL <(4-DW)> dU, the result is 0.8949 <1.625> 1.9196 and it can be concluded that there is no negative autocorrelation but positive autocorrelation occurs.

Table 2. Multicollinearity Test

Model	Unstandardized Coefficients		Standardized Coefficients		t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta	Beta			Tolerance	VIF
(Constant)	3.177	.715			4.441	.000		
EPS	.431	.116	.432	.706	3.721	.002	.268	3.734
PBV	.073	.104	.048	.706	.490	.490	.793	1.262
DIVIDEN	.497	.115	.522	.706	4.310	.000	.246	4.068
Profit	.114	.051	.143	.706	2.227	.040	.882	1.134
Sales Growth	-.370	.111	-.211	.706	-3.326	.004	.898	1.113

Source: data processed in 2019

Cut off VIF value to assess whether there is multicollinearity in the data studied is no more than 10. The VIF

value of the 5 variables in the study is less than 10 so it can be concluded that there is no multicollinearity.

Table 3. Partially Influence Test Results

Model	Unstandardized Coefficients		Standardized Coefficients		t	Sig.
	B	Std. Error	Beta	Beta		
(Constant)	3.177	.715			4.441	.000
EPS	.431	.116	.432	.706	3.721	.002
PBV	.073	.104	.048	.706	.490	.490
DIVIDEN	.497	.115	.522	.706	4.310	.000
Profit	.114	.051	.143	.706	2.227	.040
Sales Growth	-.370	.111	-.211	.706	-3.326	.004

Source: data processed in 2019

Table 3 shows that the results of the analysis using regression produce the following regression models:

$$\text{Stock Price} = 3.177 + 0.431 \text{ EPS} + 0.073 \text{ PBV} + 0.497 \text{ DIV} + 0.114 \text{ P} - 0.370 \text{ SG}$$

Shows that hypotheses 1, 3, 4 are supported because they show significant positive results on the stock prices of manufacturing companies. The supported hypothesis 1 is indicated by a significance value of .002 <.050. Hypotheses 2 and 5 are not supported in this study indicated in the PBV variable shows insignificance value of .490 >.050, while for the sales growth variable

Hypothesis 3 in this study is supported by a significance value of .000 <.050 and the supported hypothesis in the study is indicated by a significance value of .040 <.050.

shows a different direction even though it shows a significance value of .004 so that hypothesis 5 is not supported.

Table 4. Simultaneous Influence Test Result

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	57.905	5	11.581	51.978	.000b
Residual	3.788	17	.223		
Total	61.693	22			

Source: data processed in 2019

Table 4 shows that the overall fundamental indicators used as models in this study are able to influence stock prices significantly by showing a significance value, base on Statistically

PBV variables produce insignificant values and sales growth produces values that are opposite to the hypothesis but overall this model can influence stock price movements in the capital market.

Table 5 Coefficient of Determination

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.969a	.939	.921	.47202

Source: data processed in 2019

Table 5 shows that the regression model produced in the study is able to predict stock prices with high accuracy, this is evidenced by the R Square value

of .0939 which means that this model is able to predict stock prices of 93.9% and 6.1% can be influenced by other variables outside this research.

This study shows that the EPS variable, Dividend and Net Profit are able to provide a positive and significant influence on the stock price of manufacturing companies, this is in line with several previous studies which showed a positive and significant influence. The hypothesis discussing Price Book Value does not show results

in line with previous research, so the results of this study support the research of Beliani & Budiantara (2017) which proves that there is no significant effect of PBV on stock prices. PBV variable does not affect stock prices as well as Sari & Suhermin (2016) who conducted an analysis of telecommunications companies. PBV and sales growth for

investors cannot represent how likely they are to profit because all will depend on how much the operational costs will be incurred so that investors will prefer the final value in the financial statements, namely profit and how much dividends are distributed from each share that they have.

This research is able to produce a regression model that is able to predict stock prices highly, therefore investors in conducting investment analysis do not think partially or in one aspect only, but also must consider in various fundamental aspects. The use of fundamental factors will be able to better predict stock prices because these factors can provide an overview of the final results of the company's activities. The final results achieved by the company will make it easier for investors to assess whether the company has a good performance or not so that it will provide a signal for investors to buy shares of the company or not.

CONCLUSION

The research conducted was able to answer the research questions whether an influence between fundamental factors on the stock prices of manufacturing companies. This research shows that Earning Per Share has a significant influence on stock prices. The next factor is Dividend which shows the result that there is a positive and significant influence on stock prices. Another factor is Net Profit, which shows a positive and significant influence on stock prices. Fundamental factors that are not in line with the hypothesis of this study are Price to Book Value and Sales Growth.

This study provides a good regression model in predicting stock prices of manufacturing companies so that investors can use fundamental factors such as EPS, Dividend, Net Profit in conducting investment analysis.

Investors will be helped in conducting investment analysis, because it is enough to use only a few fundamental factors so that they can produce accurate decisions.

This research is expected to be developed in several sectors of the company other than manufacturing companies, for example, service companies, trade and also the banking sector.

REFERENCE

- Astohar dan Setiawan, A. 2009, Analysis of the Effect of Size, Capital Adequacy Ratio (CAR), Deposit Growth, Loan to Deposit Ratio (LDR) on the Profitability of Go Public Banking in Indonesia in 2002-2005, Vol. No, 2009.
- Cahyaningrum, Y. W. dan Antikasari, T. W. 2017. The Influence of Earning Per Share, Price To Book Value, Return On Assets, And Return On Equity To Financial Sector Stock Prices. *Jurnal Economia*. <https://doi.org/10.21831/economia.v13i2.13961>
- Hanum, Z. 2015. The Influence of Return on Assets (ROA), Return on Equity (ROE), and Earning Per Share (EPS) on Share Prices of Automotive Companies Listed on the Indonesia Stock Exchange Period 2008-2011. *Jurnal Manajemen Dan Bisnis*.
- Haruman, Tendi. 2008. *Ownership Structure, Financial Decisions and Corporate Values. Finance and Banking Journal. Volume 10. No.2. Pages 150-165, Bandung.*
- Hutami, R. P. 2012. The Effect of Dividend Per Share, Return on Equity and Net Profit Margin on the Stock Prices of Manufacturing Industry Companies Listed on the Indonesia Stock Exchange Period 2006-2010. *Nominal, Barometer Riset Akuntansi Dan Manajemen*. <https://doi.org/10.21831/nominal.v1i2.1001>

- _____. 2019. The Effect of Dividend Per Share, Return On Equity and Net Profit Margin on the Stock Prices of Manufacturing Companies Listed on the Indonesia Stock Exchange 2006-2010 Period. *Nominal, Barometer Riset Akuntansi Dan Manajemen*. <https://doi.org/10.21831/nominal.v1i2.1001>
- Inge Beliani, M. M., & Budiantara, M. 2017. The Effect of Price Earning Ratio and Price To Book Value on the Stock Price of Insurance Companies Listed on the Indonesia Stock Exchange in 2009-2012. 085228282256. <https://doi.org/10.26486/jramb.v1i1.12>
- Kusuma, P. A., & Priantinah, D. 2012. The Influence of Return on Investment (ROI), Earning Per Share (EPS), and Dividend Per Share (DPS) on the Share Prices of Mining Companies Listed on the Indonesia Stock Exchange (BEI) for the period 2008-2010. *Nominal, Barometer Riset Akuntansi Dan Manajemen*. <https://doi.org/10.21831/nominal.v1i2.998>
- M. G. P. D., M., & Prabath, U. S. 2014. The Impact of Accounting Variables on Stock Price: Evidence from the Colombo Stock Exchange, Sri Lanka. *International Journal of Business and Management*. <https://doi.org/10.5539/ijbm.v9n5p125>
- Mahapsari, N. R., & Taman, A. 2013. Effect of Profitability, Asset Structure, and Sales Growth on Stock Prices with Capital Structure as Intervening Variables in Manufacturing Companies on the Indonesia Stock Exchange. *Nominal, Barometer Riset Akuntansi Dan Manajemen*. <https://doi.org/10.21831/nominal.v2i1.1653>
- Margareta, Farah. 2011. *Financial Management for Non-Financial Managers*. Jakarta: Erlangga.
- Priatinah, D., & Kusuma, P. A. 2012. The effect of return on investment (roi), earnings per share (eps), and dividends per share (dps) on stock prices. *Jurnal Nominal*.
- Ratih, D., E.P, A., & Saryadi. 2013. Effects of EPS, PER, DER, ROE on Share Prices on Mining Sector Companies listed on the Indonesia Stock Exchange (IDX) 2010-2012. *Journal of Social and Politic*.
- Safitri, A. L. 2013. Effect of Earning Per Share, Price Earning Ratio, Return on Assets, Debt To Equity Ratio and Market Value Added Against Stock Prices in the Jakarta Islamic Index Group. *Management Analysis Journal*. <https://doi.org/10.15294/maj.v2i2.2479>
- Sari, Y. I., & Suhermin. 2016. Effect of Fundamental Factors on Stock Prices in Telecommunications Companies. *Jurnal Ilmu Dan Riset Manajemen*.
- Suselo, D., Djazuli, A., & Indrawati, N. K. 2015. Effect of Fundamental and Macroeconomic Variables on Stock Prices (Study of Companies Included in the LQ45 Index). *Jurnal Aplikasi Manajemen (JAM)*.
- Tyas, R. A., & Saputra, R. S. 2016. Analysis of the Effect of Profitability on Stock Prices (Case Study of Telecommunications Companies Registered on the Indonesia Stock Exchange for the 2012-2014 Period. *Jurnal Online Insan Akuntan*.
- Wijaya, I. P. A. S., & Utama, I. M. K. 2014. Effect of Profitability, Sales Growth, Asset Structure, and Growth Rate Against Capital Structure and Stock Prices. *Jurnal Ilmu & Riset Akuntansi*. <https://doi.org/10.1192/bjp.205.1.76a>

Zuliarni, S. 2012. The Influence of Financial Performance on Stock Prices in Mining and Mining Service Companies on the Indonesia Stock Exchange. *Jurnal Aplikasi Bisnis*.
<https://doi.org/10.1021/jp014572x>

