Are the Most Dominant Affecting Stock Prices Other Than ROE?

Irawati Junaeni
Perbanas Institute Jakarta, Indonesia
Correspondence Email: ira.bwahyudi@gmail.com

ABSTRACT

There are several ways that companies can use in obtaining external funds, one of which is the capital market. Stock is one of the most popular capital market instruments. Stock prices are often used as a reference in investing. Stock prices can rise and fall depending on supply and demand in the capital market. This study aims to determine the variables that influence stock prices in retail companies listed on the Indonesia Stock Exchange (IDX). The technique used in this study was purposive sampling. This study also uses multiple linear regression analysis. The results of the research partially show that the Return on Equity variable and sales growth have a significant influence on stock prices, while the Total Asset Turn Over and Accounts Receivable Turnover have no significant effect on stock prices. Simultaneously, Return on Equity, sales growth, Total Asset Turn Over, and Accounts Receivable Turnover have a significant effect on stock prices with a coefficient of determination of 62.04%.

Keywords: Stock Price, Return On Equity, Sales growth, Total Asset Turn Over, Accounts Receivable Turnover.

INTRODUCTION.

Companies in obtaining large external funds and can be used for a long period of time, one of which is through the capital market. This capital market helps investors to invest their funds of the aim at getting profits in the form of dividends or capital gains. One of the most popular capital market instruments is stocks. Stock prices can be said as an indicator of the success of the company where market forces in stock market is indicated by the sale and purchase of shares in the capital market (Takarini, N. and Hendrarini H., 2011). Stock prices are very volatile, making investors have to be very clever in analyzing the stock price because if one analyzes the stock price, investors will suffer losses (Hutami, 2012). Future stock prices can be seen using an analysis of company financial performance or fundamental analysis. Macroeconomic fundamental factor, such as inflation, interest rates, exchange rates, and economic growth are factors that must be considered by investors before investing their funds. The share value of a company can be seen from the company’s performance, if the company’s financial performance has good prospects of the future, it will attract investors to buy the company’s shares so that the stock price will also increase (Marfuatun and Indarti, 2012). The company’s financial performance can be seen in financial statements and measured using a measuring instrument in the form of a ratio. There are several financial ratio variables that indicate the company’s performance that affects stock prices, including Return on Equity (ROE), sales growth, Total Asset Turn Over (TATO), and Accounts Receivable Turnover (ARTO).

Return On Equity (ROE) is a ratio that is very important to company owners (the common stockholders) because this ratio shows the rate of return produced by management of capital provided by the company owner Marfuatun and Indarti(2012). Sales growth reflects the rate of change in sales of a company every year (Mahapsari, 2013). Sales growth is also an indicator of the demand and competitiveness of
companies in an industry (Deitiana, 2013). Total Asset Turn Over (TATO) is a ratio that shows the effectiveness of the company in using all assets to create sales and earn profits (Yuliarti, 2013). Account Receivable Turnover (ARTO) is a comparison between sales and average accounts receivable during a certain period (Rahayu E. A. and Susilowibowo J., 2014).

According to Hutami's research (2012) states that ROE has a positive effect on stock prices. However, different results are shown by Husaini's (2012) study which states that ROE does not affect stock prices. Rahmandia's research (2013) states that sales growth does not affect stock prices. Lambey (2014) states that TATO has an influence on stock prices. Whereas according to Deitiana (2013) that TATO does not affect stock prices.

This research is important because in determining stock prices many factors are varied and volatile, company performance also influences stock prices. The reason for the company's performance is considered for investors or fundamental analysts in conducting a study of the company's shares. Return on Equity (ROE), sales growth, Total Asset Turn Over (TATO), and Accounts Receivable Turnover (ARTO) on stock prices in retail companies.

In this study, retail companies such as minimarkets were selected because the company was developing quite rapidly in 2000 - 2014, with several retail franchises continuing to grow, such as Alfa Mart, Indo March. Hero, Metro etc. in 2000 - 2014.

Table 1.1
Retail Market Market Share in Indonesia for 5 Years

<table>
<thead>
<tr>
<th>Year</th>
<th>Hyper/Department Store</th>
<th>Minimarket</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>20.8%</td>
<td>11%</td>
</tr>
<tr>
<td>2010</td>
<td>20.6%</td>
<td>13%</td>
</tr>
<tr>
<td>2011</td>
<td>20.6%</td>
<td>15%</td>
</tr>
<tr>
<td>2012</td>
<td>20%</td>
<td>17%</td>
</tr>
<tr>
<td>2013</td>
<td>19.7%</td>
<td>20%</td>
</tr>
<tr>
<td>2014</td>
<td>19.7%</td>
<td>20%</td>
</tr>
</tbody>
</table>

Source : AC Nielsen 2014 (www.ac nielsen, n.d.)

According to Utami (2018) the retail sector will continue to survive despite the pressure of economic conditions and changes in the pattern of public spending.

Based on the background above which shows the existence of differences in the results of research in previous studies, a study of the determinants of stock prices of retail sector companies listed on the Indonesia Stock Exchange was conducted. This paper is divided into several sections, starting with an introduction that illustrates that the fund needs can be met by stocks as explained above that determines or influences stock prices there are several variables, then the next section concerning the study of supporting theories from this paper then regarding the research method and the next section discusses the results and discussion. In the last part of this paper regarding conclusions and suggestions.

LITERATURE REVIEW.

Stock Price

The stock price is the price of a stock that occurs to the capital market at a certain time and is determined by demand and supply (Hutami, 2012). Whereas according to Sondakh (2011) stock prices are market prices or stock, securities and occur because
the interaction between demand and market supply and basically determined by company liabilities, which indicates the company's risk. Stock prices reflect the financial performance of a company. Companies that perform well will have a high share value. This is because the shares are in demand by many investors and this makes an increase in demand for these stocks which will have an impact on rising stock prices. Conversely, if the performance of a company is bad it will have an impact on the decline in the company's stock price (Asri, 2011).

Based on the explanations of stock prices are the prices for each share formed into several factors such as company performance, company risk due to debt and can be formed due to a meeting between demand and supply in the market. In this study, we want to know which dominant variable determines the stock price of retail companies in the Indonesia Stock Exchange.

**Return on Equity (ROE)**

ROE is a ratio that measures the rate of return or profits derived from all own capital. ROE shows the rate of return that can be produced by management from the capital that has been provided by the company owner (Marfuatun and Indarti, 2012). The Return on Equity (ROE) formula can be used:

\[
ROE = \frac{\text{Net Profit}}{\text{Total Equity}}
\]

With this ratio, it can be seen that the higher the ROE shows the better the performance of the company in managing its capital in generating profits for the shareholders. With the increase in net income the company will also have an impact on increasing the value of ROE, making investors more interested in buying company shares, which in turn causes an increase in the company's stock price (Hutami, 2012). Based on the study of theory and the results of previous studies described above, the research hypothesis can be formulated as follows:

H1: Return on Equity (ROE) has a significant effect on the share price of the retail industry.

**Sales Growth.**

Sales growth is a ratio that describes a company's ability to increase economic growth and its business sector (Kasmir, 2015; 116). Calculation of sales growth rate is by comparing the final sales period with the final sale in the previous period (Yuliarti, 2013). The sales growth formula can be used:

\[
\text{sales growth} = \frac{\text{St} - \text{St-1}}{\text{St-1}}
\]

If sales growth increases, it will be followed by an increase in company income, and can even be followed by increased profits. It is expected that by increasing the company's income or profit, it can attract investors to invest their funds by buying company shares. The high demand of investors for company shares can increase stock prices (Pasaribu R. B. F, 2008) Based on the study of theory and the results of previous studies that has / had been described, the research hypothesis can be formulated as follows:

H2: Sales growth has a significant effect on the share price of retail industry.
Total Asset Turn Over (TATO).

TATO is a ratio that measures the turnover of all assets owned by a company and measures the amount of sales obtained by a company's assets (Kasmir, 2015 : 185). Total Asset Turn Over (TATO) formula can be used:

\[ \text{TATO} = \frac{\text{Sales}}{(\text{Total Aset})} \]

The higher the TATO of the company, the faster the turnover of the company is in using its assets to generate sales (Asnita, 2013). So, this will attract investors to buy the company's shares so that the company's stock price will rise. Based on the study of theory and the results of previous studies described above, the research hypothesis can be formulated as follows:

H3: Total Asset Turn Over (TATO) has a significant effect on the share price of retail industry.

Accounts Receivable Turnover (ARO).

ARO is a ratio that is used to determine the company's ability to pay off receivables for one year (Stephen A., 2005:35). To find Accounts Receivable Turnover (ARO) formula can be used:

\[ \text{ARO} = \frac{\text{Sales}}{(\text{Average Account Receivable})} \]

The level of accounts receivable turnover of a company can describes the level of efficiency of the company's capital invested in receivables, the higher the receivable turnover means the more efficient the capital used. This will attract investors to buy company shares as a result the company's stock price will rise. Based on the study of the theory and the results of previous studies that has been described, the research hypothesis can be formulated as follows:

H4: Accounts Receivable Turnover (ARO) has a significant effect on the share price of the retail industry.

Return on Equity (ROE), Sales Growth, Total Asset Turn Over (TATO), Accounts Receivable Turnover (ARO) Effect on share price.

Companies that perform well will have a high share value; Stock prices reflect the financial performance of a company. Financial performance on this study: Return on Equity (ROE), Sales Growth, Total Asset Turn Over (TATO), Accounts Receivable Turnover (ARO) Effect on share price of retail industry.

H5: Return on Equity (ROE), Sales Growth, Total Asset Turn Over (TATO), Accounts Receivable Turnover (ARO) have significant effect on share price of retail industry.

RESEARCH METHODS.

This research is quantitative research, which is used to examine a population or a particular sample and data analysis is quantitative / statistical in order to test the hypotheses that have been set (Sugiyono, 2013 :13) . This study uses multiple linear regression analysis models. Multiple Linear Regression is a statistical analysis tool to test the hypothesis that has been proposed. With this model, it can be known how much influence the company's fundamental variables have on the stock prices of retail sector companies listed on the Indonesia Stock Exchange, both simultaneously and partially. What variables are the most dominant affected market prices.
Operational definition.

The focus on this research is to find out the relationship between the independent variable (free) and the dependent variable (bound). In this study the independent variables consisted of Return on Equity (ROE) (X1), sales growth (X2), Total Asset Turn Over (TATO) (X3), and Accounts Receivable Turnover (ARTO) (X4), while the dependent variable was price stock (Y).

Population and Samples.

The population used in the study is the retail sector company listed on the Indonesia Stock Exchange for the period 2010-2014 and published on the Indonesia Stock Exchange website, which is 23 companies. The sampling technique used in this study is a purposive sampling method, which is a technique in determining the sample of certain considerations (Sugiyono, 2013 :122).

Some of the sample criteria specified in this study area:
1. Retail sector companies listed on the Indonesia Stock Exchange in 2010-2014.
2. Retail sector companies that publish financial reports on the Indonesia Stock.
3. Retail sector companies that have complete data to calculate the variables to be studied. Based on the criteria mentioned, a sample of 13 companies was studied

RESULTS AND DISCUSSION.

RESULT.

Panel Data Regression Model.

To determine what model will be used between the Common Effect (CE), Fixed Effect (FE), or Random Effect (RE), then the calculation of the independent variable and the dependent variable using the Chow test and Hausman tests.

1. Chow test

<table>
<thead>
<tr>
<th>Redundant Fixed Effects Tests</th>
<th>Equation: Untitled</th>
<th>Test cross-section fixed effects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Effects Test</td>
<td>Statistic</td>
<td>d.f.</td>
</tr>
<tr>
<td>Cross-section F</td>
<td>6.665807</td>
<td>(12,46)</td>
</tr>
<tr>
<td>Cross-section Chi-square</td>
<td>63.476196</td>
<td>12</td>
</tr>
</tbody>
</table>

Based on the table above shows that the Chow test results obtained F and chi-square Probability values *smaller than a (5%) which is 0.0000 < 0.05, so H0 is rejected and H1 is accepted, meaning the model estimation approach follows the Fixed Effect model. It can be concluded that the Fixed Effect model is better used to estimate panel data than compared to the Common Effect model.
2. Hausman test

<table>
<thead>
<tr>
<th>Correlated Random Effects - Hausman Test</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equation: Untitled</td>
</tr>
<tr>
<td>Test cross-section random effects</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Test Summary</th>
<th>Chi-Sq. Statistic</th>
<th>Chi-Sq. d.f.</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cross-section random</td>
<td>11.165750</td>
<td>4</td>
<td>0.0248</td>
</tr>
</tbody>
</table>

Based on the table above it can be seen that the value of the Probability. The random cross-section is smaller than a (5%) which is equal to 0.0248< 0.05, so H0 is rejected and H1 is accepted, meaning that the model estimation approach follows the Fixed Effect model. It can be concluded that the Fixed Effect model is better used to estimate panel data compared to the Random Effect model. From the results of the two test panel data regression models that has been carried out, the same results were obtained in each test. Therefore, it is not necessary to do the Lagrange Multiplier test. Thus, it can be concluded that the best panel data regression model and used in this study are the Fixed Effect model.

**DISCUSSION.**

**Test t**

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROE</td>
<td>0.577541</td>
<td>0.160413</td>
<td>3.600333</td>
<td>0.0008</td>
</tr>
<tr>
<td>SG</td>
<td>-0.282753</td>
<td>0.117311</td>
<td>-2.410283</td>
<td>0.0200</td>
</tr>
<tr>
<td>TATO</td>
<td>0.266868</td>
<td>0.492113</td>
<td>0.542290</td>
<td>0.5902</td>
</tr>
<tr>
<td>ARTO</td>
<td>0.000128</td>
<td>0.000358</td>
<td>0.357855</td>
<td>0.7221</td>
</tr>
<tr>
<td>C</td>
<td>1.318323</td>
<td>0.578044</td>
<td>2.280659</td>
<td>0.0272</td>
</tr>
</tbody>
</table>

1. ROE has a positive and significant effect on stock prices.

The results of hypothesis testing indicate that ROE has a positive and significant effect on stock prices indicated by t-Statistic of 3.600333 and Probability of 0.0008 which is smaller than $\alpha$ 0.05. That is, this ratio can be used to predict future stock prices. The higher ROE shows the best performance of the company in managing its capital to generate profits for shareholders. The increase in the company's net profit will also have an impact on increasing the ROE value, making investors more interested in buying company shares, which in turn will affect the increase in stock prices. This result is in
line with (Ratih, D., Prihatini A. E. Saryadi (2014) and Hutami, (2012) which states that ROE has a positive and significant effect on stock prices. It is different from the research of Marfuatun, S. and Indarti I. (2012) and Husaini (2012) which states that there is no effect of ROE on stock prices.

2. **Sales growth has a negative and significant effect on stock prices.**

From the results of hypothesis testing shows that sales growth has a negative and significant influence on stock prices indicated by t-statistics of -2.410283 and Probability of 0.0200 which is smaller than \( \alpha \) 0.05. That is, this ratio can be used to predict future stock prices. If the sales growth increases, then the stock prices will decline and vice versa. The higher the sales growth of a company can show the higher the company's opportunity to grow. Growing companies will need more and more to fulfill their sales. To be able to meet these capital requirements, the company makes a loan to an outside party which results in the company's liability or debt increasing. The increase in debt due to sales growth, so that to meet market demand of the future the company increases its productivity by producing more products. With the largest corporate debt, investors will assume that in the future the resulting profits will be used to pay off the company's debts, this indicates the company's risk increases, causing demand for shares to decline and causing demand for shares to decline and causing the share price to decrease. These results are not in line with Rahmandia F. (2013) and Maftukhah, I. T. and Wardoyo (2012) studies which state that sales growth has no influence on stock prices.

3. **Total Assets Turn Over (TATO) does not have a significant effect on stock prices.**

The results of hypothesis testing indicate that TATO does not have a significant effect on stock prices indicated by t-Statistic of 0.542290 and Probability of 0.5902 which is greater than \( \alpha \) 0.05. This means that TATO cannot be used to predict future stock prices. This shows that the company's ability to optimize its assets effectively and efficiently does not affect investors' interest in buying the company's shares. Even though it has a large TATO, investors usually prefer to buy shares in large companies compared to smaller companies because usually large companies will have greater profits. The addition of company assets from debt will make the company have an obligation to pay interest and this interest expense will reduce the company's profits. Azianur (2013), (Deitiana (2013), and Asnita (2013) research are in line with the results which state that TATO does not affect stock prices. In contrast, Lambey (2014) states that TATO has an influence on stock prices.

4. **Account Receivable Turn Over (ARTO) does not have a significant effect on stock prices.**

The results of hypothesis testing indicate that the ARTO does not have a significant influence on stock prices indicated by t-Statistic of 0.357855 and Probability of 0.7221 which is greater than \( \alpha \) 0.05. This means that ARTO cannot be used to predict future stock prices. So, the accounts receivable turnover of a company that can describe the level of efficiency of the company's capital invested in receivables is not taken into consideration by investors in making investment decisions. The results of this study are in line with Rahayu E. A. and Susilowibowo J.(2014) stating that the ARTO has no influence on stock prices.

The four variables studied; the ROE variable is the most dominant variable affecting stock prices. show with the magnitude of the coefficient of 0.577541. The amount is 2.04
times compared to Sales Growth and 2.16 times compared to TATO and 4.51 times compared to ARTO.

5. Return on Equity (ROE), Sales Growth, Total Asset Turn Over (TATO), Accounts Receivable Turnover (ARO) have significant effect on share price of retail industry.

Test F.

<table>
<thead>
<tr>
<th>F-statistic</th>
<th>Durbin-Watson stat</th>
</tr>
</thead>
<tbody>
<tr>
<td>7.33202</td>
<td>1.877921</td>
</tr>
</tbody>
</table>

| Prob(F-statistic) | 0.000000          |

The F test is used to test the regression coefficient hypothesis simultaneously. The hypotheses in the F test are as follows:

Return on Equity (ROE) sales growth, Total Asset Turn Over (TATO), and Accounts Receivable Turnover (ARO) simultaneously have a significant effect on stock prices.

F Test Results that has / had been done, obtained the Probability Ability (F-statistic) of 0.000000 where the meaning is smaller than $\alpha$ 0.05 , then H0 is rejected and H1 is accepted. This means that all four variables (ROE, sales growth, TATO, and ARTO) simultaneously have a significant effect on stock prices.

Coefficient of Determination (Adjusted. R²).

<table>
<thead>
<tr>
<th>R-squared</th>
<th>Mean dependent var</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.718364</td>
<td>1.632571</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Adjusted R-squared</th>
<th>S.D. dependent var</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.620403</td>
<td>2.467387</td>
</tr>
</tbody>
</table>

Based on the table above, the Adjusted R-squared value is 0.620403 or 62.04%. This shows that the independent variables in this study are Return on Equity (ROE), sales growth, Total Asset Turn Over (TATO), and Accounts Receivable Turnover (ARO) which affect the stock price of 62.04% and the remaining 37.96% are influenced by other variables outside of the study.

In this study because the industry under study is a retail company, the variables studied are Return on Equity (ROE), Sales Growth, Total Asset Turn Over (TATO), Accounts Receivable Turnover (ARO) which are considered to affect stock prices. Although according to some analysts who influence stock prices, there are several factors, which are highlighted such as the level of cash dividends, the level of debt ratios, book value ratios (PBV), earnings per share (EPS), and the profit rate of a company. In the retail industry today, many factors influence stock prices, including online businesses that are quite dominant. But the retail business will survive despite the pressures of economic conditions and changes in the pattern of public spending. The results of this study indicate that Return on Equity is quite dominant affecting stock prices and sales growth. Weaknesses in this study cannot find out the factors that are the spotlight of analysts in choosing stock prices such as: price to book value (PBV), cash dividend rate and Earning per share.
CONCLUSION.

Based on the results of research and discussions that have been conducted, conclusions can be drawn as follows: Return on Equity (ROE) and Sales growth affects the stock prices of retail sector companies. Total Asset Turn Over (TATO) and Accounts Receivable Turnover (ARTO) do not affect the stock price of retail sector companies. The results showed that the most dominant variable affecting stock prices were ROE. Based on the test results from the F test, it states that the four independent variables, namely ROE, sales growth, TATO, and ARTO simultaneously have a significant effect on the share price of retail sector companies.

REFERENCES


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