

**TITLE:**

**DETERMINANTS OF STOCK PRICE: EMPIRICAL EVIDENCE FROM LISTED MANUFACTURING COMPANIES IN INDONESIA**

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**DETERMINANTS OF STOCK PRICE: EMPIRICAL EVIDENCE FROM LISTED MANUFACTURING COMPANIES IN INDONESIA**

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# **ABSTRACT**

This research aims to analyze the factors that influence the price of the stock of manufacturing companies listed in Indonesia. Factors considered in this study include the company’s fundamental variables, namely current ratio, debt equity ratio, return on assets, earning per share and trading volume. The data used is quantitative data from 30 manufacturing companies listed on the Indonesia Stock Exchange in the period 2018-2022. The results of this study indicate that net profit and operating income have a significant positive relationship with the stock price of manufacturing companies in Indonesia. This shows that the company's financial performance current ratio, debt equity ratio, return on assets, earnings per share and trading volume can affect the increase in stock prices. This research has important implications for investors, corporate managers, and capital market regulators. Investors can consider the company’s fundamental factors, especially current ratio, debt equity ratio, return on assets, earning per share and trading volume in making investment decisions. Corporate managers can also use these findings to improve their company’s financial performance and stock price. Capital market regulators can also use the results of this research to formulate policies that drive capital market growth in Indonesia

*Keywords: stock price, trading volume, operating income, debt ratio, manufacturing companies, Indonesia.*

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# 

**INTRODUCTION**

## **Background Research**

Capital markets are crucial to a nation's economic success in this era of globalisation. Because the capital market enables the connection between those who have more money (investors) and others who need money, capital markets serve economic purposes. (issuers). The capital market allows those with more money (investors) to invest their money in order to generate rewards or profits.

One measure of a firm's management success is the stock price; if a company's stock price is consistently rising, investors and potential investors will view the company as having good business management. These investors or prospective investors are very profitable for the issuer, because the more and more people trust that issuer so that the willingness to invest in issuer is stronger. (Astuty, 2017).

On the Indonesian Stock Exchange there is a manufacturing sector that is one of the pre-economic drivers that provides a considerable contribution in supporting economic growth. The manufacturing sector can be the control motor of the economy, this can be understood given Indonesia has natural resources that can be processed into products to obtain.

Investors must identify and select the companies that will yield the best returns prior to making an investment. When choosing which shares to purchase, investors must first evaluate them, after which they must decide whether the stock will generate the anticipated rate of return or not.

The purchasing of raw materials and subsequent processing of those resources into semi-finished or finished products that are prepared for sale in order to maximise profit are the activities of the manufacturing industry. The effect of fundamental and technical variables on the stock price in the manufacturing sector at the Indonesia Stock Exchange 2019–2022, therefore, piques the author's interest in the study of the stock price on the Indonesian Stock Exchange.

## **Problem Statement**

The stock price is impacted by a variety of things. For instance, both internal and external factors might have an impact on stock values. Company performance is a factor that can impact stock prices from an internal perspective since investors consider company performance as a benchmark when determining stock prices. The state of the local and worldwide economies, currency exchange rates, and the sociopolitical environment of the country in question are all external factors that have an impact on stock values.

According to earlier research (Christian Chandra Wijaya and Arie Pratania Putri, 2021), several of the companies in the LQ45 index witnessed large stock price fluctuations as a result of fundamental and technical variables. To help investors or potential investors choose the best company shares to invest in, the authors are therefore interested in conducting additional research on the fundamental and technical influences on the price of the stock of the manufacturing sector listed on the Indonesian Stock Exchange.

## **Reseacrh Objectives**

1. To determine how current ratio effects share price on Indonesia Stock Exchange from 2018 to 2022
2. To assess the impact of the debt-to-equity ratio on the price of shares listed on the Indonesia Stock Exchange between 2018 and 2022.
3. To assess how Return on Asset impacts share prices on the Indonesia Stock Exchange from 2018 to 2022.
4. To investigate how Return on Equity impacts share prices on the Indonesia Stock Exchange from 2018 to 2022.
5. To investigate how Trading Volume impacts Share Prices on the Indonesia Stock Exchange from 2018 to 2022.

## **Research Questions**

1. Is the stock price affected by the current ratio?
2. Does the debt to equity ratio affect the price of the stock?
3. Does Return on Asset have an effect on stock price?
4. Does the stock price take into account earnings per share?
5. Does the amount of trading affect the stock price?

## **Scopes**

The stock prices of companies in the manufacturing sector that are listed on the Indonesia Stock Exchange are covered by this study. In the years 2018 through 2022, data will be gathered from the Indonesia Stock Exchange website.

## **Significant**

1. For Students, the authors hope the results of this research can be used as a reference, can also be used for learning.
2. For future researchers, the authors hope this study can be used as a reference material for further development to get better results.
3. For investors, the author hopes the results of this research can help investors in choosing stocks to invest.

# **CHAPTER V**

**CONCLUSION AND RECOMMENDATION**

## **Conclusion**

The following conclusions can be drawn from the research findings:

1. The current ratio regression coefficient is 1.701 and has a significance level of 0.003 to 0.05. As a result, H1 is accepted since the Current Ratio variable has a favourable impact on the Stock Price.

2. The Debt to Equity Ratio's regression coefficient value is -2.779, with a significance level of 0.014 to 0.05. As a result, H2 is accepted since the Debt to Equity ratio variable has a bad impact on the stock price.

3. Return on Assets has a regression coefficient value of 2.727 and a significance level of 0.033 0.05. As a result, H3 is acceptable because the variable Return on Assets has a favourable impact on the stock price.

4. With a significance value of 0.002 0.05, the Earnings per Share regression coefficient is 7.561. As a result, H4 is approved because it shows that the Audit Committee variable has a favourable impact on Stock Price.

5. With a significance level of 0.018 0.05, the Trading Volume Activity regression coefficient has a value of 11.991 and is significant. As a result, H5 is acceptable since Trading Volume Activity has a favourable impact on Stock Price.

## **Recommendations**

The recommendations that can be given include:

1. For further research, it can discuss other research variables that can affect stock prices, apart from the current ratio, debt to equity, return on assets, earnings per share, and trading volume.

2. For further research, it can discuss different research objects, outside of manufacturing companies in 2018-2022.

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# **APPENDIX**

**SPSS RESULT**

# **Descriptive Statistics**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | N |  | Minimum | Maximum | Mean | Std. Deviation |
| Stock Price | 150 |  | 55 | 19025 | 3393 | 4125 |
| Current Ratio | 150 |  | .0053 | 1.964 | .391 | .513415 |
| Debt to Equity Ratio | 150 |  | .007 | 3.75 | .75 | .582093 |
| Return on Asset | 150 |  | .083 | .884 | .145 | .17549 |
| Earning Per Share | 150 |  | -169 | 1529 | 240 | 335 |
| Trading Volume Activity | 150 |  | .00003 | .40054 | .02595 | .0669617 |
| Valid N (listwise) | 150 |  |  |  |  |  |

# **Model Summaryb**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Model | R | R Square |  | Adjusted R  Square | Std. Error of the  Estimate | Durbin-Watson |
| 1 | .708a | .502 |  | .483 | 4.36632 | 1.790 |

1. Dependent Variable: Stock Price

# **ANOVAa**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Model |  | Sum of Squares | df | Mean Square | F | Sig. |
| 1 | Regression | 2534.529 | 5 | 506.906 | 26.589 | .000b |
| Residual | 2516.550 | 144 | 19.065 |  |  |
| Total | 5051.079 | 150 |  |  |  |

1. Dependent Variable: Stock Price

# **Coefficientsa**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Model | | Unstandardized Coefficients  B Std. Error | | Standardized  Coefficients  Beta | t | Sig. | Collinearity Statistics  Tolerance VIF | |
| 1 | (Constant) | 16.675 | 4.460 |  | 3.739 | .000 |  |  |
|  | Current Ratio | 1.701 | 3.147 | .034 | .541 | .042 | .979 | 1.022 |
| Debt to Equity Ratio | -2.779 | 10.122 | -.017 | -.275 | .003 | .949 | 1.054 |
| Return on Asset | 2.727 | 2.817 | .060 | .968 | .014 | .981 | 1.020 |
| Earning Per Share | 7.561 | .920 | .530 | 8.223 | .033 | .909 | 1.101 |
| Trading Volume Activity | 11.991 | 2.196 | .352 | 5.461 | .002 | .911 | 1.098 |

a. Dependent Variable: Stock Price

# **Residuals Statisticsa**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | Minimum | Maximum | Mean | Std. Deviation | N |
| Predicted Value | -8.5796 | 39.4003 | 2.9917 | 4.30119 | 138 |
| Residual | -5.21761 | 28.82903 | .00000 | 4.28590 | 138 |
| Std. Predicted Value | -2.690 | 8.465 | .000 | 1.000 | 138 |
| Std. Residual | -1.195 | 6.603 | .000 | .982 | 138 |

a. Dependent Variable: Stock Price

# **NORMALITY TEST**

**NPar Tests**

**One-Sample Kolmogorov-Smirnov Test**

Unstandardized

Residual

|  |  |  |
| --- | --- | --- |
| N |  | 138 |
| Normal Parametersa,b | Mean | .0000000  4.28590458 |
| Std. Deviation |
| Most Extreme Differences | Absolute | .122  .122  -.097 |
| Positive |
| Negative |
| Test Statistic |  | .122 |
| Asymp. Sig. (2-tailed) |  | .060c |

1. Test distribution is Normal.
2. Calculated from data.
3. Lilliefors Significance Correction.

# **Heteroscedasticity**

**Coefficientsa**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  | Unstandardized Coefficients | | Standardized  Coefficients |  |  |
| Model |  | B | Std. Error | Beta | t | Sig. |
| 1 | (Constant) | -5.933 | 7.850 |  | -.756 | .451 |
|  | Current Ratio | 1.726 | 5.540 | .027 | .312 | .756 |
| Debt to Equity Ratio | -24.304 | 17.815 | -.119 | -1.364 | .175 |
| Return on Asset | 1.659 | 4.959 | -.029 | -.335 | .738 |
| Earning Per Share | 2.148 | 1.618 | .119 | 1.327 | .187 |
| Trading Volume Activity | 5.978 | 3.864 | .138 | 1.547 | .124 |

a. Dependent Variable: ABRES