

Determinants of Stock Prices on The Indonesian Stock Exchange (Study on Manufacturing Companies in The Automotive Industry Sector)

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ABSTRACT

Determinants of share prices listed on the Indonesian Stock Exchange (study of manufacturing companies in the automotive industry sector). This study finds a deep meaning regarding the essence that in simple terms share prices can be a reference for investors in making investment decisions and also reflect market expectations for the company. The aim of this research is to determine the influence of Capital Structure, capital adequacy, level of financing and profitability on share prices in manufacturing companies in the automotive industry sector listed on the Indonesia Stock Exchange (BEI). The total sample in this study was 12 companies in the Automotive Industry Sector taken from official website of the Indonesian Stock Exchange. The type of research used in this research is quantitative research using an explanatory research approach. The data processed is data taken from financial reports listed on the Indonesia Stock Exchange (BEI) from 2018-2022. The research results of the hypothesis which has a significant influence on share prices concluded that Capital structure and Profitability have a positive influence on share prices. Meanwhile, the variables capital adequacy and level of financing, based on research that has been carried out, can be concluded that they do not have a positive effect on share prices.

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Introduction

The share price is a benchmark for investors to invest in a company because it is influenced by the investors' economic conditions. The presentation of the organization is reflected in the benefits obtained from some monetary proportion that reflects the power in controlling the organization. Truly high inventory costs are a record of an organization's success in managing assets. Shares are the capital market instrument most sought after by investors, because they are able to provide attractive rates of return. [15] Stocks are many investment instruments chosen by investors, because shares can provide relatively high and very high profits easy to buy and sell. Therefore, investors must consider many things before committing investing in shares in a company, such as looking at share prices. [33] Share price as one of the company assessment factors. The increase in share prices can be caused by high demand, this shows that prices These shares have a high level of sales, thus the need for company funds can run smoothly because of the availability of sufficient funds from investors. [34] Shares are shares that clearly state the nominal value, company name and followed by the rights and obligations that have been explained. High share prices create high company value and increase market confidence not only in the company's current performance but also in the company's future prospects. Factors that influence share prices in companies include capital structure, capital adequacy, level of financing and profitability and are also influenced by several things. A good company capital structure shows good capital structure management as well, because whether the capital structure is good or bad will have a direct impact on financial conditions and will ultimately affect the company's share price. A good capital structure is a capital structure that can minimize the average cost of capital and maximize company value. The aim is explained that the organization should have the option to expand the nature of the organization for government assistance from its investors. There are various factors that influence capital structure, including sales stability, asset structure, operating leverage, growth rate, profitability, taxes, management attitude, control, market conditions, the attitude of lenders and rating agents, the company's internal conditions, and financial flexibility. [24]



In looking at the situation and conditions that occur in the context of manufacturing companies in the automotive industry sector, they can be influenced by various factors, including the Covid-19 pandemic which causes a decrease in people's purchasing power, fluctuations in commodity prices, and changes in tax schemes that can affect the sales and performance of companies in the automotive industry. Conditions macro and micro economics, capital structure and capital adequacy which can influence the company's ability to face challenges and opportunities in the market, level of financing and profitability, as well as changes in technology and information that can affect the company's situation. Companies that are able to adapt to technological changes can have a competitive advantage. The results of this research show that simultaneously Capital Structure (DER), Company Size (Size) and Profitability (ROA) have a significant effect on Company Value (PBV). Then, partially, the results obtained were that Capital Structure (DER) had a negative and insignificant effect on Company Value (PBV), Company Size (Size) had a significant negative effect on Company Value (PBV), and Profitability (ROA) had a significant positive effect on Company Value (PBV).

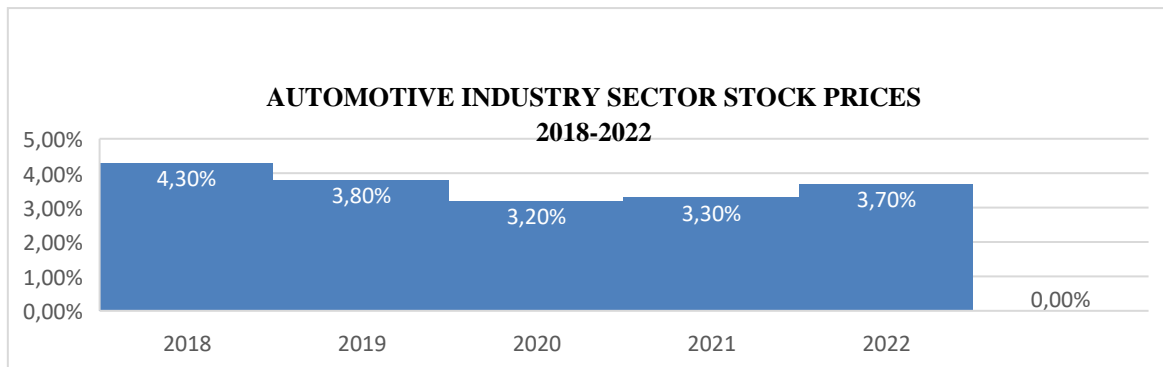
Capital adequacy is one of the foundations that is really needed in a company that has the potential to have risks from every credit. Capital for a company functions as the main source of financing for operational activities. Capital structure is long-term asset financing consisting of fixed liabilities, preferred shares and shareholder capital. [28] Operational activities can run smoothly if the company has sufficient capital so that when it experiences losses, the company remains in a safe position because it has capital reserves. Research shows that capital adequacy has a significant effect on share prices.[28] Level of Problematic Financing (Non Performing Financing) Problematic financing is financing which, according to its quality, is based on possible risks to the conditions and compliance of financing customers in fulfilling obligations to pay profit sharing, as well as paying off financing. The target of the financing risk policy is to identify, measure, monitor and control the course of

bank business activities with a reasonable level of risk in a directed, integrated and sustainable manner so that risk management functions as a filter or provides early warning of the company's business, research results reveal that the level of research has a positive effect on stock prices.[22]

To assess the financial performance or condition of a company, analysis of financial reports is required. The ratio used to assess company performance is the profitability ratio. Profitability is a tool used to measure or assess a company's ability to generate profits at the sales, asset and capital levels. Profitability for a company plays an important role in maintaining its survival. For this reason, companies must know what factors influence profitability. The factors that influence profitability include liquidity, capital structure and activity. Profitability is an operational result that is used to measure how effective management is in managing the assets and capital owned by the company to generate profits. [29]) states that the profitability ratio is a group of ratios that shows the effect of a combination of liquidity, asset management and debt on operating results states that profitability ratios are a group of ratios that show the combined influence of liquidity, asset management and debt on operating results. [30] The company's performance in generating profits can lead investors to develop their funds as a function of earning profits, on the other hand, if the level of profitability is low it can cause investors to withdraw their funds. Finally, profitability can be used as an industry assessment of the effectiveness in managing the business entity.[31] The resulting good profitability shows good company performance. [32] An increase in ROA shows that the better the company performs, the more shareholders will benefit from the increase capital earned or dividends received. With increasing dividends received by holders shares, of course, will attract investors or potential investors to invest their funds in company, this will of course cause demand for a company's shares to increase so that share prices will also increase.[35]

This disrupts the growth of the capital structure, capital adequacy, level of financing and profitability of the company, where this phenomenon certainly limits the company's business space. If systematic misunderstandings arise regarding the sustainability of a company's activities in the future, the company will lose the income or investment that has been invested. Therefore, changes in capital structure, capital adequacy, level of financing

and profitability can be taken into consideration and become a prediction of the company's capital costs as well as considering economical sources of funds to finance the company's investment needs and business activities. The following is an overview of the share price graph for the automotive industry sector for the 2018-2022 period.



Source: data obtained from www.idx.co.id

Picture 1. Automotive Industry Sector Stock Prices 2018-2022

Based on the results above, it can be linked to signaling theory in manufacturing companies in the automotive industry sector in Indonesia. It is possible that an organization decides on a bid and selects the new capital required, including the utilization of obligations that go beyond ordinary capital construction. Assuming an organization offers to sell new offers without stopping, the cost of offering will be drastically reduced because responsible new offers mean providing a negative mark which can lower the cost of offering. As an illustration from the graph above, the rise and fall of stock prices in the five periods can be seen in 2018 stagnating and falling drastically and in 2019 experiencing a decline or instability. This was explained by Sidik (2019) where conditions in 2019 tended to slow down or decline because they were influenced by people's purchasing power, commodity prices which were still fluctuating, and changes in tax schemes. In 2020 it remained the same as the previous year, there was no increase, it only experienced a decrease. In 2021, it is

stagnant, slowly rising, but only a slight increase. Meanwhile, in 2022 it will increase again slowly and experience uncertainty, this is caused by the phenomenon that the capital structure, capital adequacy, level of financing and profitability are uncertain, resulting in the unstable condition of the stock price graph in manufacturing companies in the automotive industry sector in five periods.

Based on the description above, it is important to carry out research, namely the influence of capital structure, capital adequacy, level of financing and profitability on share prices to ensure that the company's share price is effective in manufacturing companies in the automotive industry sector listed on the IDX. The influence of capital structure, capital adequacy, level of financing and profitability becomes a means of control for us before starting to invest in a stock. With the existence of capital structure, profitability and share prices in order to balance business activities in the company. By understanding capital costs and capital plans, of course we are able to choose the organization and business that has been carried out by looking at the budget report. In addition, the cost of capital can be used as a consideration to determine the true cost or actual costs of using capital from each cost source.

Method

The type of research used is quantitative descriptive analysis with explanatory research. Explanatory research is a research method that aims to explain the position of the variables studied and the influence between one variable and other variables. [36] The subject of this research is part of finance and the objects of this research are capital structure, capital adequacy, level of financing and profitability and share prices. The X variables are capital structure (X_1), capital adequacy (X_2), financing level (X_3) and profitability (X_4), and variable Y is share price (Y). The sample selection technique in this research used non-probability sampling using the purposive sampling method. The purpose sampling method is the selection of samples based on the criteria that have been applied. The sample needed in this research is the annual financial report from 2018-2022, with annual financial report data. This sample includes 12 Automotive Industry companies that are listed on the Indonesian Stock Exchange. This research uses two variables, the independent (free) variable, namely capital structure, capital adequacy, level of financing and profitability,

while the dependent (bound) variable is share price. The data analysis techniques used are descriptive statistical test, classical assumption test, multiple linear regression test and hypothesis testing.

Results and Discussion

This research uses descriptive statistical analysis which aims to find out about the description of the data used in the research. To find out descriptive statistical analysis using the spss application program. Descriptive statistical analysis produced in the application is in the form of average value (mean), maximum value (max), minimum value (min), median, standard deviation, skewness and kurtosis. The results of descriptive statistical analysis are as follows:

Table 1.1n Results of descriptive statistical analysis

		Minimum	Maximum	Mean	Std. Deviation
<i>Capital Structure</i>	0	0.002378	2.354671	0.6428	0.60114
Capital Adequacy	0	0.0009	11.970.193	1194.5258	3181.13872
Financing Levels	0	0.063.635	0.794.637	0.5417	0.13947
Profitability	0	0.000040	0.0476.685	60.2739	264.95442
Stock Price	0	0.1694	3.7200	1.1703	0.62771
Valid N (Listwise)	0				

Source: SPSS data processing

Based on the results of the analysis in table 1, it shows that the capital structure has a mean value of 0.6428. while the highest value was 2.354671 by PT. Gajah Tunggal Tbk in 2018 with total debt value of 13,835,648 and total equity of 5,875,830. while the minimum value is 0.002378 at PT.Prima Alloy Steel in 2022 with a total debt value of 1,107,466,919 and total equity of 465,699,634,087. Capital adequacy has a mean value of 1194.5258. The highest value was 11,970,193 at PT Astra International Tbk in 2020 with an own capital value of 4,048,355,314 and a total RWA of 338,203. while the lowest value was 0.0009 at PT. Prima Alloy Steel in 2019 with an own capital value of 1,500,000,000 and an RWA value of 1,632,499,263,805.

The financing level has a mean value of 0.5417. The highest value is 0,794,637 at PT. Prima Alloy steel in 2022 with a non-performing financing value of 1,250,096,799,138 and total financing worth 1,573,166,533,780. while the minimum or lowest value is 0,063,635 with a problematic financing value of 191,801,219 and total financing worth 3,014,078,817. Profitability has a mean value of 60.2739. The highest value was 0,0476,685 at PT. Indo Kordsa in 2020 with a net profit value of 125,721,123 and a total asset value of 263,740,526. while the minimum or lowest value is 0.000040 with a net profit value of 25,817 and total assets worth 643,361,511. The stock price has a mean value of 1.1703. The highest value was 3.7200 at PT Bintraco Dharma Tbk in 2020 with a (p-pt-1) value of 186 and a (pt-1) value of 50. Meanwhile, the maximum value or lowest value was 0.1694 at PT. Multistrada Ara Sarana Tbk in 2021 with a (p-pt-1) value of 995 and (pt-1) value of 5875.

Table 2. Normality test results

Test Statistic			8.862
Asymp. Sig. (2-tailed) ^c			0.600
Monte Carlo Sig. (2-tailed) ^d	Sig.		0.600
	99%	Lower	0.600
		Confidence	
		Bound	
	Interval	Upper	0.600
		Bound	

Source: SPSS data processing

Based on the results of the normality test using the Kolmogorof Smirov test in the table above, the Unstandardized Residual value is 0.600, this value is greater than 0.05, which means that the data is normally distributed.

Table 3. Autocorrelation Test

Model Summary^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.134 ^a	0.018	-0.054	0.64429	2.366

Source: SPSS data processing

From the table above, the Durbin Watson (DW) value is 2,366, so it can be seen that there is no autocorrelation.

Table 4. Multiple linear regression results

Variabel Independen	B	Beta	t	Sig,
(Constant)	0.986		2.919	0.004
<i>Capital structure</i>	-0.079	-0.075	-0.533	0.016
Capital Adequacy	-1.054	-0.053	-0.397	0.693
Financing Levels	0.441	0.098	0.710	0.937
Profitability	0.000	0.056	0.404	0.013

Source: SPSS data processing

The B coefficient for the constant of 0.986 indicates that when all independent variables are zero. This means, if there is no contribution from factors such as capital structure, capital adequacy, financing levels and profitability will be at the base level of 0.986. The t statistic is 2.919 and the significance is Sig. less than 0.001 indicates that the constant is highly statistically significant. The Capital structure variable (X_1) has a regression coefficient value of 0.079. This coefficient value shows a positive relationship with company value, meaning that with each increase in capital structure, it is estimated that there will be an increase of 0.079 units in company value, assuming other variables remain constant. The capital adequacy variable (X_2) has a regression coefficient value of 1.054. This coefficient value shows that capital adequacy does not affect the increase in the company's share price by 1,054. The financing level variable (X_3) has a regression coefficient value of 0.441. This

coefficient value shows that the financing level does not affect the decline in share price value of 0.441. This means that this variable cannot increase the influence on non-performing financing (NPF). The Profitability variable (X_4) has a regression coefficient value of 0.000. The Profitability variable shows a positive relationship between profitability and company value. This means that when a company's profitability increases assuming other variables remain constant, the company's value also tends to increase proportionally.

Tabel 5. Hypothesis test t

Variabel	T tabel	Sig.	Keterangan
Capital structure	-0.533	0.019	Significant
Capital Adequacy	-0.397	0.985	Not significant
Financing Levels	0.710	0.0937	Not significant
Profitability	0.404	0.013	Significant

Source: SPSS data processing

The significance value of capital structure is $0.019 < 0.05$. So it can be concluded that H_1 is accepted, which means that the capital structure variable has a significant effect on share price performance. The results of this research are in line with theory) which explains that the higher the risk of using debt, the share price will tend to decrease. [9]. The results of the second hypothesis test (H_2) The significance value of capital adequacy is $0.985 > 0.05$. So it can be concluded that H_2 is rejected, which means that the capital adequacy variable does not have a significant effect on share prices. These results are not in line with the research which found that capital adequacy (CAR) had a significant positive effect on stock prices. The results of the third hypothesis test (H_3) The significance value of the funding level is $0.937 > 0.05$. So it can be concluded that H_3 is rejected, which means that the financing level variable does not have a significant effect on share prices. This is not in line with research which shows that the level of financing has a positive effect on the level of liquidity and has an impact on stock performance.[22]. The results of the fourth hypothesis test (H_4) The significance value of profitability is $0.013 < 0.05$. So it can be concluded that H_4 is accepted, which means the Profitability variable has a significant effect on share prices. The results of this research are in accordance with existing theory which states that the presentation of profit information through financial reports is an important measure of company

performance compared to performance measures based on other figures. The size of the profit can be seen from the company's profitability ratio.[9]

Discussion

Based on the results of data processing, this is in line with the first hypothesis. The results of the partial t test on the capital structure variable statistically show positive results. Capital structure has a positive and significant effect on share prices, which means that capital structure can increase and maximize share prices. The better the company's capital structure or the lower the cost of capital funding will make investors want direct demand for shares and this will have an impact on the share price. Signal theory explains how managers provide signals to investors to reduce information asymmetry through financial reports. This signal theory has an important influence on optimal capital structure. So that two perspectives emerge: the company will be profitable and unprofitable.[11]

Based on the results of data processing, this is not in line with the second hypothesis. The results of the partial t test on the capital adequacy variable statistically do not show positive results. Capital adequacy does not have a positive and significant effect on share prices. The effect of capital adequacy as measured using CAR on share prices can indicate that the company has strong capital to run the business and increase investor confidence and ultimately increase share prices. [23]. Based on the results of data processing, this is not in line with the third hypothesis. The results of the partial t test on the financing level variable statistically show negative results. This can be seen. The level of financing does not have a positive effect on share prices. Therefore, the level of financing in manufacturing companies in the automotive industry sector is smaller than other income-generating components. The greater the financing channeled in productive, consumptive and service forms, the greater the opportunity to earn income. High income will increase the company's profit ratio.

The research results explain that Return On Assets (ROA) has a significant positive effect on stock prices. The higher the ROA shows that the company is better at managing its

assets in generating profits so that it can attract investors' interest in carrying out share transactions. Debt to Asset Ratio is a debt ratio used to measure the comparison between total debt and total assets.[27] This shows that the ROA value contributes to share prices. Because investors and potential investors invest their shares in each company, not only looking at the asset factor. This condition also illustrates that the company's ability to earn profits and to control operational and non-operational costs is very high so it has a big influence on share prices. The relationship between signal theory and profitability which describes an action taken to show to investors. How management can increase the company's opportunities in the future can be seen from financial report information which includes company profits as a form of company performance so that investors have more confidence that management has realized investors' wishes.[25]

Conclusion

Based on the results of data analysis and discussion, four things can be concluded. Capital structure has a positive effect on share prices in manufacturing companies in the automotive industry sector listed on the IDX. Capital adequacy does not have a positive effect on share prices in manufacturing companies in the automotive industry sector listed on the IDX. The level of financing does not have a positive effect on manufacturing companies in the automotive industry sector listed on the IDX. Profitability has a positive effect on share prices in manufacturing companies in the automotive industry sector listed on the IDX. As a result of the literature review and conceptualization process on companies, the author considers that stable share prices can increase the company's attractiveness for potential investors. Theoretically, the company's individual share price index (IHSI) is the share market price expressed in index form in points (not rupiah). Thus, factors that influence market prices are also factors that influence IHSI. Theoretically, IHSI is influenced by fundamental factors (company performance) and technical factors (investor expectations). The results of this research show that apart from being influenced by company performance and investor expectations, IHSI is also influenced by stock investment risk. Therefore, this fact needs to be taken into account in developing stock analysis theory.

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