THE EFFECT OF ROA, DEBT ASSET RATIO, PRICE EARNING RATIO, MVA, AND CURRENT RATIO ON THE STOCK PRICE OF FINANCING INSTITUTION SERVICE COMPANY IN THE PERIOD OF 2016 – 2020

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ABSTRACT

This study aims to determine the influence of ROA, DAR, PER, MVA, and Current Ratio on the Stock Price of financial institution service companies in the period 2016 - 2020. This study used secondary data in financial statements and was a quantitative study. The data analysis technique uses multiple linear regressions with SPSS 21 application. From the results of partial processing, only DAR and CR have a positive effect on stock prices, while ROA, PER, and MVA have no significant effects. Simultaneously the five variables ROA, DAR, PER, MVA, and CR affected the stock price by 55.8%, and other variables such as PBV, EPS, EVA, and others caused the rest of the stock price.

KEYWORDS: ROA, DAR, PER, MVA, Current Ratio and Stock Price.

1. INTRODUCTION

The capital market has a significant role in supporting the country's economy. A capital market is a tool that can be functioned to raise funds from within and outside the country. At the same time, for an investor, the capital market is a tool to invest his funds. One of the areas of investment that is in great demand by domestic and foreign investors in the capital market is in the form of listed company shares.

The stock price is one of the characteristics of the successful management of a company. If the stock price in a company always rises, the investors or potential investors will assess whether the company has successfully managed its business. The trust of an investor or potential investor is very beneficial for the company because the more people who believe in the company, the stronger the desire to invest in the company. The more demand for shares of a company, the higher the share

price. If the stock price can be maintained at a high value, the investors or potential investors will have higher confidence in the company. Rational potential investors must first make investment decisions in stocks, then analyze the expected variables to affect stock prices. This issue may be due to the nature of stocks that are very sensitive to changes in currency market conditions, financial performance, and changes in the domestic political situation.

Before investing in stocks, investors must first look at a company's performance. The company's performance is significant because it is influential and can also be used to determine whether the company is growing and vice versa. The performance of issuers can be seen from the financial statements released to the public. Income information is the information that gets the most attention from various groups (especially investors).

In profitability, efficiency and effectiveness in managing all company assets to generate profits it is stated in return on assets. The greater the ROA, the better the profits obtained by the company's asset management, which can attract investors to invest in the company. The increased demand for these shares will boost share prices in the future. If the debt to assets ratio is high, financing with more debt will make it difficult for the company to obtain additional loans because it is feared that the company will not be able to use its assets to pay off its debts. This issue will negatively impact stock prices, which will eventually fall. The higher the PER, the higher the investor's interest in the company, which pushes the stock price higher. PER can help investors to see a company's performance from year to year, so PER can be used as one of the essential factors for investors in making an investment decision.

MVA measures success in optimizing shareholder wealth by allocating appropriate resources. MVA also measures the wealth a company has created for its investors, or MVA can state how much prosperity has been achieved. The higher the Current Ratio, the greater the company's ability to pay its short-term debt. This case means the company can pay off its short-term debt anytime. However, a CR that is too high can also indicate poor management of liquidity sources. The excess in current assets should be used to pay dividends, repay long-term debt, or for investments that can generate higher returns.

However, it differs from the phenomena that the researchers found, for example, at PT. Adira Dinamika Multi Finance, Tbk, where the debt level from 2017 (Rp. 23,747,518,000,000) to 2019 (Rp. 27,038,058,000,000) increased, but the share price also increased from Rp. 7,125/sheet in 2017 and 2019 of Rp. 10,400/sheet. According to the existing theory, the higher the use of company debt will lead to a high risk for the company causing investor distrust of the company's success in managing its debt management. We can see that there is no change to the outstanding shares from 2016-2020, which is still at 1,000,000,000. Furthermore, looking at the DER in 2017 of 0.805 and 2018 of 0.777, we can see the Current Ratio in 2017 of 2.541 times, and in 2018 of 2.385 times, we can see a decrease in the current ratio.

Examples of other phenomena at PT. Clipan Finance Indonesia, Tbk, whose company performance increased in 2019 where the net profit was Rp. 361,596.020,000,- EPS of 90,750 and current assets of Rp. 11,824,160,110,000 compared to 2018, where the net profit was Rp. 305,137,586,000,- EPS of 76,580 and current assets of Rp, 10,796,029,226,000 but the share price actually decreased from Rp. 314/sheet to Rp. 290/share in 2019. Moreover, we can see that the **MVA** in 2018 was -3095985831502, while in 2019, it was -3550171213470. Furthermore, **PER** in 2018 was 4,100, and in 2019 was 3,196. Moreover, **ROA** on CFIN in 2018 was 2.8 %, whereas, in 2019, there was an increase of 3%. From the problems of the existing phenomena, we want to develop research by investigating **the Influence of Return on Asset, Debt Asset Ratio, Price Earning Ratio, Market Value Added, and Current Ratio on the Stock Price of Financial Institutions Service Companies in the 2016 - 2020 Period.**

2. LITERATURE REVIEW

The Relation of Return on Asset on Stock Price

According to Jumingan (2014:141), "The ratio of operating income to operating assets shows the profits derived from capital investment in assets without relying on the source where the capital comes from (total capital)." According to Simbolon and Sudjiman (2020: 53), the higher the ROA, the better the company's performance. This point can also affect investors' interest in the company, leading to higher stock prices.

According to Ani, et al. (2019: 150), the higher the ROA, the better the productivity of assets to obtain a net profit. This matter will further increase the company's attractiveness in investors' eyes. The increasing attractiveness of the company makes the company more attractive to investors because the rate of return will be higher. This case also has an impact; the company's stock price in the capital market will also rise, so the return on assets will affect the company's stock price.

The Relation of Debt Asset Ratio on Stock Price

According to Kasmir (2017:112), Debt to Asset Ratio is a ratio used to see how much the company's assets are financed by debt or the extent to which company debt affects asset management. According to Elviani, et al. (2019:32), a higher debt composition results in a more significant interest expense for the company, reducing profits. A high DAR will affect the company's performance, which is considered harmful and can affect the interest of investors to invest their money in the company. Reduced investor interest will cause stock prices to fall.

According to Supriyadi and Sunarmi (2018:452), the higher this ratio, the more debt the company has. In other words, a high ratio indicates a low ratio of own capital to financing assets. Therefore, investors will react negatively to this and lower the stock price because the adverse reaction of investors indicates a decrease in the number of requests for shares. The relationship between Price Earning Ratio on Stock Price.

According to Bambang Wahyudiono (2014:123), PER is a ratio that compares the stock price in the primary market and the income received. According to Mujati S and Dzulqodah (2016:104), Price Earning Ratio shows the company's profit growth, and investors will be interested in the profit

growth so that, in the end, it will affect stock price movements. According to Sari and Triaryati (205:578), the higher the PER, the higher the investor's confidence in the company, so that investors will be interested in investing in the company and cause the company's share price to rise.

The Relation of Market Value Added on Stock Price

According to Husnan and Pudjiasuti (2012:65), the difference between the market value of equity and equity (own capital) is submitted to the company by shareholders (company owners). According to Rahayu and Dana (2016: 447), it concludes that if the MVA is positive, the company has succeeded in creating added value for the owners of capital because the company can generate a rate of return that exceeds the cost of capital and then the share price rises. However, if the MVA is negative, it indicates a decrease in the company's value and subsequently the stock price because the rate of return is lower than the cost of capital. According to Puspita, et al. (2015: 100), The market value of a company is expressed by the value of the acquiring company in the stock market, which is a multiplier between the share price and the number of shares available. According to the MVA calculation formula, if MVA increases, the wealth and welfare of the owner will increase.

The Relation of Current Ratio on Stock Price

According to Kasmir (2016:134), the current ratio or current ratio is a ratio that measures the company's ability to pay short-term obligations that are due immediately when billed as a whole. According to Anshari (2016:101), a high Current Ratio (CR) will give investors the confidence to invest their money in the company. Because the company is considered capable of paying off its short-term debt, this can increase the demand for company shares. According to Suryawan and Wirajaya (2017:1320), the higher this ratio indicates the increasing ability of the company to pay off its short-term debt, which will ultimately increase investor confidence and stock prices.

Conceptual Framework

The conceptual framework in this study is structured as follows:
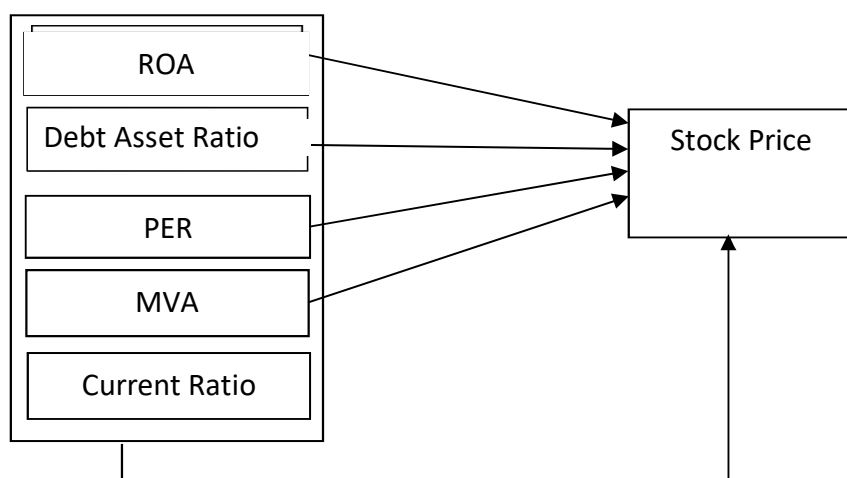
Hypothesis
H1: ROA affects the stock price of financial institution service companies.
H2: DAR affects the stock price of financial institution service companies.
H3: PER affects the stock price of financial institution service companies.
H4: MVA affects the stock price of financial institution service companies.
H5: Current Ratio affects the stock price of financial institution service companies.
H6: ROA, DAR, PER, MVA and Current Ratio affect the stock price of financial institution service companies.

3. RESEARCH METHOD

Approaches, Types and Nature of Research
This study uses a deductive approach because the presentation is presented, starting from general problems to specific problems in the company under study. Based on the type, this research uses quantitative because it processes the data obtained from the financial statements statistically and presents it descriptively.

Place and Time of Research
This research was conducted in a service company sub-sector of financial institutions, while the research was carried out from April 2021 to December 2021.

Population dan Samples
This sub-sector has a population of 16 members, while the determination of this sample uses the purposive sampling technique. As for our consideration for taking samples of this research are: Financial institution service companies that are listed on the IDX and publish complete financial statements in a row during 2016-2020 and consecutively earn a net profit during 2016-2020.

TableII.1 Sample Selection Table

No	Description	Number
1.	Financial institution service company	17
2.	Financial institution service companies that did not inform the public of their financial statements consecutively during 2016-2020	(3)
3.	Financial institution service companies that suffered losses during 2016-2020	(5)
	Number of samples	9
	Number of periods	5
	Number of observations = 9x 5year	45

Data Types and Sources
The type of data used is quantitative data. The data source was obtained from secondary data, namely the financial statements of financial institution service companies listed on the IDX in the 2016-2020 periods, which were downloaded from the IDX official website that this data collection technique used documentation studies and literature studies.

Identification and Operational Definition of Research Variables

The operational definition of the variables used and their indicators are:

Table 2. Variable Operational Definition

Variable	Definition	Indicator	Scale
ROA(X1)	Return on assets is a ratio that shows how big the contribution of investments in creating net income. Source: Hery (2015:228)	ROA =$\frac{EAT}{Total\ Assets}$	Ratio
DebtAssetRatio(X2)	This debt ratio measures the proportion of funds sourced from debt to finance company assets. Source: Sudana (2015:20)	*Debttoassetratio* =$\frac{Total\ debt}{Total\ assets}$	Ratio
PER(X3)	Price Earning Ratio is the price value per share; this indicator has practically been applied in the final income statement financial report and has become a standard form of financial reporting for Indonesian public companies. Source: Harmono (2015:57)	PER=$\frac{Share\ Price}{Earnings\ Per\ Share}$	Ratio
MVA(X4)	The difference between the market value of a company's equity and the book value Source: Brigham and Houston (2010:111)	MVA=(shares outstanding)(share price) – total equity of common stock	Ratio
Current Ratio(X5)	This ratio shows the extent to which current liabilities are covered by assets that are expected to be converted into cash shortly. Source: Brigham and Houston (2015:134)	Current Ratio=$\frac{Current\ Assets}{Current\ Debt}$	Ratio
Stock Price (Y)	The issuer sets the value to value each share issued. Source: Halim(2015:31)	Closing stock price	Nominal

Data Analysis Technique

The classical assumption is an absolute statistical requirement for multiple regressions. If these conditions have been met, then the linear regression model can be said to be the Best Linear Unbiased Estimation. The classical assumption tests in this study are:

Normality Test

The normality test is to see whether, in the regression model, the confounding/residual variables are normally distributed or not. This study used the histogram test, the normal P Plot test, and Kolmogorof Smirnov (Ghozali, 2016).

Multicollinearity Test

The multicollinearity test is used to see whether or not there is a high correlation between independent variables in a multiple linear regression model. The presence or absence of multicollinearity in the regression model can be seen from the tolerance value > 0.10 or equal to the VIF value < 10 (Ghozali, 2016).

Autocorrelation Test

The autocorrelation test is to see whether there is a correlation between a period t and a period (t-1). This study uses the run test. Decision-making is done by looking at the Asymp value. Sig (2-tailed) Run Test where if it is greater than the 0.05 significance level, it can be concluded that there is no autocorrelation (Ghozali, 2016).

Heteroscedasticity Test

This test is to determine whether there is an inequality of variance from the residual of one observation to another. This detection can be done using the scatterplot method and the Glejser test, where if the significant value is greater than 0.05, it can be concluded that there is no heteroscedasticity (Ghozali, 2016).

Research Data Analysis Model

Research Model

This study uses multiple linear regression analysis techniques.
The equations used are:

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + e$$

Description:
Y = Stock Price
A = Konstanta
X1 = ROA
X2 = Debt Asset Ratio
X3 = PER
X4 = MVA
X5 = Current Ratio
b1...b5 = Coefficient of Variable
e = fault tolerance limit (standard error)

Coefficient of Determination

The coefficient of determination in this study was conducted to determine the extent of all independent variables' ability to explain the variance of the dependent variable. The coefficient of determination can be seen from the value of Adjusted R Square.

T Test

The t test is used to test how the influence of each of the independent variables partially on the dependent variable is carried out by comparing the t count with the t table or by looking at the significance value with the following criteria:

H0 is accepted if - t table t arithmetic ≤ t table and significant > 0.05

Ha is accepted if - t count < - t table or t count > t table and significant < 0.05

F Test

The F test is a test that is used to see whether all of the independent variables together affect the dependent variable. The F test can be done by comparing the calculated F with Table F with the following criteria:

H0 is accepted if F count < F table and significant > 0.05

Ha is accepted if F count > F table and significant < 0.05

4. CONCLUSION

After going through sound data processing, the last step is to provide conclusions that contain:

1. Partially, of the five variables used, there are only two independents that have an impact on the stock price. The independents referred to as DAR and CR significantly positively impact the dependent stock price. In contrast, the other three independents, ROA, PER, and MVA, have no impact on the stock price of a financial institution company.
2. Simultaneously, five independent ROA, DAR, PER, MVA, and CR significantly impact the stock price of financial institution companies by 55.8%, the remaining 44.2% due to other factors.

From the conclusions made, we suggest:

1. Especially for related sectors, the company should restructure financing to its customers because this will affect the profits obtained and the welfare of its shareholders.
2. Investors interested in buying shares in the financial institution sector are expected to see the company's DAR and CR levels because this study's results prove that these two factors can significantly affect stock prices.

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