

Analysis of Company Value in Terms of Micro-Economic Factor Aspects of Building Construction Subsector Companies Listed on the IDX 2014 - 2019 Period

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Abstract- This study aims to determine how company performance is affected by micro-economic variables during the 2014-2019 period in companies that are members of the construction subsector listed on the IDX. This research uses descriptive and verification research methods. Where panel data regression is used for data processing to answer the hypothesis. The results showed that the test model that was formed had passed, as well as the partial test results where the ROE and DER variables had an effect on stock prices.

Keywords: *Stock Price, ROE, DER, EPS.*

INTRODUCTION

The current condition of the Covid-19 pandemic which has never been predicted before is able to make all economic sectors of all countries experience a decline, this is exacerbated by the increasing number of countries that are not ready and unable to overcome this problem experiencing recession, including even developed countries. Indonesia as one of the countries affected by the Covid-19 pandemic experienced the same thing, even though previously the government had significantly improved infrastructure conditions throughout Indonesia based on good reasons to encourage the business world through the procurement of public goods needed for economic activities, such as roads, railways, airports, power plants and networks, or irrigation systems. Along with the increase in infrastructure development activities in Indonesia since the current government era, it has been able to contribute so as to encourage business growth in construction sub-sector companies in Indonesia. This business growth can be seen from the growing Indonesian construction market, which includes construction projects that are developing in various sectors, including commercial, public housing, industry, even transportation and logistics infrastructure as well as energy and utilities.

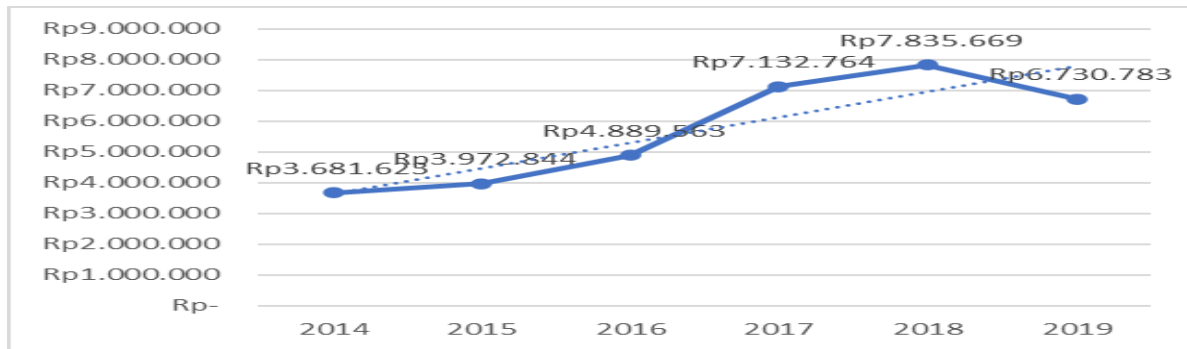


Figure 1: Development of Building Construction Subsector Companies Listed on the IDX for the 2014 - 2019 Period (in billion rupiah)

Source: processed data

Based on the picture above shows the trend of increasing company performance as measured by the average company income. Revenue growth can be measured as an indicator that describes an increase in sales from time to time to measure how fast something is growing business. Investors often use revenue growth to identify trends in the company's performance in a certain period of sales of products or services to customers. Consistent revenue growth is considered to be important for public companies to attract investors.

The increase in company performance above when compared to the share price owned by each company is the opposite, when the company's performance increases, the stock price decreases and vice versa when the performance decreases, the stock price increases. This is inversely proportional to the theory which states that an increase in stock prices is identical to an increase in firm value (Fuad in Rahmawati et al., 2013).

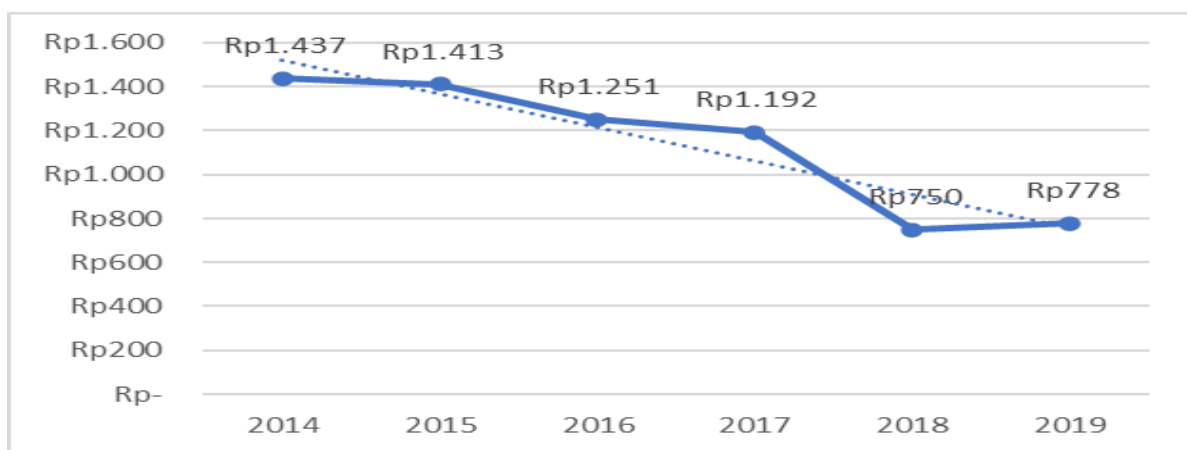


Figure 2: Development of Company Value in the Building Construction Subsector Listed on the IDX for the Period 2014 - 2019 (in billion rupiah)

Source: processed data

Based on the picture above, it can be seen that the average company value seen from the stock price shows a downward trend. This will be a problem for the company when it attracts investors to invest in the company. Investors can predict stock prices through the company's financial ratio indicator. The financial ratios used in this study are profitability as measured by Return on Equity (ROE), debt policy and capital structure as measured by Debt to Equity Ratio (DER) and returns earned by investors or shareholders per share, as measured by Earning Per Share (EPS).

Based on the explanation above, then the problem in this research is formulated as follows:

1. ROE, DER and EPS jointly affect the stock price.
2. ROE, DER and EPS partially affect stock prices.

LITERATURE REVIEW

Stock Price

The share price is the price of a share that occurs on the stock exchange at a certain time determined by market players (Jogiyanto, 2013). The share price determines the shareholder's wealth. Maximization of shareholder wealth translates into maximizing the company's share price. Stock prices are a reflection of investors' expectations of the factors (earnings), cash flow, and rates (returns) required by investors, where these three factors are also strongly influenced by the macroeconomic conditions of a country and global economic conditions (Tandelilin, 2010) Based on these conclusions, it can be concluded that the share price is the price that is traded in the stock trading market.

Return on Equity (ROE)

Measurement of profit will make it possible for the company, namely the management to evaluate the level of earnings in relation to the sales volume of certain assets and investments from management. One way to measure the level of a company's profitability is to use the Return on Equity (ROE) ratio, which is a way of measuring how much net profit the entire company's wealth can get. One of the indicators used by investors to measure company performance is profitability as measured by ROE, because the higher the profit, the higher the value of a company. According to Husnan and Pudjiastuti (2015), Return on Equity (ROE) is a ratio that measures how much profit is due to equity owners. Calculating the Return on Equity (ROE) using the following formula:

$$\text{ReturnOnEquity} = \frac{\text{EAT}}{\text{TotalEquity}} \times 100\%$$

Debt to Equity Ratio

The company's debt policy is an act of company management in funding the company's operational activities by using capital that comes from debt. Debt to Equity Ratio (DER) is a capital management ratio that reflects the company's ability to finance its business provided by the shareholders. As stated by Fahmi (2015) that Debt to Equity Ratio (DER) is a ratio that shows how a company is able to manage its debts in order to earn profits and is also able to pay back its debts. Debt to Equity Ratio (DER) shows the ratio of funds provided by the owner or company management which comes from the company's creditors. From some of the descriptions above, the Debt to Equity Ratio (DER) is formulated:

$$\text{Debt to Equity Ratio} = \frac{\text{Total Debt}}{\text{Total Equity}} \times 100\%$$

Earning Per Share

The financial ratio that is often used by stock investors (or potential stock investors) to analyze a company's ability to generate profits based on its shares is Earning Per Share (EPS) or earnings per share. According to Darmadji and Fakhrudin (2012), a ratio that shows the share of profit for each share. EPS describes the company's profitability as reflected on each share. The higher the EPS value, of course the shareholders are happy because of the greater profit provided to shareholders and the possibility of increasing the amount of dividends received by shareholders.

To find EPS according to Darmadji and Fakhruddin (2012), you can use the following formula:

$$\text{EarningPerShare} = \frac{\text{Lababersih}}{\text{jumlahsahamberedar}}$$

METHODOLOGY

This study uses descriptive and verification research methods, the definition of descriptive methods according to Sugiyono (2013) is research conducted to describe independent variables, either only on one or more variables (independent variables) without making comparisons and looking for those variables with other variables, the verification method according to Sugiyono (2013) is research conducted on a particular population or sample with the aim of testing the predetermined hypothesis.

POPULATION AND SAMPLES

Population

The definition of population as quoted from Sugiyono (2013) is a general area consisting of objects or subjects that have certain qualities and characteristics determined by the researcher for later study and conclusions can be drawn. The population used is all financial statements of construction sub-sector companies listed on the Indonesia Stock Exchange for the period 2014-2019, in which there are 19 companies.

Samples

still quoted from Sugiyono (2013) that the sample is part of both the number and characteristics of the population. The sampling technique used was purposive sampling technique. Purposive sampling is a sampling technique based on certain criteria or considerations. The criteria used are companies that are complete during the study period to publish their financial statements. So that the number of research samples used in this study were 12 companies.

Panel Data Regression Analysis

Panel data is a combination of cross section data and time series data to form panel data. Winarno (2015). After obtaining the best model, the hypothesis is tested through model testing (F test), determination coefficient test (R^2) and partial test (t test).

RESULTS AND DISCUSSION

After selecting the model with the Chow test, and the Hausman test, which based on the results of the two tests shows the same results that the best model used to answer the hypothesis stated earlier is the Fixed Effect Model, so there is no need to re-test the Lagrange Multiplier. The next step is to ensure that the data is indeed feasible to do further research by testing the normality of the data where the results obtained indicate that the existing data has already passed the classical assumption test which means that the data is indeed feasible for further research to answer the hypothesis.

Table 1. Hypothesis Test based on Fixed Effect Model

Variable	Coefficient	Std. Error	t-Statistic	Prob.
ROE	2359.201	857.8126	2.750253	0.0080
DER	-2.292255	1.123359	-2.040537	0.0459

EPS	-115.4948	71.77084	-1.609216	0.1131
C	1322.678	181.1737	7.300611	0.0000
R-squared	0.829484			
Adjusted R-squared	0.787602			
F-statistic	19.80562			
Prob. (F-statistic)	0.000000			

Source: output views 9

Based on the data above, it can be seen that for the model test (F test) the significance results are 0.0000, which when compared to the alpha level of 0.05 is still below, so it can be concluded the hypothesis that ROE, DER and EPS have an effect on acceptable Stock Price. Where the Stock Price variable can be explained by the variable ROE, DER and EPS of 79% and the remaining 21% by variables not included in the variables studied. Meanwhile, for testing t the results are as follows:

• **Effect of ROE on Stock Price**

Based on the results of the t test on the regression model, the significance value of the CAR variable is $0.0080 < 0.05$ (significance level). Besides that, it can also be seen from the results of the comparison between t_{count} and t_{table} which shows the value of t_{count} of 2.750 while t_{table} is 2.010. From these results it can be seen that $t_{count} > t_{table}$ is $2.750 > 2,010$. Then it can be concluded that H_1 is accepted, meaning that the ROE variable does significantly influence the Stock Price variable.

• **Effect of DER on Stock Price**

Based on the results of the t test on the regression model, the significance value of the NIM variable was $0.0459 < 0.05$ (significance level). Besides that, it can also be seen from the results of the comparison between t_{count} and t_{table} which shows the value of t_{count} of -2.041 while the t_{table} is 2.010. From these results it can be seen that $t_{count} < t_{table}$ is $-2.041 < -2.010$. Then it can be concluded that H_2 is accepted, meaning that the DER variable does significantly influence the Stock Price variable.

• **The Effect of EPS on Stock Price**

Based on the results of the t test on the regression model, the EPS variable significance value was $0.1131 < 0.05$ (significance level). Besides that, it can also be seen from the results of the comparison between t_{count} and t_{table} which shows the value of t_{count} equal to -1.6092 while the table is 2.010. From these results it can be seen that $t_{count} < t_{table}$ is $-1.6092 < -2.010$. Then it can be concluded that H_3 is rejected, meaning that the EPS variable does not significantly influence the Stock Price variable.

CONCLUSION

After the discussion by the author, the writer can conclude that jointly ROE, DER and EPS variables have a significant effect on stock prices. While partially the independent variables that have a significant effect are ROE and DER in the company. So that researchers try to provide suggestions that hopefully can provide useful, which consists of:

1. For Companies

An indicator that attracts investors besides ROE and DER, companies must also pay attention to that the ROE level is not an absolute thing that can increase the level of income earned through the company's capital itself. The company must improve its performance in addition to these variables.

2. For Investors

Based on the conditions seen, even though the EPS variable has no effect, investors still have to pay attention to these variables, because it needs to be remembered that the rate of return based on company stock ownership can also improve company performance.

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