The Effect Of Return On Assets And Price Earning Ratio Toward Stock Prices

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Abstract
This study aims to determine the effect of Return on Assets (ROA) and Price Earning Ratio (PER) on stock prices. The population in this study was the construction and building sub-sector companies listed on the Indonesia Stock Exchange (BEI) for the 2014-2019 period. Through the purposive sampling method then obtained a sample of 7 companies and obtained 42 data. The data analysis technique used multiple linear regression and hypothesis testing. The results showed that partially Return On Asset has no significant effect on stock prices.
Keywords: PER (Price Earning Ratio), Return On Assets (ROA), Stock Prices

A. INTRODUCTION

In this era, many companies received funding or additional capital from investment activities carried out by investors. One of the investment sites that can be chosen by the public is the capital market. The capital market is a place to sell and buy various financial instruments such as stocks, bonds, rights, warrants, mutual funds, and other financial instruments (Fakhruddin, H. M; 2008).

Indonesia's capital market growth in the past 42 years has increased, it can be seen from the Indeks Harga Saham Gabungan (IHSG) which experienced growth reaching 6,282,132 or continued to strengthen since 1977, wherein 1977 IHSG position was at 98 points. The growth of the capital market in Indonesia can also be seen from the number of companies that continue to register their names on the Indonesia Stock Exchange (IDX). In mid-2019 32 new companies stated their names on the IDX, bringing the total number of listed companies to 649.

One sector that is on the Indonesia Stock Exchange (IDX) is the construction and building sector. Building construction companies are companies that build public facilities. According to the Indonesia Central Bureau of Statistics (Badan Pusat Statistik) in 2018, the construction sector in Indonesia was in third place as a source of economic growth. One of the reasons is because of energy projects, high houses, and infrastructure investment in several big cities throughout Indonesia. With this continued development, it will have an encouraging impact on equity and economic growth, therefore the shares of this sector are suitable for long-term investment. The stock price is one of the determinants used by market participants (investors) to conduct demand and supply in the capital market. If the demand for shares is high then the share price will go up, on the contrary, if the stock offer is high then the share price will also fall. Stock prices are also used as a benchmark for the success of a company's performance. If a company's stock price is high, then the value of the company will be good (Rahmadewi & Abudanti, 2018).

The occurrence of fluctuations in stock prices illustrates the level of changes in stock prices in the capital market is influenced by several factors, namely external

factors, and internal factors. The research uses internal factors (fundamental) which are thought to have influenced the changes in stock prices, namely Return On Asset (ROA) and Price Earning Ratio (PER)

ROA is a ratio that explains how much the company's ability to use all of its assets to generate profits (Sudana, 2011) The higher this ratio, the better the company's performance in managing its assets, and vice versa. This also makes the company more attractive to investors. PER is obtained from the price of shares outstanding divided by earnings per share (EPS), so the higher the PER will mean that the company's performance is also getting better according the investors, otherwise if the PER is too high can also mean that the stock price offered is already very high or irrational (Sugianto, 2008).

The results of the study (Safitri, 2016) that ROA significantly influence stock prices. However, ROA did not significantly influence to stock prices (Prillyastuti & Stella, 2017). And also PER has a significant effect (Yumia & Khairunnisa, 2015). Meanwhile PER has no significant effect on stock prices (Rahmani, 2019). This study aims to determine the effect of Return on Assets (ROA) and Price Earning Ratio (PER) toward stock prices. in Construction and Building Sub-Sector Companies listed on the IDX period 2014 – 2019.

B. LITERATURE REVIEW
1. Financial Accounting

A process of recording, classifying, summarizing processing, and presenting data is an understanding of accounting. The logging of the transaction data as well as financial-related events are used for good information for decision making for interested parties. A process of recording, classifying, summarizing processing, and presenting data is an understanding of accounting. The logging of the Transition data, as well as financial-related events, are used for good information for decision making for interested parties. Accounting is the reporting of information about the activities of those interested in the company's performance (Rudianto, 2012)

Financial accounting is a type of accounting that addresses and contains information about the company's financial statements to the internal and external parties of the company. Financial accounting is the recording and reporting of data from all economic activities of a company (Reeve et., Al., 2012). Besides being useful for company managers, the report also becomes the main report for business owners, creditors, government agencies, and the public. Financial accounting is activities related to the information to investors, creditors and authorities are usually quantitative and often presented in monetary units for decision making, planning, sourcing, and financial reporting (Ahmad, 2011)

2. Analysis of Financial Ratio

Financial ratio analysis is an element of business analysis of the company's performance prospects and risks for the benefit of decision making by compiling an analysis task through evaluating its financial performance (Subramanyam & Wild, 2014). The ratio of financial ratios is a ratio that describes a relationship or consideration between a certain number and another, using a ratio analysis tool that explains the description to the analysis of the good or poor financial situation of the company especially when the ratio number is compared with the comparison ratio number used as standard (Munawir, 2010)

3. Return On Assets (ROA)

Return on Assets (ROA) is one of the profitability ratios. In the analysis of financial statements, this ratio is most often highlighted, as it can demonstrate the success of the company generating profits. The term ROA with the Net Earning Power Ratio (Rate of Return on Investment / ROI), which is the company's management ability to manage all assets in generating net profits after tax (Riyanto, 2013). ROA is the ratio of net profit to total assets measures the return on total assets (ROA) after interest and taxes (Bringham & Houston, 2010)

H1: Return On Assets (ROA) significantly influences stock prices.

4. Price Earning Ratio (PER)

Price Earning Ratio is the most widely made by the investor to analyze whether the investment is being done profitably or adversely. Price Earning Ratio (PER) is information that identifies the amount of rupiah that must be paid by investors to obtain profits from the company (Tandelilin, 2017). In the Price Earning Ratio (PER) approach it can also be called a multiplier approach, with this approach the investor can count the number of times the value of the company's earnings. According to, PER is the ratio gained from the usual stock market price divided by the company's profit (Sugianto, 2008). The higher the ratio indicates that the company's performance is getting better, otherwise if PER is too high it can also indicate that the price of the stock has been high or irrational.

H2: Price Earning Ratio (PER) affects the stock price

5. Stock

Stocks are traded securities of Indonesian equities. Stock are proof of ownership of the purchase of company shares (Kasmir, 2016). Shares can be transferred (traded) to other parties. The stock is a piece of paper proving the rights of Financial to get part of the company's performance profit that publishes the stock (Husnan & Pudjiastuti, 2012). Stock prices reflect the value of the company, the higher the share price the higher the company's value and vice versa. Every company that publishes stocks is very attentive to its stock price. Stock prices are formed from interactions between companies ' performance and the market situation of capital markets. The price of a stock at a certain time will depend on the cash flow that is expected to be received in the future by the "average" investor if the investor buys the stock. The price of the stock is the price generated by the demand and bidding by market participants of the capital markets at a certain time (Hartono, 2011)

H3: Return On Assets (ROA) and Price Earning Ratio (PER) significantly influence stock prices

C. RESEARCH METHODS

The research method used in this research is quantitative research with descriptive and verification approaches.The population in this study are companies in the sub-sector and building sectors listed on the Indonesia Stock Exchange (IDX) during 2014-2019. The sample in this study were 7 construction and building sub-sector companies and taken by purposive sampling technique.

D. RESULTS AND DISCUSSION
1. Multiple regression analysis

This multiple linear regression analysis aims to measure the strength of the relationship between two or more variables. In addition, the results of this regression analysis show the direction of the relationship between the dependent variable and the Independent variable.

Table 1: Results of multiple regression analysis

Coefficientsᵃ

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	1177.203	414.390		2.841	.007		
	ROA	-45.503	55.788	-.127	-.816	.420	.886	1.128
	PER	32.261	14.722	.341	2.191	.034	.886	1.128

a. Dependent Variable: Harga Saham

Based on table above, there is a constant value of the equation of 1177,203. The ROA variable has a negative regression coefficient. This negative coefficient value indicates that in case of a ROA increase then the stock price is decrease

The PER variable has a positive regression coefficient. The value of this positive coefficient indicates that in the event of an increase then PER the stock price increase.

2. Coefficient of Determination (R2)

The coefficient of determination (R2) is used to measure the extent of the ability of the dependent variables. The coefficient of determination (R2) is between zero and one. A small value (R2) means that the ability of independent variables to explain the dependent variable is very limited. If the coefficient of determination is zero, then the independent variable has no effect

Table 2: Determination Coefficient Test Results (R2)

Model Summaryᵇ

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.402ᵃ	.162	.119	1023.49631	1.443

a. Predictors: (Constant), PER, ROA

b. Dependent Variable: Harga Saham

From the above table the results of the analysis of the coefficient of determination above can be seen from the R square of 0.162 which shows that the Stock Price was influenced by Return on Asset, PER of 16.2% and the remaining 83.8% was influenced by other variables not examined in this study.

3. Hypothesis testing

Table 3: Partial Test Results (t-test)

Coefficientsᵃ

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1177.203	414.390		2.841	.007
	ROA	-45.503	55.788	-.127	-.816	.420
	PER	32.261	14.722	.341	2.191	.034

a. Dependent Variable: Harga Saham

Based on the test results insignificance of 5% or 0.05. it is obtained that ROA significance of 0.420, which is greater than 0.05. So it can be concluded that partially

ROA has no significant effect on stock prices. And also base on the above test results, it is obtained that PER significance of 0.034, which is smaller than 0.05. So it can be concluded that partially PER has a significant effect on stock prices.

4. Simultaneous Test (F-Test)

Table 4: Simultaneous test results (f Test)

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	7888098.369	2	3944049.184	3.765	.032[a]
	Residual	4.085E7	39	1047544.706		
	Total	4.874E7	41			

a. Predictors: (Constant), PER, ROA

b. Dependent Variable: Harga Saham

From the above table shows that the results of simultaneous test calculated value of 3.765. The significance value of 0.032 is smaller than 0.05. Thus, it can be concluded that ROA and PER simultaneously has a significant effect on Share Price.

5. Discussion

Based on these results, it is concluded that ROA partially has no significant effect on stock prices. This shows that investors do not see ROA in making decisions when buying shares or investing because ROA in construction and building subsectors have weaknesses. This is due to the decreasing number of government projects undertaken by several constructions and building companies, resulting in a decrease in net profit, which causes ROA in this sector to decline. Where the declining ROA shows that the rate of return on investors will also decline so ROA in this sector is less attractive to investors (Prillyastuti & Stella, 2017; Agustina & Dr. Hendratno, 2019)

Price Earning Rtaio (PER) partially has a significant effect on stock prices. This shows that investors see the PER as a ratio that investors need to consider in an investment decision because the ratio shows how much of the available funds paid by investors for each profit received in a certain period. The higher PER ratio shows that investors have good expectations of the company's development (Yumia & Khairunnisa, 2015; Sapariyah, et., Al., 2016). And Simultaneously, Return On Asset (ROA) and Price Earning Ratio (PER) affect toward the stock price.

E. CONCLUSION

Based on data analysis Return On Asset (ROA) partially does not affect toward the price of shares. This is caused by investors not seeing Return On Asset (ROA) as a decision in buying shares. Price Earning Ratio (PER) partially influences the price of shares. And simultaneously, Return on Asset (ROA) and Price Earning Ratio (PER) have a significant effect on share prices.

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