Research

Financial Ratios and Share Prices of JII70 Indexed Companies for the 2018-2020 Period

Ahmad Fauzan^{1*}; Rindang Matoati²

Department of Economic and Management, IPB University, Bogor, Indonesia

^{1*)}ahmad_fauzan97@apps.ipb.ac.id; ²⁾rindang@apps.ipb.ac.id

* Corresponding author

Received: April 14, 2021; Accepted: June 28, 2021; Published: June 30, 2021

To cite this article: Fauzan, A & Matoati, R. (2021). Financial ratios and share price of JII70 indexed companies for the 2018-2020 period, *The Management Journal Of Binaniaga*, 6 (1), 23-40. doi: [10.33062/mjb.v6i1.422](https://doi.org/10.33062/mjb.v6i1.422)

Abstract: The sharia capital market in Indonesia has grown over the last five years. One of the members of the sharia capital market instrument is sharia shares. During the 2015-2020 period, the number of Islamic stock issuers continued to grow. The stock index is used by investors as a tool to choose stocks that suit their needs. IDX has issued three sharia stock indexes, and the most recent one is the JII70 index. A stock index is a collection of statistics about the price movement of a group of stocks that is evaluated periodically. One of the many factors that influence stock prices is the company's financial ratios. This study aims to analyze the influence of financial ratio factors such as Current Ratio (CR), Debt to Equity Ratio (DER), Total Assets Turnover (TATO), Return on Equity (ROE) and Earning per Share (EPS) on the stock price of JII70 indexed companies. The data used is secondary data in the form of JII70 indexed company financial statements in the 2018-2020 period. The method of determining the sample using purposive sampling. This research uses panel data regression analysis method. The results of this study show a significant effect of the DER and EPS variables on stock prices, while the CR, TATO and ROE variables do not significantly affect stock prices.

Keywords: *Share Price, JII70, Financial Ratio, Panel Data Regression, Sharia Shares*

INTRODUCTION

Background

One of the most popular stock exchange instruments among investors is stocks (Kompas.com 2021). Stock prices include essential stock components and must be reviewed by investors in making investments (Al Ajmi 2008). Information on changes in stock prices shows the size of the changes associated with the company's earnings and other financial information within the company (Almasarwah et al. 2020). Companies that have good performance tend to be appreciated better by investors and the company's stock price will increase (Spilioti 2015). An increase in the price of a stock, it can be assumed if the value of the company's profits also increases (Al Ajmi 2008).

The development of stock trading in Indonesia has increased relatively in the last 5 years. This is shown by the results of the stock trading recapitulation

Ahmad Fauzan and Rindang Matoati. Financial ratios and share price of JII70 indexed companies for the 2018-2020 period

conducted by the Financial Services Authority (OJK). The data recapitulation conducted by OJK is as shown in the following graph.

Figure 1 Recapitulation of stock trading value 2015-2020
Source: Financial Services Authority (2020)

Islam recommends investing as a beneficial *muamalah* activity, because wealth becomes more productive and useful. In addition, this is also an implementation of the application of Islamic economics. Investment will encourage the creation of positive conditions for business and employment, and avoid funds that only circulate among the rich (Surah Al-Hasyr 59:7). In addition, there are many direct recommendations from the Qur'an regarding investment such as those in Surah Yusuf 12:46-49 and Surah Al-Baqarah 2:261.

The *fatwa* of DSN 40/DSN-MUI/X/2003 contains an explanation of the Islamic capital market which is defined as activities related to the sale and purchase of securities between companies and investors and other parties related to securities trading. The difference between a sharia stock exchange and an ordinary stock exchange is that the securities traded and transactions carried out must comply with sharia principles referring to Islamic teachings and supervised by the DSN-MUI. The Islamic capital market experienced growth throughout 2015-2020. This development also includes the development of Islamic stock investment. During the 2015-2020 period, the number of sharia shares has increased every year. This is illustrated in the following graphic explanation.

Figure 2. Number of sharia shares for the 2015-2020 period

Source: Financial Services Authority (2020)

Ahmad Fauzan and Rindang Matoati. Financial ratios and share price of JII70 indexed companies for the 2018-2020 period

The development of the number of Islamic stock issuers is also a positive sentiment for investors to invest in Islamic stocks. This development of sharia shares reached up to 90.3% compared to 2011, and covered 63.6% of the total shares in the capital market (IDX 2020). Stock index is useful as a tool that makes it easier for investors. A stock index can be interpreted as a collection of statistics that represent the total price fluctuations of a collection of stocks that are grouped into certain classifications and analyzes and checked periodically (IDX 2020). IDX has various stock indexes with certain classifications that meet the needs and make it easier for investors.

IDX has created 3 sharia stock indexes. The stock indexes are the Jakarta Islamic Index (JII), the Indonesia Sharia Stock Index (ISSI), and the Jakarta Islamic Index 70 (JII70). What distinguishes them from one another is the number of issuers included in the list. The JII70 index is the latest stock index to be launched among the other two stock indices. The JII70 index was launched on 17 May 2018 and has several similarities with the JII index. The difference is in the number of listed issuers. The JII70 index offers more variety for investors with a larger number of issuers than the JII index. This also makes the total market capitalization of the IDX covered by the JII70 index larger than the JII index. The IDX market capitalization data is shown in the following table.

Table 1 Capitalization of the sharia stock market in the Indonesia Stock Exchange

Year	<i>Jakarta Islamic Index</i>	Indonesia Sharia Stock Index	<i>Jakarta Islamic Index 70</i>
2018	2.239.507,78	3.666.688,31	2.715.851,74
2019	2.318.565,69	3.744.816,32	2.800.001,49
2020	1.875.140,41	3.036.009,33	2.255.171,36

Source: Financial Services Authority (2020)

Investors consider that the company's financial statements are the most important source of information in their investment decisions (Al Ajmi 2008). Al Ajmi (2008) states that income statements and balance sheets are the two most important sources of information for investors. Almasarwah et al. (2020) explains that financial information is useful as a basis for economic decisions and has its own impact on the stock price of a company. Financial information from a company is also more considered than non-financial information (change of directors, changes in company SOPs etc.) for investors in Iran (Tooranloo et al. 2019). The company's financial performance that is acceptable based on its financial statements will increase the demand for company shares and increase its share price (Obeidat 2009).

The method used to study the state of the company financially is done by analyzing financial ratios. In general, financial ratios consist of four types, namely liquidity ratios, leverage ratios, activity ratios, and profitability ratios. Financial ratios are useful as an effective indicator and influence investors to determine their investment decisions (Tooranloo et al. 2019). The variables that function to see the company's financial capabilities are the liquidity ratio using the Current Ratio (CR), the leverage ratio using the Debt to Equity Ratio (DER), the activity ratio using the Total Assets Turnover (TATO) and the profitability ratio using the Return on Equity (ROE).) and Earnings per Share (EPS).

Formulation of the problem

1. How does the value of the Current Ratio (CR) affect stock prices in companies listed on the JII70 index?
2. How does the value of Debt to Equity Ratio (DER) affect stock prices in companies listed on the JII70 index?
3. How does the value of Total Assets Turnover (TATO) affect stock prices in companies listed on the JII70 index?
4. How is the effect of Return on Equity (ROE) on stock prices in companies listed on the JII70 index?
5. How does the value of Earning per Share (EPS) affect stock prices in companies listed on the JII70 index?
6. How does the value of Current Ratio (CR), Debt to Equity Ratio (DER), Total Assets Turnover (TATO), Return on Equity (ROE), and Earning per Share (EPS) affect stock prices in companies listed on the JII70 index ?

REVIEW OF LITERATURE

Financial Ratio

Financial ratios are comparisons of several financial accounts in financial statements with the aim of assessing the company's financial condition (Syafrida 2014). Najmudin (2011) states that financial ratios are an analytical technique that allows outsiders to assess the company's financial condition. The company's performance can be measured by comparing the company's financial ratios every year (Meilinda and Natalia 2017).

Current Ratio (CR)

Werner (2013) states that the liquidity ratio can be interpreted as the company's ability to pay off its short-term debt. Current Ratio (CR) is a ratio commonly used to measure the ability to pay off a company's short-term debt. Short-term debt is debt that the company must pay off in a year (Najmudin 2011). According to Syafrida (2014), CR is a measuring tool to assess the solvency ratio which is a comparison between current assets and current liabilities. Farah (2011) states that CR is a ratio that shows the ability to pay off short-term debts from creditors that can be repaid with current assets in the near future.

Debt to Equity Ratio (DER)

Debt to Equity Ratio (DER) is part of the assets that can be used as collateral for total debt (Najmudin 2011). According to Syafrida (2014), DER shows the share of total equity that can guarantee the payment of total debt. Companies with high levels of debt will also have high bankruptcy rates (Rita and Fredella 2017).

Total Assets Turnover (TATO)

The Total Assets Turnover (TATO) ratio is used to determine the effectiveness of the company in using assets to earn income/sales. Companies with low effective use of assets to generate high levels of sales show a good TATO ratio. TATO value shows the cycle of the use of assets owned by the company with the level of sales generated (Brigham and Houston 2001).

Ahmad Fauzan and Rindang Matoati. Financial ratios and share price of JII70 indexed companies for the 2018-2020 period

Return on Equity (ROE)

Return on Equity (ROE) describes the level of management effectiveness in managing the company's equity to generate profits. ROE also means the rate of return on investment for shareholders. This ratio measures the ratio between the amount of profit earned by the company and its equity. Investors will be increasingly attracted to company shares with high ROE values (Subarjo 2015).

Earning per Share (EPS)

The Earnings per Share (EPS) ratio shows the total net income earned on all common shares issued by the company (Harrison et al. 2013). The lower the value of the EPS ratio indicates the failure of management to fulfill the wishes of investors in achieving profits. The EPS value describes the rate of return or the return value of the shares invested by investors in the company.

Capital Market

The capital market is a market for various long-term financial instruments that can be traded in the form of debt, equity (shares), derivative instruments, and other instruments. The capital market functions as a facilitator between securities issuers and securities buyers as well as other related parties (Sri 2015). In its changes, the capital market is known as the stock exchange. Stock exchange according to Article 1 paragraph (4) of Law no. 8 of 1995 concerning the capital market is the organizer and provider of the system to bring together sellers and buyers of securities so that securities trading transactions occur between them. The Islamic capital market is a capital market that applies sharia principles in its transaction activities. The principle of sharia securities transactions is regulated by the DSN-MUI fatwa which emphasizes the application of sharia principles to securities and the transaction method.

Shares and shares prices

Shares are proof of ownership or ownership of a share of capital in a limited company. Profits obtained from shares are known as dividends. Dividends are distributed to investors based on the results of the GMS which will determine the amount of dividends distributed and retained earnings (Al Arif 2012). MUI explains that stock transactions are halal as long as the type of business and the way of stock transactions are in accordance with Islamic sharia principles at a fair share price. This fatwa implicitly emphasizes stock prices not only prices formed from supply and demand in the secondary market, but based on the underlying assets that the company actually owns (Sri 2015). Stock prices are formed because of the demand and supply of shares. The demand and supply of shares is formed due to many factors, both internal and external. Stock prices can be a measuring tool for determining the prospect of profits that investors will get (Siti 2018).

Sharia Shares

Shares come from the Arabic word sahm with the plural form 'ashum or suhman or suhmah which can be interpreted as part, portion, or share ownership. Conceptually, shares are securities as proof of equity participation in the company and therefore shareholders are entitled to a share of the results of the company's business. The concept of equity participation with the right to share the results of this business basically does not violate sharia principles. Sharia shares are types

of securities in the form of shares in accordance with sharia principles. The definition of shares in the context of sharia shares refers to the definition of shares in general which are regulated by law or other OJK regulations. The types of sharia shares that apply in Indonesia are:

- First, shares that are declared to meet the selection criteria for sharia shares based on OJK regulation Number 35/POJK.04/2017 concerning Criteria and Issuance of Sharia Securities Lists
- Second, shares created as sharia shares by issuers or sharia public companies based on OJK regulations Number 17/ POJK.04/2015.

Sharia Stock Index

The stock index is a statistical price fluctuation of a group of shares according to a certain classification and is evaluated periodically (IDX 2020). So far, the IDX has 37 stock indexes. IDX has 3 types of sharia stock indexes, namely the Indonesian Sharia Stock Index (ISSI), Jakarta Islamic Index (JII), and Jakarta Islamic Index 70 (JII70).

RESEARCH METHODOLOGY

Sampling Technique

The sampling technique used is included in the type of purposive sampling. The sample in this study were 38 companies included in the JII70 index. The criteria for selecting the sample are as follows:

- a. Companies included in the JII70 index during the 2018-2020 period.
- b. Financial data reports starting from 2018-2020 through the IDX website. The financial statements taken are the company's financial statements from the 1st quarter of 2018 to the 3rd quarter of 2020.
- c. The company has complete data and according to the needs of researchers.

Research Variable

Research variables are defined as things that are determined by researchers to be analyzed so that a result is obtained and conclusions are drawn from the existing information (Sugiyono 2016). This variable is classified into dependent variable and independent variable. The dependent variable is the stock price, hereinafter referred to as Y, while the independent variable is the Current Ratio (CR) which is referred to as X1, Debt to Equity Ratio (DER) as X2, Total Assets Turnover (TATO) as X3, Return On Equity (ROE) as X4, and Earnings per Share (EPS) as X5. The operational definition of variables is as follows:

1. Dependent Variable

The dependent variable in this study is the stock price. Stock prices are influenced by many factors, one of which is general economic conditions. There are 4 types of stock prices, namely the opening price, the highest price, the lowest price, and the closing price.

Ahmad Fauzan and Rindang Matoati. Financial ratios and share price of JII70 indexed companies for the 2018-2020 period

2. Independent Variable

The independent variable (X) used in this study is as follows:

a. Current Ratio (X_1)

Current Ratio is the level of ability to pay short-term obligations of the company. An increase in the CR ratio indicates an increase in the ability to pay current debt (Najmudin 2011).

b. Debt to Equity Ratio (X_2)

Debt to Equity Ratio (DER), namely the ratio of debt to capital owned by the company. Safe DER < 50%. The smaller DER value is a good sign for companies and investors.

c. Total Assets Turnover (X_3)

Total Assets Turnover (TATO) is useful as an indicator of the company's effectiveness in maximizing its assets to generate revenue/sales. The greater the value of the TATO, it will increase the profits obtained by the company.

d. Return on Equity (X_4)

Return on Equity (ROE) is used as a tool to describe the level of return received on each capital in the form of equity. The increase in ROE is good news for investors.

e. Earning per Share (X_5)

Earning per Share (EPS) is the return value of ordinary shares derived from the calculation of the company's net income with the number of ordinary shares issued. EPS is the main indicator for investors in valuing company shares. A high EPS value will be a positive indication for investors.

Data Processing and Analysis Method

Panel Data Regression Analysis

Panel data is a combination of time series data and cross section data (Gujarati 2004). Time series data is the data of an object/individual covering some specific time period. Cross data consists of several objects with several types of data from these objects in a certain time period. Panel data regression is a regression analysis with panel data as the object of analysis. The general model used as the panel data regression equation is as follows:

$$y_{it} = \alpha + x_{it}\beta + \varepsilon_{it}, \dots \dots \dots (1)$$

Remarks:

- i : index for individuals, $i = 1, 2, \dots, N$
- t : index for time, $t = 1, 2, \dots, T$
- α : constant component
- β : component of the explanatory variable with dimensions $K \times 1$, K is the number of explanatory variables
- y_{it} : response variable for individual i -th time t
- x_{it} : vector of explanatory variables with dimensions $1 \times K$
- ε_{it} : error component

Panel data regression has three types of calculation approaches, namely a combined model (Pooled OLS/Common Effect Model), a Fixed Effects Model and a Random Effects Model (Juanda and Junaidi 2012).

1. Common Effects Model /Pooled OLS

The combined model is the simplest model in panel data regression. This model is an Ordinary Least Square (OLS) type. The model of each individual unit has the same intercept and slope. This model combines panel data as a single observation with the OLS approach. The combined model equation is:

$$y_{it} = \alpha + \beta_j x_{itj} + \varepsilon_{it} \dots \dots \dots (2)$$

Remarks:

y_{it} : response variable for individual i-th time t
 x_{itj} : the i-th individual explanatory variable vector for the j-th and t-time variables
 α : constant component
 β_j : component of the explanatory variable with the jth dimension
 ε_{it} : error component

2. Fixed Effects Model

Fixed effects model is a model that considers the influence of individuals and time. The dummy variable technique is used to estimate the model by looking at the differences in intercepts that occur between individuals. The time effect or individual influence in the fixed effect model is called the one-way residual model, while the time influence and individual influence in the fixed influence model is called the two-way residual model. The formulas for the one-way residual model due to individual effects, the one-way residual model due to the influence of time, and the two-way residual model formula, respectively, are as follows:

$$y_{it} = \alpha + f_i + x_{it} \beta + \varepsilon_{it} \dots \dots \dots (3)$$

$$y_{it} = \alpha + \lambda_t + x_{it} \beta + \varepsilon_{it} \dots \dots \dots (4)$$

$$y_{it} = \alpha + f_i + \lambda_t + x_{it} \beta + \varepsilon_{it} \dots \dots \dots (5)$$

Remarks:

y_{it} : response variable for individual i-th time t
 α : constant component
 f_i : individual characteristics
 λ_t : time characteristics
 x_{it} : vector of explanatory variables with dimensions 1 x K
 β : coefficient of explanatory variable with dimension K x 1
 ε_{it} : error component

3. Random Effects Model

The random effect model is a model that incorporates the residual components of individual and time-specific effects into the error. This technique takes into account that errors may have correlations across time series and cross sections. The random effect model was estimated using the Generalized Least Square (GLS) method. The equation of this model is:

$$y_{it} = \alpha + \lambda_t + x'_{it} \beta + w_{it} \dots \dots \dots (6)$$

$$w_{it} = u_{it} + v_{it} + \varepsilon_{it} \dots \dots \dots (7)$$

Remarks:

$u_{it} \sim N(0, \delta u)^2$: individual error components (cross section)

$$\begin{aligned} v_{it} &\sim N(0, \delta v)^2 && : \text{time series error component (time series)} \\ \varepsilon_{it} &\sim N(0, \delta \varepsilon)^2 && : \text{component combination error} \end{aligned}$$

Panel Data Regression Model Selection Method

Widarjono (2016) explains that there are several methods in determining the right panel data regression model, namely by performing the F statistical test (Chow test) and Hausman test. Breusch and Pagan (1980) state that the Lagrange Multiplier test is useful for testing random effects on the residual baseline value of the common effects model. Based on these sources, three tests were obtained to determine the selection of the panel data regression model, namely:

1. F Statistic Test (Chow Test)

This test was conducted to select the method between the Common Effect Model and the Fixed Effects Model. The hypothesis of the F statistical test is:

H_0 : Common Effect Model

H_1 : Fixed Effects Model

If the p-value is greater than the alpha value, then H_0 is accepted. Conversely, if the p-value is smaller than the alpha value, then H_0 is rejected. The alpha value used is 5%.

2. Hausman Test

The Hausman test was used to compare the Fixed Effects Model with the Random Effects Model. The hypothesis of the Hausman test is:

H_0 : Random Effects Model

H_1 : Fixed Effects Model

If the p-value is smaller than the alpha value, then H_0 is rejected. On the other hand, if the p-value is greater than the alpha value, then H_0 is accepted. The amount of alpha value used is 5%.

3. Lagrange Multiplier Test

This test is useful for choosing between the Random Effects Model or the Common Effects Model. The hypothesis of the Lagrange Multiplier test is:

H_0 : Common Effect Model

H_1 : Random Effects Model

If the p-value is smaller than the alpha value, then H_0 is rejected. On the other hand, if the p-value is greater than the alpha value, then H_0 is accepted. The amount of alpha value used is 5%.

Classic Assumption Test

The classical assumption test is used to assess the presence of errors in the results of the regression analysis. Two classical assumption tests used in panel data regression analysis are multicollinearity test and heteroscedasticity test. Kuncoro (2003) explains that in the REM model (Random Effects Model) it is necessary to test the normality of the data. This is because the REM model is slightly different from the CEM (Common Effect Model) and FEM (Fixed Effects Model) models. Based on these two things, the tests performed on the panel data regression model are as follows:

1. Multicollinearity Test

Ghozali (2011) states that the multicollinearity test functions to see whether

there is a correlation between independent variables in the regression model. Widarjono (2016) stated that the multicollinearity test was carried out using the correlation matrix. If the correlation value between one variable and another is greater than 0.85, then there is a multicollinearity problem.

2. Heteroscedasticity Test

The heteroscedasticity test is useful as a tool for analyzing the variance of the variance of the residuals between observations in a regression model. The test that can be done to detect heteroscedasticity problems is the Glejser test. If the probability value in the Glejser test exceeds the alpha value, it can be said that there is no heteroscedasticity. The amount of alpha value used is 5%.

3. Normality Test

Normality test is useful to see the level of spread or distribution of the value of the dependent variable and the independent variable. Normality test is done by looking at the probability value of Jarque-Bera. If the Jarque-Bera probability value exceeds the alpha value, then the data is normally distributed. The alpha value used is 5%.

Hypothesis Test

1. Partial Test (t-test)

T statistical test was conducted to test the significance level of the relationship of the independent variable (X) individually to the dependent variable (Y). This test is done by comparing the values of t-count and t-table. Partial test criteria are:

H_0 accepted, if $t_{count} < t_{table}$ or probability value $t > 0,05$
 H_1 accepted, if $t_{count} > t_{table}$ or probability value $t < 0,05$

2. Simultaneous Test (Test – F)

The F test is used to assess the ability of the independent variables as a whole to explain the diversity of the dependent variable. This test is done by comparing the F-count value with the F-table. The F-test criteria are:

H_0 accepted, if $F_{count} < F_{table}$ or probability value $F > 0,05$
 H_1 accepted, if $F_{count} > F_{table}$ or probability value $F < 0,05$

Coefficient of Determination

The coefficient of determination serves to assess the magnitude of the influence of the independent variable on the dependent variable. The coefficient of determination is calculated by squaring the chi-square coefficient in the research regression model. The use of the coefficient of determination is written in percentage form with the formula:

$$D = R^2 \times 100\%$$

Figure 3 Coefficient of Determination Formula

Remarks:

D : Determination
R : Multiple correlation value
100% : Contribution percentage

RESULTS AND DISCUSSION

Panel Data Regression Analysis

Selection of the Best Model Approach

How to choose the best model is done through the Chow test and Hausman test. Chow test was conducted to select the best model between CEM and FEM. The results of the Chow test in the study are presented in the following table.

Table 2 Chow test results

Effects Test	Statistic	d.f.	Prob.
Cross-section F	22.110688	(37,337)	0.0000
Cross-section Chi-square	468.105028	37	0.0000

Source: Processed data (2021)

The results in Table 2 show the probability value of the Chow test conducted at $0.0000 < 0.05$, so that H_0 is rejected and H_1 is selected. This information indicates the FEM model to be used. After the Chow test, the Hausman test was conducted to assess the best model between REM and FEM. The results of Hausman test calculations are shown in Table 3 below:

Table 3 Hausman test result

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	43.492397	5	0.0000

Source: Processed data (2021)

The probability value of the Hausman test is $0.0000 < 0.05$, so H_0 is rejected. The results of the Hausman test indicate that the FEM model will be used. Because the probability value of the Chow test and Hausman test shows a value less than 0.05, the panel data regression model to be formulated is the FEM model.

Classical Assumption Test

Based on the model selection method that has been done, the model to be used is the FEM model. The classical assumption test performed on panel data regression with the FEM model is the multicollinearity test and the heteroscedasticity test. The data in this study contains a number of outliers so that it will cause a violation of the classical assumption test. Reed and Ye (2011) explain that in processing panel data containing a number of outliers, it is necessary to adjust the regression model. Adjustment of the regression model in this study using the FEM model with GLS calculations and the estimated coefficient of Cross Section Weight (PCSE). Adjustment of this model makes the regression model that is formed will be immune to the problem of heteroscedasticity so that in this study the test carried out was the

multicollinearity test.

Multicollinearity Test

Multicollinearity test was conducted to assess the linear relationship or high correlation between each independent variable. The data is said to have no multicollinearity if the value of the correlation coefficient matrix of each variable is less than 0.85. The results of the multicollinearity test in this study are shown in Table 4 below:

Table 4. Multicollinearity test results using correlation matrix

	CR	DER	TATO	ROE	EPS
CR	1.000000	-0.478373	-0.032662	-0.067014	-0.142906
DER	-0.478373	1.000000	-0.056221	-0.073098	-0.073817
TATO	-0.032662	-0.056221	1.000000	0.669075	0.335007
ROE	-0.067014	-0.073098	0.669075	1.000000	0.334192
EPS	-0.142906	-0.073817	0.335007	0.334192	1.000000

Source: Processed Data (2021)

The data in Table 4 shows that the value of each variable is less than 0.85. It was concluded that there was no multicollinearity in the research data.

Hypothesis Test

After selecting the model and testing the classical assumptions, the next step is to test the research hypothesis. Based on the model selection method that has been used, the model selection test concluded that the FEM model used in this study. The results of the calculation of the FEM model formed are:

Table. 5 FEM modeling results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	4485.805	177.9056	25.21453	0.0000
CR	-10.98801	18.16296	-0.604968	0.5456
DER	-264.7107	115.1778	-2.298279	0.0222
TATO	-123.4424	126.2620	-0.977669	0.3289
ROE	849.0464	658.2600	1.289834	0.1980
EPS	3.081091	0.641534	4.802695	0.0000

Source: Processed Data (2021)

The results of the FEM modeling that have been carried out will then be tested using the t statistical test (partial test) and the F statistical test (simultaneous test). These two tests are useful to see the effect of the independent variable partially and simultaneously on the dependent variable.

Review of the Results of Data Interpretation

The Review of the results of data interpretation in this study was carried out by analyzing the results found with the results in related previous researches.

Effect of Current Ratio on Stock Price

The value of the CR variable in the regression model that has been carried out has a regression coefficient of -10.98 with a probability value of 0.5456. This means that the CR value has no significant effect on stock prices. The results of this study are in accordance with research conducted by Rita et al. (2017) and Siti (2018) which state that the CR variable has no significant effect on stock prices.

Ahmad Fauzan and Rindang Matoati. Financial ratios and share price of JII70 indexed companies for the 2018-2020 period

This is because changes in the CR value of JII70 indexed companies tend to be stable over the last 3 years, which makes the CR value not significantly affect the company's stock price.

Effect of Debt to Equity Ratio on Stock Prices

The results of panel data regression on the FEM model that have been carried out show the value of the DER variable has a coefficient of -264.71 and a probability of 0.0222. Based on these results, it means that the DER value has a significant and negative effect on stock prices. A 1% decrease in DER value will affect the increase in stock prices by 264.71%. The results of this study are the same as those conducted by Diko et al. (2016) and Rheza et al. (2016) which states that the DER variable has a significant effect on stock prices. This is because the movement of the DER value is quite large during the 2018-2020 period, and there is a general increase in 2020.

Effect of the Total Assets Turnover on Stock Prices

The value of the TATO variable in the regression model that has been carried out has a regression coefficient of -123.44 and a probability of 0.3289. These results indicate that there is no significant effect of TATO on stock prices. The results of this study are different from the research conducted by Diko et al. (2016) and Rheza et al. (2016) which states that the value of TATO has a significant effect on stock prices. This is because the value of TATO has decreased, especially at the beginning of 2019 and 2020, but the decline has been relatively stable.

Effect of the Return on Equity on Stock Prices

Based on the results in the regression model that has been done, it can be seen that the ROE coefficient value is 849.04 and the probability value is 0.180. Interpretation of this information can be understood that the value of ROE has no significant effect on stock prices. The increase or decrease in the value of ROE will not affect the movement of stock prices. The results of this study have similarities with the research conducted by Rita et al. (2017) and Martina et al. (2018). This is due to changes in the ROE value which fluctuates but with a small nominal amount throughout 2018-2020. The ROE value of several companies in 2020 showed a negative value and changed very drastically compared to the previous year. Despite the drastic change,

Effect of the Earning per Share on Stock Prices

Based on the results of the regression model obtained, it is known that the EPS coefficient value is 3.08 and the probability value is 0.000. These results indicate that the EPS value has a significant effect on stock prices. The EPS coefficient is positive which indicates that the EPS value has a positive effect on stock prices. An increase in the value of EPS by 1% will increase the share price by 3.08%. An increase in the value of EPS will increase the stock price and vice versa. The results of this study are in accordance with research conducted by Rita et al. (2017) and Martina et al. (2018) which states that EPS has a positive and significant effect on stock prices. This influence was caused by significant fluctuations in the value of EPS that occurred throughout 2018-2020,

Effect of the CR, DER, TATO, ROE, and EPS on Stock Prices

The results of the regression model that have been carried out show that the F-statistical probability value in the regression model that has been carried out is 0.0000. The description of these results can be explained in the sense that the independent variables CR, DER, TATO, ROE, and EPS have a simultaneous and significant effect on the dependent variable of stock prices.

Table 6 Statistical information of FEM model

Weighted Statistics			
R-squared	0.950402	Mean dependent var	11297.78
Adjusted R-squared	0.944220	S.D. dependent var	8907.905
S.E. of regression	2544.332	Sum squared resid	2.18E+09
F-statistic	153.7520	Durbin-Watson stat	1.109781
Prob(F-statistic)	0.000000		

Source: Processed data (2021)

Coefficient of Determination

Based on the data in Table 6, it can be seen that the adjusted R-Squared value is 0.94. The percentage value of the coefficient of determination is $0.94 \times 100\% = 94\%$. These results indicate that the dependent variable of stock prices can be explained as much as 94% by the independent variables CR, DER, TATO, ROE, and EPS. Other independent variables outside of this study are able to explain the dependent variable of stock prices of 6%.

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

Based on the formulation of the problem and the results of the discussion, several conclusions were obtained, namely:

1. The coefficient and probability values for CR are -10.98 and 0.5456, respectively. These results indicate that CR has no significant effect on the stock price of JII70 indexed companies.
2. The coefficient and probability values of DER are -264.71 and 0.0222, respectively. These results indicate that DER has a significant effect on the stock price of JII70 indexed companies.
3. The coefficient and probability values of TATO are -123.44 and 0.3289, respectively. This information may mean that TATO does not significantly affect the stock price of JII70 indexed companies.
4. The coefficient and probability values of ROE are 849.04 and 0.1980, respectively. This data shows that ROE has no significant effect on the stock price of JII70 indexed companies.
5. The coefficient and probability values of EPS are 3.08 and 0.0000, respectively. This value means that EPS has a positive and significant effect on the stock price of JII70 indexed companies.
6. The probability value of the F-statistic is 0.0000. The interpretation of this value is that the variables CR, DER, TATO, ROE and EPS have a simultaneous and significant effect on the stock price of JII70 indexed companies.

Ahmad Fauzan and Rindang Matoati. Financial ratios and share price of JII70 indexed companies for the 2018-2020 period

Recommendations

Suggestions in research based on the results obtained are:

1. For companies to improve their financial performance by taking advantage of the improving stock market in an effort to seek venture capital from investors. In addition, companies must also be aware of the high value of DER and consider selling assets that are no longer productive for the company, as an effort to increase company profits.
2. Investors can see all elements of financial ratios in the form of DER and EPS variables as a reference before they make stock investment decisions.
3. For further researchers, they can consider increasing the number of objects and the time span of the study, so that different levels of influence are found between independent variables on stock prices.

REFERENCES

- Al Ajmi J. (2008). Investors' use of Corporate Reports in Bahrain. *Managerial Auditing Journal*, 24(3), 266-289.
<https://doi.org/10.1108/02686900910941140>
- Almasarwah A, Almaharmeh M, Al Omush AM, Sarea A. (2020). Profit Warning and its Association with Stock Price Informativeness: Experimental Analysis. *Journal of Investment Compliance*, 21(4), 209-230.
<https://doi.org/10.1108/JOIC-10-2020-0032>
- Al – Qur'an Perkata, Transliterasi, Terjemah Perkata, Terjemah Kemenag & Tajwid Warna. (2013). Sahabat.
- Amsi M. (2020). *Berkah dengan Investasi Syariah: Saham Syariah Kelas Pemula*. Elex Media Komputindo.
- Arif M, Nur RA. (2012). *Lembaga Keuangan Syariah*. Pustaka Setia.
- Azhari DF, Rahayu SM, Zahroh ZA. (2016). Pengaruh ROE, DER, TATO, dan PER Terhadap Harga Saham Perusahaan Properti dan Real Estate Yang Go Public Di Bursa Efek Indonesia. *Jurnal Administrasi Bisnis*, 32(2), 1-5.
- Bursa Efek Indonesia. (2018). *Laporan Keuangan dan Tahunan*.
<https://www.idx.co.id/perusahaan-tercatat/laporan-keuangan-dan-tahunan/>
- Bursa Efek Indonesia. (2018). *Ringkasan Saham*. <https://www.idx.co.id/data-pasar/ringkasan-perdagangan/ringkasan-saham/>
- Bursa Efek Indonesia. (2018). *Indeks Saham*. <https://www.idx.co.id/data-pasar/data-saham/indeks-saham/>
- Bursa Efek Indonesia. (2018). *Ringkasan Indeks*. <https://www.idx.co.id/data-pasar/ringkasan-perdagangan/ringkasan-indeks/>
- Bursa Efek Indonesia. (2018). *Indeks*. <https://www.idx.co.id/produk/indeks/>

- Bursa Efek Indonesia. (2018). *Fact Sheet Indeks*. <https://www.idx.co.id/data-pasar/laporan-statistik/fact-sheet-indeks/>
- Bursa Efek Indonesia. (2018). *IDX Syariah*. <https://www.idx.co.id/idx-syariah/>
- Bursa Efek Indonesia. (2018). *Indeks Saham Syariah*. <https://www.idx.co.id/idx-syariah/indeks-saham-syariah/>
- Bursa Efek Indonesia. (2018). *Fatwa & Regulasi*. <https://www.idx.co.id/idx-syariah/fatwa-regulasi/>
- Breusch TS, Pagan AR. (1980). The Lagrange Multiplier test and Its Application to Model Specification in Econometrics. *Review of Economic Studies*. 47(1): 239-253.
- Brigham EF, Houston JF. (2001). *Manajemen Keuangan*. Erlangga.
- Ghozali I. (2011). *Aplikasi Analisis Multivariate dengan Program SPSS*. Badan Penerbit Universitas Diponegoro.
- Gujarati, DN. (2004). *Basic Econometrics Fourth Edition*. The McGraw-Hill Companies.
- Hani S. (2014). *Teknik Analisa Laporan Keuangan*. In Media.
- Juanda B, Junaidi. (2012). *Ekonometrika Deret Waktu*. IPB Press
- Juliandi, Azuar, Irfan. (2013). *Metodologi Observasi Kuantitatif untuk Ilmu-ilmu Bisnis*. Citapustaka Media Perintis.
- Kuncoro M. (2003). *Metode Riset untuk Bisnis dan Ekonomi*. Erlangga.
- Margaretha F. (2011). *Manajemen Keuangan Untuk Manajer Non Keuangan*. Erlangga.
- Murhadi, Werner R. (2013). *Kajian Laporan Keuangan Proyeksi dan Valuasi Saham*. Salemba Empat.
- Najmudin. (2011). *Manajemen Keuangan dan Aktualisasi Syar'iyah Modern*. Andi.
- Nugraha RD, Sudaryanto B. (2016). Kajian Pengaruh DPR, DER, ROE, dan TATO Terhadap Harga Saham (Studi Kasus pada Perusahaan Industri Dasar dan Kimia yang Terdaftar di BEI Periode 2010-2014). *Journal Of Management*, 4(5), 1-12.
- Nur'aidawati S. (2018). Pengaruh CR, TATO, DER dan ROA terhadap harga saham dan dampaknya pada nilai perusahaan. *Jurnal Sekuritas (Saham, Ekonomi, Keuangan Dan Investasi)*, 3(1), 70-83.
- Obeidat MI. (2009). The Internal Financial Determinants of Common Stock Market Price: Evidence from Abu Dhabi Securities Market. *Journal of Economic & Administrative Sciences*, 25(1), 21-46.

Ahmad Fauzan and Rindang Matoati. Financial ratios and share price of JII70 indexed companies for the 2018-2020 period

- Otoritas Jasa Keuangan. (2016). *Saham Syariah*.
<https://www.ojk.go.id/id/kanal/syariah/data-dan-statistik/saham-syariah/Default.aspx>
- Otoritas Jasa Keuangan. (2016). *Statistik Pasar Modal Indonesia*.
<https://www.ojk.go.id/id/kanal/pasar-modal/data-dan-statistik/statistik-pasar-modal/Default.aspx>
- Reed WR, Ye H. (2011). Which Panel Data Estimator should I Use ?. *Applied Economics*, 43(8), 985-1000.
- Rusti'ani ME, Wiyani NT. (2017). Rasio Keuangan Sebagai Indikator Untuk Mengukur Kinerja Keuangan Perusahaan Semen. *Jurnal Akuntansi*, 2(17), 125-138.
- Safitri K. (2021). 6 Jenis Investasi yang Populer di Indonesia, dari Deposito hingga Saham. <https://money.kompas.com/read/2021/03/17/102908626/6-jenis-investasi-yang-populer-di-indonesia-dari-deposito-hingga-saham?page=all>
- Spilioti SN. (2015). Does the Sentiment of Investors Explain Differences between Predicted and Realized Stock Prices ?. *Studies in Economics and Finance*, 33(3), 403-416. <https://doi.org/10.1108/SEF-11-2014-0218>
- Subarjo. (2015). Pengaruh *Return On Asset (ROA)*, *Current Ratio (CR)*, *Net Profit Margin (NPM)* Dan Inflasi Terhadap Harga Saham (Studi Kasus PT Kalbe Farma Tbk Periode Tahun 2001-2014). *Jurnal Maksipreneur*, 2(4), 50-66.
- Sugiyono. (2016). *Metode Observasi Kuantitatif, Kualitatif, dan R&D*. Alfabeta.
- Tooranloo HS, Azizi P, Sayyahpoor A. (2019). Analyzing Causal Relationships of Effective Factor on the Decision Making of Individual Investors to Purchase Shares. *International Journal of Ethics and Systems*, 36(1), 12-41. <https://doi.org/10.1108/IJOES-03-2019-0053>
- Utami MR, Darmawan A. (2018). Pengaruh DER, ROA, ROE, EPS dan MVA Terhadap Harga Saham Pada Indeks Saham Syariah Indonesia. *Journal Of Applied Managerial Accounting*, 2(2), 206-218.
- Wasilah SN. (2015). *Akuntansi Syariah di Indonesia*. Salemba Empat.
- Widarjono A. (2016). *Analisis Penerapan Multivariat: Dengan Program SPSS, AMOS dan Smart PLS*. UPP STIM YKPM.
- Widayanti R, Colline F. (2017). Pengaruh Rasio Keuangan Terhadap Harga Saham Perusahaan LQ 45 Periode 2011-2015. *Jurnal Bina Ekonomi*, 21(1), 35-49.

This page intentionally be emptied