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The Effect Of Return On Equity To Stock Prices At Pt. Unilever Indonesia

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Abstract: This research aims to determine the effect of Return On Equity on Stock Prices at PT. Unilever Indonesia. The method used is explanatory research. The analysis technique uses statistical analysis with regression testing, correlation, determination and hypothesis testing. The results of this research the variable Return on Equity obtained an average value of 99.611%. The variable price of shares obtained an average value of 18,365%. Return on equity has a positive and significant effect on stock prices with the regression equation Y = -22.568 + 0.411X, and a correlation coefficient value of 0.892 or has a very strong level of relationship with a determination value of 79.6%. Hypothesis testing obtained a significance of 0.000 <0.05.

Keywords: Return On Equity, Stock Price.

INTRODUCTION

1. Background

The Indonesian Stock Exchange or the capital market serves to connect investors, companies and government institutions through trading in long-term financial instruments, and one of the instruments traded is stocks. The development of the capital market in Indonesia has encouraged companies to sell their shares to the public (go public) so that more companies are listed on the Indonesian stock exchange. Every year publicly listed companies listed on the Indonesian stock exchange are obliged to submit their financial reports, because financial statement information is an important element for investors and business people for analysis and decision making purposes.

Before an investor will invest in the capital market, there is the most important activity that needs to be carried out, namely careful assessment of traded securities. There is a belief that the information received by investors is correct information, the trading system on the stock exchange is reliable, and no other party manipulates the information and trading. In terms of analyzing a company, investors can use financial reports to assess the condition of the company.

One of the tools for selecting and analyzing stocks that investors will buy can use financial ratio analysis. Financial ratio analysis is based on historical finance with the aim of providing an indication of future financial performance and predicting business continuity.

Analysis of financial statements is needed by analysts and investors in order to make investment policies. One of the analytical tools needed is fundamental analysis, which tries to estimate the future stock price by estimating the value of the fundamental factors that affect stock prices in the future. In fundamental analysis, one of the stock valuations is carried out using the Price Earning Ratio (PER) approach, which is the ratio between the stock market price and earnings per share. Each share price movement will result in a change in PER. And in this study the financial ratio analysis used is PER (Price Earning Ratio), this analysis compares the current stock market price with earnings per share. PER (Price Earning Ratio) is the financial ratio most widely used by investors to determine whether stock investment is profitable or not, because PER (Price Earning Ratio) is a tool to measure company performance and can affect the increase or decrease in the company's stock market price. Investors are interested in PER (Price Earning Ratio), which is high because it will provide an advantage over the increase in stock market prices and reflect the company's good performance.

There are many factors that influence the Price to Earning Ratio, one of which is the profitability ratio, which in this study is measured as Return On Equity (ROE). Return On Equity (ROE) is a ratio that shows how much the company's ability to generate net income for return on equity to shareholders. Another factor, namely Capital Structure, is a description of the form of the company's financial proportion, namely between the capital owned which comes from long-term debt and the capital itself which is the source of a company's financing (Fahmi, 2014).

Research capital structure using the Debt Equity Ratio (DER). Debt Equity Ratio (DER) to measure the company's ability to meet its obligations to pay its debts with its own capital guarantee. The trade-off theory predicts a positive relationship between capital structure and firm value with the assumption that tax benefits are still greater than the costs of financial pressure and agency costs. The trade-off theory also predicts a positive relationship between capital structure and the level of profitability or financial performance of the company. Analysis in financial statements is a process that is thoughtful in helping to evaluate the company's current and past financial position and results of operations with the aim of predicting changes in performance conditions in the future. Investors can observe financial performance by evaluating and projecting share prices. If the profits are good for the company, then the company's value will be even better. All companies in Indonesia experience a lot of fluctuating company value in all sectors. No exception in the galvalum sub-sector.

Based on the background description above, the authors are interested in the authors of the research with the following title: "The effect of Return on Equity to Stock Prices at PT. Unilever Indonesia "

2. Formulation of The Problem

a. How to Return On Equity at PT. Unilever Indonesia?.

b. How the share price at PT. Unilever Indonesia?.

c. Is there any influence between Return On Equity on Stock Prices at PT. Unilever Indonesia?.

3. Research Purposes
   a. To find out the conditions of Return On Equity at PT. Unilever Indonesia.
   b. To find out the condition of the Share Price at PT. Unilever Indonesia.
   c. To determine the effect of Return On Equity on Stock Prices at PT. Unilever Indonesia.

METHODS

1. Population

   The population in this research the financial statements of PT. Unilever Indonesia for 10 years.

2. Sample

   The sampling technique in this research is saturated sample, where all members of the population are sampled. Thus the sample in this study the financial statements of PT. Unilever Indonesia for 10 years.

3. Types of Research

   The type of research used is associative, where the aim is to find out how to find the relationship between the independent variable and the dependent variable.

4. Data Analysis Method

   In analyzing the data used validity test, reliability test, simple linear regression analysis, correlation coefficient, coefficient of determination and hypothesis testing.

RESULT AND DISCUSSION

1. Descriptive Analysis

   In this analysis, it is used to determine the highest minimum and maximum score, the ratting score and the standard deviation of each variable. The results are as follows:

Table 1. Descriptive Statistics Result

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Return on Equity (X1)	10	72.69	125.80	99.6110	23.42775
Stock Prices (Y)	10	6.60	37.00	18.3650	10.79112
Valid N (listwise)	10				

Return on Equity obtained a minimum value of 72.69 and a maximum value of 125.80 with an average of 99.611 with a standard deviation of 23.427.

The share price obtained a minimum value of 6.60 and a maximum value of 37.00 with an average of 18.365 with a standard deviation of 10.791.

2. Verification Analysis.

   This analysis aims to determine the effect of the independent variable on the dependent variable. The analysis results are as follows:

   a. Simple Linear Regression Analysis

This regression test is intended to determine changes in the dependent variable if the independent variable changes. The analysis results are as follows:

Table 2. Simple Linear Regression Result

Coefficients[a]

Model	Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1 (Constant)	-22.568	7.509		-3.005	.017
Return on Equity (X)	.411	.074	.892	5.585	.001

Based on the test results in the table above, the regression equation Y = -22.568 + 0.411X is obtained. From this equation it is explained as follows:

(1) A constant of -22.568 means that if there is no Return on Equity, then there is a share price value of -22.568 points.

(2) The Return On Equity regression coefficient is 0.411, this number is positive, meaning that every time there is an increase in Return On Equity of 0.411 points, the Stock Price will also increase by 0.411 points.

b. Correlation Coefficient Analysis

Correlation coefficient analysis is intended to determine the level of strength of the relationship between the independent variable and the dependent variable either partially or simultaneously. The analysis results are as follows:

Table 3. Correlation Coefficient Analysis Result of Return on Equity to Stock Prices.

Correlations[b]

		Return On Equity (X1)	*Harga Saham* (Y)
Return On Equity (X1)	Pearson Correlation	1	.892**
	Sig. (2-tailed)		.001
Harga Saham (Y)	Pearson Correlation	.892**	1
	Sig. (2-tailed)	.001	

Based on the results obtained a correlation value of 0.892, which means that Return on Equity has a very strong relationship with Stock Prices.

c. Coefficient of Determination Analysis

The analysis of the coefficient of determination is intended to determine the percentage of influence of the independent variable on the dependent variable. The analysis results are as follows:

Table 4. Coefficient of Determination Result of Return on Equity to Stock Prices

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.892[a]	.796	.770	5.17100

Based on the analysis results, the determination value is 0.796 which means that Return on Equity has an influence contribution of 79.6% to the Stock Price.

d. Hypothesis Testing

Hypothesis testing with the t test is used to determine which hypothesis is accepted.

Hypothesis formulation: There is a significant influence between Return on Equity to Stock Prices.

Table 5. Hypothesis Testing Result of Return On Equity to Stock Prices

Coefficients[a]

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	-22.568	7.509		-3.005	.017
	Return on Equity (X)	.411	.074	.892	5.585	.001

Based on the hypothesis test results in the table above, the value of t count> t table or (5,585> 2,306) is obtained, thus the hypothesis that there is a significant effect between Return on Equity to Stock Prices is accepted.

DISCUSSION OF RESEARCH RESULTS

1. Condition of Respondents' Answers Variable of Return on Equity

   Based on empirical data and data analysis, the variable Return on Equity obtained an average value per year of 99.611%.

2. Condition of Respondents' Answers Variable of Stock Price

   Based on empirical data and data analysis, the stock price variable obtained an average value per year of 18.365%.

3. The Effect of Return on Equity to Stock Prices

   Return on Equity has a significant effect on stock prices with the regression equation Y = -22.568 + 0.411X, the correlation value is 0.892 or has a very strong relationship with an influence contribution of 79.6%. Hypothesis testing obtained t value> t table or (5,585> 2,306). Thus, the hypothesis proposed that there is a significant effect between Return On Equity and Share Price is accepted.

CONCLUSIONS

1. Conclusions

   a. The variable Return On Equity obtained a ratting score of 99.611 in the scale range from 3.40 to 4.19 with good or agree criteria.

   b. The variable of stock prices obtained a ratting score of 18,365 in the scale range from 3.40 to 4.19 with good or agree criteria.

   c. Return on Equity has a significant effect on stock prices with the regression equation Y = -22.568 + 0.411X, the correlation value is 0.892 or strong and the influence contribution is 79.6% while the remaining 57.9% is influenced by other factors. Hypothesis test obtained t value> t table or (5,585> 2,306).

2. Suggestions

a. For the company to increase trust in shareholders, the company is able to show the company's performance must be able to show good company performance and provide sufficient information to investors about the company's development. The company should increase the Return On Equity so that the shares of the company can be a priority for investors in buying their shares so that the company's stock price can increase

b. For other researchers who want to do research on similar themes in the future, researchers should increase the number of research samples or increase the period of observation so that the actual situation can be seen and illustrated regarding the effect of Return On Equity on Stock Prices, and can add other variables that have not been studied.

c. For investors, when investing in stocks, they should analyze the expected financial ratios by looking at other variables. Then in predicting stock prices, investors should also pay attention to other factors, for example news and rumors.

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