

The Influence of Profitability and Leverage on Stock Prices (Case Study of Coal Sub-Sektor Companies on the IDX Period 2019-2021)

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ABSTRACT

This study aims to determine the effect of profitability and leverage on share prices of coal sub-sektor companies on the IDX for the 2019-2021 period. The financial ratios studied are Profitability (ROA) and Leverage (DER). The population in this research are coal sub-sektor companies on the IDX for the 2019-2021 period. The sample consisted of 23 companies that published complete financial reports for 3 years (2019-2021) using the purposive sampling method, namely a sample selection technique using certain criteria that the researcher had determined for the object under study. Data collection was carried out using documentation methods and accessing the web and related sites. Data analysis was carried out using multiple linear regression analysis. The research results show that the profitability variable has a partially significant effect on stock prices. Meanwhile, the Leverage variable does not have a partially significant effect on stock prices. Simultaneously, it was found that share prices and leverage jointly influence share prices with R^2 0,354 (35,4%).

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1. INTRODUCTION

Assessing share prices is very important and fundamental for investors before investing because shares are one type of investment that is promising for investors. Share prices are largely determined by the supply and demand for the shares themselves. Shares are in the form of a piece of paper which states that the owner of the paper is the owner of the company that issued the securities.

Profitability is one of the factors that influences share prices, according to (Rosen et al., 2015) profitability is a ratio to assess a company's ability to make a profit. Company profitability is one of the basic conditions for assessing conditions a company, for this reason an analytical tool is needed to be able to assess it. The analytical tool in question is financial ratios. In measuring profitability, this financial ratio used is the profitability ratio.

Leverage is one of the factors that influences share prices, according to (Alawiyah et al., 2021). Leverage is the level of a company's ability to fulfill all financial obligations consisting of short-term debt and long-term debt. The Leverage Ratio measures the level of solvency of a company. This ratio shows the company's ability to fulfill all its financial obligations if the company is liquidated at that time. Thus leverage or solvency means the ability of a company to pay all its debts, both long term and short term. The leverage ratio used in this research is DER (Debt to Equity Ratio). This ratio describes the comparison of debt and equity in company funding and shows the ability of the company's own capital to fulfill all its obligations.

2. RESEARCH METHOD

Based on the problem formulation put forward, the type of research that the author uses is quantitative research. Quantitative research is research that obtains data in the form of figures obtained in the audited financial reports of mining companies on the coal sub-sector stock exchange for the period 2019, 2020 and 2021 obtained from the Indonesian stock exchange.

In this research the author used secondary data, because the data was obtained directly by looking at the annual reports of coal sub-sector companies listed on the Indonesian Stock Exchange (BEI) in 2019-2021.

3. RESULTS AND DISCUSSIONS

The Effect of Profitability on Stock Prices

Based on the testing, the results obtained show that profitability has an effect on share prices in coal sub-sector companies listed on the IDX for the 2019-2021 period. Thus the hypothesis (H1) in this study is accepted, meaning that profitability assessment has a contribution in influencing share prices. This is proven by the results of the analysis in table 4.7 which can be seen from the results of t count $5.062 > t$ table 1.678 significance $0.000 < \alpha$ 0.05 . This means that the profitability variable influences share prices.

The results of this research are in line with research conducted by previous researchers (Seflidiana & Nurhayati, 2023). The results of the hypothesis test show that profitability has a significant positive effect on share prices. This means that if profitability increases, the share price will increase and if profitability decreases, the share price will also decrease. This is different from the results of research conducted by, (Welan et al., 2019), where the results of hypothesis testing show that the profitability variable in manufacturing companies listed on the Indonesian stock exchange has no effect and is not significant on share prices.

The Effect of Leverage on Stock Prices

Based on the tests, the results showed that leverage had no effect on share prices in coal subsector companies listed on the IDX for the 2019-2021 period. Thus, the second hypothesis (H2) in this study is rejected, meaning that leverage has no influence on stock prices. It can be seen from the calculated t value is $1.759 > t$ table 1.678 and the significant value is $0.085 > \alpha$ 0.05 . This means that the leverage variable has no effect on share prices.

The results of this research are in line with research conducted by, (Welan et al., 2019) where leverage has no effect on stock prices. This is in contrast to research conducted, (Seflidiana & Nurhayati, 2023), the results of hypothesis testing show that there is an influence between Leverage on Stock Prices.

DER has a positive effect on share prices because companies that have a high level of debt ratio are usually companies that are growing. These companies will usually be aggressive in seeking funding.

The Influence of Profitability and Leverage on Stock Prices

Based on the testing, the results obtained show that profitability and leverage have a simultaneous effect on share prices in coal subsector companies listed on the IDX for the 2019-2021 period. Thus the third hypothesis (H3) in this study is accepted. It can be seen from the significance value of $0.000 < 0.05$ and Fcount $12.850 > F$ table 3.200 So H3 is accepted. This means that simultaneously there is a significant influence between the independent variable and the dependent variable.

The results of this research are in line with research conducted by, (Welan et al., 2019) the results of hypothesis testing show that the profitability (ROA) and Leverage (DER) variables together/simultaneously have a significant effect on the Stock Price variable. And from the results of the Determination Test that the author carried out in the summary model, it can be proven that the value obtained for R2 is 0.354 or around 35.4% of the share price variable can be explained by profitability and leverage while the remaining 64.6% is influenced or explained by other variables not examined. / discussed in this research.

4. CONCLUSION

This research was conducted with the aim of obtaining empirical evidence regarding the influence of profitability and leverage on stock prices. This research used 69 samples of financial reports from coal subsector companies listed on the IDX for the 2019-2021 period. Based on the results of the tests that have been carried out and the companies described in the previous chapter, the following conclusions are obtained:

a. The Effect of Profitability on Stock Prices

The test results show that profitability (X1) has an effect on share prices (Y) so that the first hypothesis (H1) which states that the alleged profitability has a significant and positive effect on share prices in coal subsector companies listed on the IDX for the 2019-2021 period is accepted. This can be proven from the results of $t_{count} 5.062 > 1.678$ t_{table} significance $0.000 < 0.05$. This shows that individually profitability (X1) has an effect on share prices (Y).

b. The Effect of Leverage on Stock Prices

The test results show that Leverage (X2) has no effect on Share Prices (Y) so that the second hypothesis (H2) which states that Leverage has a significant and positive effect on share prices in Coal subsector companies listed on the IDX for the 2019-2021 period is rejected. This can be seen from the t_{count} value of $0.1759 < 1.678$ and significance of $0.085 > 0.05$ from the significance level of 0.05. This shows that individually Leverage (X2) has no effect on Share Price (Y).

c. The Influence of Profitability and Leverage on Stock Prices

The test results show that Profitability (X1) and Leverage (X2) have an effect on Share Prices (Y) so that the third hypothesis (H3) which states the alleged significant and positive effect simultaneously between Profitability (X1) and Leverage (X2) on Share Prices of subsector companies Coal listed on the IDX for the 2019-2021 period is accepted. This is proven by the significance value of $0.000 > 0.05$ and $f_{count} 12,850 > f_{table} 3,200$. This means that simultaneously there is a significant influence between the independent variable and the dependent variable.

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