

Effect of Profitability on Stock Prices of Transportation Companies in Indonesia

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The purpose of this study is to study and analyze the effect of Return On Asset and Return On Equity on stock prices, both simultaneously and simultaneously to Transportation Companies Listed on the Indonesia Stock Exchange for the period 2013-2017. The approach used in this study is an associative approach. The population in this study were all Transportation Companies Listed on the Indonesia Stock Exchange while samples that met the criteria for sampling were conducted for five years and as many as seven Transportation Companies Listed on the Indonesia Stock Exchange. Data collection techniques in this study used documentation techniques. The data analysis technique in this study used the Classical Assumption Test, Multiple Regression, Hypothesis Test (t Test and F Test), and the Determination Coefficient. Processing data in this study using SPSS version 24.00 software. The results of this study prove that partially and simultaneously there are positive and significant effects of Return On Assets and Return On Equity on the stock prices of Transportation Companies listed on the Indonesia Stock Exchange.

Keywords: Stock Price, Return On Assets, Return On Equity

1. BACKGROUND

Companies are expected to continue to grow. While the development requires capital. Capital itself is one of the important aspects in the company both in business accounting and development. Therefore many companies choose the capital market. According to Fahmi (2016, p. 242) states that the capital market is a place where various parties, especially companies sell stocks (shares) and bonds (bonds) with the purpose of sales will be used as additional funds or to strengthen capital companies.

One indication of optimal capital market operations is the availability of information, both financial information and non-financial information. This information is useful for investors as a basis for evaluating the company. Therefore the role of capital markets is becoming increasingly important. According to Darmadji and Fakhruddin (2012, p. 2) states that the capital market has two functions, namely: economic functions and financial functions.

From capital market activities, stock prices are a very important factor and must be considered by investors in investment because stock prices show the performance of the issuer, the development of stock prices related to the performance of the issuer. If the publisher has a better improvement, the profits that can be generated from the increased business will increase. In such conditions, the share price tends to rise. The stock price also shows the value of the company. According to Brigham and Houston (2010, p. 11) "Stock prices are the value of shares expected by shareholders." Every company that issues shares must pay attention to its stock price. Prices that are too low mean the company is not good. However, if the stock price is too high, it reduces the ability of investors to buy, making stock prices difficult to buy again. The average stock price in a transportation company listed on the Indonesia Stock Exchange is 447 (www.idx.co.id).

There are many things that can increase stock prices, both from internal companies and external companies. The company's internal environment is the company's financial performance related to the profitability of the company. Whereas the external environment of the company is interest rates, exchange rates and exchange rates. Profitability has an

important meaning for the company because it is one of the bases to assess the condition of a company. According to Fahmi (2016, p. 80) Profitability is obtained to "measure management support obtained with sales and investment".

2. METHOD OF RESEARCH

This research was conducted at a Transportation company which was published on the Indonesia Stock Exchange in the period 2013-2017. Research population from 35 companies. The sampling method uses a purposive sampling method, which is a sampling technique with certain considerations to get a sample of specified criteria, so that a total of 7 transportation companies are listed on the Indonesia Stock Exchange which took samples in this study. Types of data are quantitative data and secondary data, namely the financial statements of transportation companies listed on the Indonesia Stock Exchange. This study uses multiple linear regression methods.

3. DATA ANALYSIS AND DISCUSSION

3.1 Normality Test

The classic assumption test in this research used the normality test can be seen in the table below :

**Table 1. Normality Test
One-Sample Kolmogorov-Smirnov Test**

		Unstandardized Residual
N		35
Normal Parameters ^{a,b}	Mean	,0000000
	Std. Deviation	,87042582
	Most Extreme Differences	
	Absolute	,138
	Positive	,138
	Negative	-,082
Test Statistic		,138
Asymp. Sig. (2-tailed)		,091 ^c

a. Test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

Source: Data Processing Results

From the table above the value of each variable that has met the predetermined standard can be seen in the Asymp line. Sig. (2-tailed) from the row the value of Asymp. Sig. (2-tailed) of 0.091. This shows the variables are normally distributed.

3.2 Multiple Regression Linear

**Table 2. Multiple Regression Linear
Coefficients^a**

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	5,232	,183		28,519	,000
ROA	7,894	1,481	,682	5,331	,000
ROE	,360	,423	,109	2,904	,044

a. Dependent Variable: Harga Saham

Source: Data Processing Results

From the data above, the regression equations that can be loaded are:
 $Y = 5,232 + 7,894X_1 + 0,360X_2$

The regression equation above can be explained as follows:

1. The value of 5.232 indicates that the value if the value of the independent variable is considered constant, then the stock price that occurs is equal to 5.232.
2. The value of 7,894 with the direction of a positive relationship indicates that the return on assets value increases by 1%, then it will be followed by an increase in the share price of 7,894.
3. The value of 0.360 with the direction of a positive relationship indicates that the value of return on equity has increased by 1%, it will be followed by an increase in the stock price of 0.360.

3.3 Hypothesis testing

Partial Test

1. Based on the results of the partial test, the return on assets is $5.331 > 2.034$ and the significant value is $0.000 < 0.05$. This shows that there is a significant influence between the return of assets and stock prices.
2. Based on the partial test, the return on equity value is $2.904 > 2.034$ and the significant value is $0.044 < 0.05$. This shows that there is a significant influence between return on equity and stock prices.

Simultaneous Test

Table 3. Simultaneous Test ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	23,375	2	11,687	14,519	,000 ^b
	Residual	25,760	32	,805		
	Total	49,135	34			

a. Dependent Variable: Harga Saham

b. Predictors: (Constant), ROE, ROA

Source: Data Processing Results

From the table above, it can be seen that the value of Fcount is $14,519 >$ from F table of 3,29 and significant value of $0,000 < 0,05$, it can be concluded that return on assets and return on equity jointly influence stock prices.

3.4 Coefficient of Determination

Table 4. Coefficient of Determination

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,690 ^a	,476	,443	,89721

a. Predictors: (Constant), ROE, ROA

b. Dependent Variable: Harga Saham

Source: Data Processing Results

From the results of the test above, it can be concluded that the R square value is equal to 0.476 or 47.6%. This shows the variation in return of assets and return of equity

in influencing the stock price of 47.6%, and the remaining 52.4% is needed by other variables not accepted in this study.

4. Discussion

1. The effect of Return On Assets on Stock Prices

Based on the results of the partial test, the return value of assets is $5.331 > 2.034$ and the significant value is $0.000 < 0.05$. This shows that there is a significant influence between the return of assets and stock prices. This means that when ROA increases, the share price will increase. Then investors will be more oriented in investing in the company by paying attention to the returns they receive compared to the company's ability to earn profits by using assets. Where investors will pay attention to the ability of the company to generate profits from the amount of assets it has where if the company is able to generate maximal profit from the amount of assets it owns, then the interest of investors will increase and will buy the company's shares. Return On Assets is a ratio of profit before tax to total assets obtained from financial statements balance sheet and financial statements of income. The higher the ratio, the better for the company to generate profits or profits. Syamsuddin (2009, p. 63) states that Return On Assets (ROA) is a measurement of the company's overall ability to generate profits with the total assets available within the company, the higher the ratio, the better the state of the company. This research is in line with the results of previous research conducted by Amalya (2018) concluded that the ROA variable affects stock prices.

2. The effect of Return On Equity on Stock Price

Based on the results of the partial test it can be seen that the return on equity value is $2.904 > 2.034$ and the significant value is $0.044 < 0.05$. This shows that there is a significant influence between return on equity and stock prices. return on assets is a profitability ratio that shows the ability of a company to return a company's capital or equity. This causes the return on assets value to be one indicator that affects the company's stock price. The research is in line with Brigham and Houston's theory (2010) which states that the greater the ROE, the ability of the company to make profits with own capital is also getting better, so the company's stock price will increase. In the opinion expressed by Mohammad Samsul (2006) in the previous chapter, that Return On Equity is a profitability ratio that becomes an important spotlight for investors, the greater the return on equity, the greater the earnings per share or dividends to be gained by shares. If the dividend from the company gets higher, this will cause the demand for the company's shares to increase. Thus the company's stock price will also increase. Early research, Mursidah (2011), the results of his research stated that Return On Equity had a significant effect on Stock Prices. Then the research conducted by Linzzy and Irma, the results of this study are in line with the research conducted by Putri and Irma (2017) which states that return on assets affects the stock price.

5. Conclusion

From the discussion discussed earlier, the conclusions that can be taken are partially and simultaneously ROA and ROE on the Share Prices of Transportation Companies listed on the Indonesia Stock Exchange in 2013-2017. The results of the R-Square test can be seen at 0.476 and claimed as ROA and ROE which affect the Stock Price by 47.6%. The remaining 52.4% is influenced by other variables not examined in this study.

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