CHAPTER V

CONCLUSION, IMPLICATIONS AND RECOMMENDATION

5.1 Conclusion

This research was made to analyze the determinative factorsPER (X_1), DER (X_2), ROA (X_3), PBV (X_4), and EPS (X_5) that affect the Stock Price of companies that are listed in Indonesia Stock Exchange during the period 2011- 2015. Multiple Linear Regression was used to determine the effect of the factors that affect the Stock Price.Another researcher of James AndiWijaya (2015), multiple linear regressionwas used as well as the F- test in order to understand whether the independent variables in the regression model possess simultaneous influence on the dependent variable. The empirical findings reveal that there is a positive and significant relationship between the PER (X_1), DER (X_2), ROA (X_3), PBV (X_4), to the Stock Price whereas there is a negative relationship with the EPS (X_5).

From the Classic assumption tests conducted proves that the model does not pass normality test but shows the presence of heteroscedasticity in the regression model. However, a constant of a maximum limit of error of 0.05 was added to eliminate the zeros and negative values. Thus, the data is normally distributed and free from any form of multicollinearity because the VIF is less than 10. However, with the help of Durbin – Watson formula, the value is at 1.990 which is less than 2. In this case it shows there a positive serial correlation.

Based on the research and the analysis of the secondary data, the author has drawn up the following conclusion;

1. PER (X_1), DER (X_2), ROA (X_3), PBV (X_4), and EPS (X_5)shows that they have a significant influence to the Stock Price (Y) of companies that are listed in the Indonesia Stock Exchange altogether.

2. PER (X_1) and DER (X_2) both do not have a partial significant influence to the Stock Price (Y) of companies that are listed in the Indonesia Stock Exchange. This research proves that most investors in listed Indonesian companies do not pay attention to Debt to Equity Ratio since it does not significantly affect the Stock Price. The T – test shows that DER has a -0.958 significance, although it is apparent that the higher the debt in a company, the higher chance of bankruptcy.

3. ROA (X_3), PBV(X_4) and EPS (X_5) show that each of them has partial significant influence on the Stock Price (Y) of companies that are listed in the Indonesia Stock

Exchange. This means that investors use these financial ratios in order to make investment decisions. Any change in any of these variables means that there is a change in the Stock Price as well. It will signify how the company is being valued.

4. PER (X_1), DER (X_2), ROA (X_3), PBV (X_4), and EPS (X_5)altogether have significant influence to the Stock Price (Y) to an extend of 13.20%.

It is clear that the companies' performance in managing their assets to produce profit is significant in explaining the movement of the Stock Prices. This research acts as a guide to potential investors to focus on the factors discussed above before making investment decisions.

5.2 Implications

The implications that are attached to this research is that once investors are able to determine as to how they can find ways of improving their rational decisions in acting to invest in one company and not the other, then both the company and the potential investor are going to benefit. In making decisions, the investor will definitely have concerns about the company's financial statements to estimate the profitability of the company in the future. Considering the results fond from this research, it is apparent that these factors which include Price Earning Ratio, Debt to Equity Ratio, Return on Assets, Price to BookValue and Earning per Share, jointly have significant implications for the company's Stock Price fluctuations on the manufacturing industries that are listed in the Indonesia Stock Exchange during the period 2011 – 2015. Nevertheless, a higher GDP does not necessarily translate into higher stock returns in the country. A higher value associated with the profitability of a company can increase a company to generate profits. This will also give a good indication of prospects that can lead investors to increase demand for stock.

5.3 Recommendation

It is recommended that the potential investor monitor the PER, DER, ROA, PBV and EPS before they think of expanding their portfolio. It is also imperative for the listed companies that were used in this research to focus their attention to improving the figures related to the significant variables involved in this research that affect the Stock Price. Indonesia is an emerging economy and it is of the utmost importance to conduct studies which will benefit the investor to make rational investments and the companies to improve their profits.

However, certain limitations can accrue from this research. As the research considers specific factors, the financial ratios, and excludes macro-economic factors like the GDP, inflation, interest rates, business cycles, political instability among other factors, it is not possible to override the impact of these factors on the Stock Price. The reliability and accuracy of the data might affect the robustness of the results of this research. This opens up an arena for the next researcher to encompass the macro and micro factors for unfolding a comprehensive idea of the factors that affect the Stock Price.

With this, the recommendation on this research can be drafted as below;

1. To the next researcher

   Suggestion for a further research should be tackled on other external factors that affect the Stock Price. The next researcher will have to carry out an extensive research on factors like the GDP, inflation, political instability, interest rates. The researcher will expand the relationship between macro-economic factors and non-economic factors against the Stock Price.

2. To the companies

   The fundamental factors that were analyzed were extracted from the financial statements of companies. These are used by the investors to make rational investment decisions. Therefore, it is important to the companies to bring out a positive signal in the reflection of the state of the company through the financial statements. The positive influence will be used by the companies to attract more investors and improve the welfare of shareholders.

3. To the investors

   For investment purposes, investors should consider the factor of financial fundamentals that are reflected in the financial performance of the companies. Shares influence that shows a good performance can be viewed as a good financial investment because of the positive effect on the Stock Price.