



FUNDAMENTAL FACTORS OF INDONESIAN SHARIA SHARE PRICE IN THE FINANCIAL SECTOR

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ABSTRACT

Islamic stocks are securities in the form of shares that have and do not conflict with Islamic principles in the capital market. Investment in Islamic stocks is currently experiencing quite significant developments, so investors are looking at it from the side of the growth of their stock prices. One of the factors that affect stock prices is fundamental factors. The fundamental factors in this study are described as independent variables, namely the Debt-to-Equity Ratio (DER), Net Profit Margin (NPM), and Earning Per share (EPS), while the dependent variable is the Indonesian Sharia Stock Price in the Financial Sector which is listed in the Indonesian Sharia Stock Index (ISSI). This study aims to analyze the effect of DER, NPM, and EPS on Indonesian Sharia Stock Prices in the financial sector listed in the ISSI Index. The research method used is quantitative descriptive with multiple linear regression data analysis. The results of this study show that the Debt-to-Equity Ratio has a negative and insignificant effect on Sharia Stock Prices. Net Profit Margin has a positive but not significant to Islamic Stock Prices. Earning Per-share has a negative and not significant to Islamic Stock Prices. The ability of the DER, NPM, and EPS variables to explain variations in changes in the stock price variable is only 10.5%, whereas the remaining 80.5% can be influenced by other variables not examined. The implication of this study is that investors in investing do not only consider fundamental factors but other factors that are very significant to fluctuations in Islamic stock prices.

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1. INTRODUCTION

The development of investment activities today has progressed very rapidly. These occurred in line with the increase in the level of public knowledge about how to invest optimally and was supported by relatively stable domestic economic conditions. One way of investing that can be done is to invest in the capital market.

In Indonesia, Sharia-based stocks began with the establishment of the Jakarta Islamic Index (JII) in July 2000. In May 2011, the Islamic Capital Market in Indonesia grew with the birth of the Indonesian Sharia Stock Index (ISSI). In contrast to JII, whose members are only 30 of the most liquid Islamic stocks, ISSI is an Islamic stock index consisting of all Islamic stocks that were previously listed on the IHSG, joined by other non-Sharia stocks and incorporated in the Sharia Securities List (DES). The establishment of ISSI was supported by the DSN-MUI Fatwa relating to the Islamic Capital Market industry, namely Fatwa No. 05 of 2000 concerning the Sale and Purchase of Shares, and further strengthened in 2003 with the issuance of Fatwa No. 40 of 2003 concerning Capital Markets and General Guidelines for the Implementation of Sharia Principles in the Capital Market Sector. Even though it is still relatively new, because it was only established in May 2011, the development of the Indonesian Sharia Stock Index

(ISSI) is quite significant in each period. Based on the data, it can be seen that at the beginning of publication in May 2011 the Indonesian Sharia Stock Index (ISSI) was 123.81 points. The data shows that the peak of the movement of the Indonesian Sharia Stock Index (ISSI) of 174.32 points occurred in February 2015. During the period from May 2011 to September 2015, the Indonesian Sharia Stock Index did not always increase but also decreased. The fluctuating movement of the index in the capital market industry should indeed be taken seriously by investors. In practice in the field, investors must pay attention to all situations that will occur, whether it is a certain situation or an uncertain situation.

The price of a product based on the classic definition is a description of the meeting point between the supply and demand sides because for certain products, some are not at all directly related to demand or supply. Therefore, many things are capable and capable of influencing the meeting point of the two sides. Stock prices, for example, are not enough for only the demand and supply sides (or even not entirely) that represent the formation of the product's price. Fabozzi (1999) states that in the analysis of securities, there are two approaches used, namely fundamental and technical analysis.

Fundamental factors are based on two basic models of securities assessment, namely Earning Multiplier and Asset Values, while technical analysis generally focuses on changes in volume and market prices for securities. Fundamental factors that are used frequently to predict stock prices or stock returns are financial ratios and market ratios. Financial ratios' function is to predict stock prices include Net Profit Margin (NPM), Debt Equity Ratio (DER), and Earning Per Share (EPS).

Technical factors are measured by several indicators including inflation, currency exchange rates, and market risk. Shares of companies that go public are risky investment commodities because they are sensitive to changes that occur, both changes within the country and changes from abroad. These changes are certainly a risk for investors. This risk is divided into systematic risk and unsystematic risk.

Sharpe (1999) defines systematic risk as part of the change in assets that can be linked to a common factor which is also referred to as market risk or risk that cannot be shared. Systematic risk is the minimum level of risk that can be obtained for a portfolio through the diversification of a large number of assets that are randomly selected. Unsystematic risk is a risk that is unique to the company, such as a strike by company workers, natural disasters that hit the company, and others (Fabozzi, 1999). Therefore it is important to conduct fundamental analysis research to determine the significance of Islamic stock prices listed in the Indonesian Islamic stock price index.

2. RESEARCH METHOD

This study uses a quantitative descriptive approach. The object of this study is the Indonesian Sharia Stock Price in the financial sector which is listed in the Indonesian Sharia Stock Index (ISSI). In this case, the fundamental factor is proxied by the Debt To Equity Ratio (DER), Net Profit Margin (NPM), and Earning Per Share (EPS). The purpose of this study is to determine and analyze the effect of DER, NPM, and EPS on Islamic stock prices in the financial sector which are listed in ISSI.

This study was studied using two types of variables, the independent variable and the dependent variable. Independent variables are variables that considered to influence other variables. Meanwhile, the dependent variable in question is a variable that depends on or can be influenced by other variables. In the independent variables, there are three variables, namely Debt to Equity Ratio (DER), Net Profit Margin (NPM), and Earning Per Share (EPS). The dependent variable in this study is the Indonesian Sharia Stock Price. The data source in this study uses secondary data in the form of financial reports published on the official website of the Indonesia Stock Exchange (IDX) and other sources that support this research. The population of this study is sharia stocks in the financial sector which are listed in the ISSI in the 2016-2020 period. The sample used is a saturated sample with multiple linear regression analysis method; normality test, multicollinearity test, F test, t-test, and coefficient of determination test.

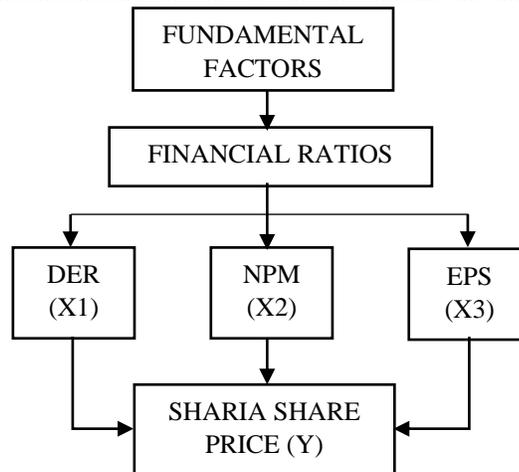


Figure 1. Analysis Framework

This analytical framework describes the effect of three independent variables, namely DER, NPM, and EPS on the dependent variable, namely the stock price of Indonesian sharia in the financial sector.

Hypothesis

The hypothesis is part of an estimate or temporary answer to the questions in the study problem formulation. As stated (Siyoto, 2015), hypothesis is part of the estimated truth that must be tested by using empirical data.

Based on the previous analytical framework, the hypotheses included:

- a. H1 = Debt to Equity Ratio has a positive and significantly effect on Islamic stock prices.
- b. H2 = Net Profit Margin (NPM) has a positive and significantly effect on Islamic stock prices.

3. RESULTS AND DISCUSSION

3.1. Result

Descriptive Analysis

Table 1. Descriptive Analysis

	N	Minimum	Maximum	Mean	Std. Deviation
Debt to Equity Ratio	10	2.00	239.00	61.2000	69.45470
Net Profit Margin	10	-112.11	1347	530.7890	524.32995
Earning Per-share	10	-95.03	5427	1019.2970	1645.14062
Stock Price	10	50	1310	335.5	363.619
Valid (N)	10				

Source: Data results (2020)

Based on Table 1, it can be explained that the amount of data (N) is 10 for the DER, NPM, and EPS variables. The research period is 5 years.

- a. The DER has the lowest (minimum) value of 2.00 and the highest (maximum) value of 239.00 with an average (mean) of 61.2000 and a standard deviation of 69.45470.
- b. The Net Profit Margin has the lowest (minimum) value of -112.11 and the highest (maximum) value of 1347.00 with an average (mean) of 530.7890 and a standard deviation of 524.32995.
- c. Earning Per Share has the lowest (minimum) value of -95.03 and the highest (maximum) value of 5427.00 with an average (mean) of 1019.2970 and a standard deviation of 1645.14062.
- d. Meanwhile, the share price has the lowest (minimum) value of 50, and the highest (maximum) value is 1310 with an average (mean) of 335.50 and a standard deviation of 363,619.

Table 2. Normality Test

		Unstandarsized Residual
N		10
Normal Parameters	Mean	0.000000
	Std. Deviation	312.0841089
	Most Extreme Diffrences	
Test Statistic	Absolute	0.230
	Positive	0.230
	Negative	-0.187
Asymp.Sig.(2-tailed)		0.230
		0.142

Source: Data result (2020)

Based on the information in Table 2, it can be seen that the test of normality table using the Kolmogorov-Smirnov Z has a sig. 0.142 > 0.05, then the data is normally distributed.

Table 3. Multicollinearity Test

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	389.339	246.668		1.615	0.157		
	Debt To Equity Ratio	-1.899	1.95	-0.363	0.974	0.368	0.885	1.130
	Net Profit Margin	0.184	0.267	0.266	0.689	0.517	0.826	1.211
	Earning Per-share	-0.044	0.081	-0.197	-0.54	0.608	0.924	1.082

Source: Data result (2020)

From the results of the multicollinearity test, the VIF number from DER is 1.130, NPM is 1.211, and EPS is 1.082 where these numbers are below 10. This means that the independent variables in this study have no relationship or have no relationship with each other, so it can be assumed that there is no multicollinearity occurs between independent variables in the regression model.

Multiple Linear Regression Analysis

Table 4. Multiple Linear Regression Analysis

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	389.339	246.668		1.615	0.157
	DebtToEquityRatio	-1.899	1.950	-0.363	0.974	0.368
	NetProfitMargin	0.184	0.267	0.266	0.689	0.517
	EarningPershare	-0.044	0.081	-0.197	-0.54	0.608

Source : Data result (2020)



Based on Table 4, the multiple linear regression equation is as follows.
 Share Price = 398,339 -1,899 DER + 0.184 NPM - 0.044 EPS

Information:

Y = Sharia Share Price

X₁ = DER

X₂ = NPM

X₃ = EPS

Table 5. F-Test

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	313400.081	3	104466.694	0.715	-0.578
	Residual	876568.419	6	146094.737		
	Total	1189968.500	9			

Source : Data result (2020)

From table 5, it can be seen that the significance value is F = 0.715 (greater than $\alpha = 0.05$). It means H_a is rejected. In other words, DER, NPM, and EPS simultaneously have no significant effect on stock prices.

Table 6. Coefficient of Determination Test

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.513	0.263	0.105	382.223

Source : Data result (2020)

Based on Table 6, there is a value (Adjusted R square) of 0.105 or 10.5, this shows that the ability of the (independent) variables DER, NPM, and EPS in explaining variations in the (dependent) changes in stock prices is 10.5% while the rest 80.5% can be influenced by other variables not examined.

Table 7. Hypothesis Test (t-test)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	389.339	246.668		1.615	0.157
	Debt To Equity Ratio	-1.899	1.950	-0.363	0.974	0.368
	Net Profit Margin	0.184	0.267	0.266	0.689	0.517
	Earning Pershare	-0.044	0.081	-0.197	-0.54	0.608

Source : Data result (2020)

Based on Table 7 can be explained as follows.

- The DER variable has a significant level of 0.368 ($0.368 > 0.05$), then H_a is not accepted, which means that DER has a negative and insignificant effect on stock prices.
- The NPM variable has a significant level of 0.517 ($0.517 > 0.05$), then H_a is not accepted, which means that NPM has a positive but not significant effect on stock prices
- The EPS variable has a significant level of 0.608 ($0.608 > 0.05$), then H_a is not accepted, which means that EPS has a negative and insignificant effect on stock prices.

3.2. DISCUSSION

The Effect of DER on Sharia Stock Prices

The research results of this hypothesis support the research of Muktharuddin and Desmoon King Romalo (2007) which states that DER has a negative and insignificant effect on stock prices. DER assures how much corporate debt is guaranteed by the company's capital that can be used as business funding. The higher the DER value indicates that the business capital structure utilizes more debt relative to equity.

The Effect of NPM on Sharia Stock Prices

The results of this study indicate that the variable X2 or Net Profit Margin (NPM) partially has a positive effect on the stock prices of financial sector companies on the Indonesia Stock Exchange, but is not supported by a significance value of less than 0.05. These shows that the more the NPM increases, the greater the investor will add or be interested in investing in the company and will increase the Sharia Stock Price of financial sector companies, thus one of the factors that influence Stock Price is the NPM.

The Effect of EPS on Sharia Stock Prices

The results of this study are in contrast to research conducted by Bram Hadianto (2008) which states that EPS has a positive and significant effect on stock prices. In this study and according to data tests on financial sector companies listed on the IDX, EPS has a negative and not significant effect on Islamic stock prices.

4. CONCLUSION

Based on the results of this research and discussion, it is concluded that fundamental factors are not the only ones that influence the increase or decrease in Indonesian Islamic stock prices in the financial sector which are listed in the ISSI. These can be seen from the results of partial testing DER has a negative and insignificant effect on sharia stock prices. The greater the debt, the lower the value of the company. A DER that is too high has a negative impact on firm value because the higher the debt level, the greater the company's interest expense and reduces profits, so a higher debt (DER) tends to lower Islamic stock prices. Likewise, NPM has a positive but not significant effect on changes in Islamic stock prices, and EPS has a negative and not significant effect on changes in Islamic stock prices. Thus, the influence value of DER, NPM, and EPS only affects Islamic stock prices by 10.5%.

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