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Financial Performance and Market Performance as Determinants of Telecommunications Sector Stock Prices on The Indonesian Stock Exchange

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Abstract
The capital market has an important role in a country's economy through economic functions and financial functions. The function of the economy is because of the market that brings together the capital provider and the party that needs funds. The function of finance is because the capital market provides expectations or expectations of obtaining returns for the investor according to the type of investment taken. The purpose of this study is to analyze the effect of Debt to Equity Ratio (DER), Return On Equity (ROE), Earning Per Share (EPS), and Price Earning Ratio (PER) on Stock Prices in the telecommunications sector of the Indonesia Stock Exchange (IDX) for the period 2015 – 2022. This study uses quantitative secondary data, analyzed using multiple linear regression. The data used in this study uses the financial ratios Debt to Equity Ratio, Return On Equity, Earning Per Share, and Price Earning Ratio and Stock Price in the telecommunications sector of the Indonesia Stock Exchange (IDX) for the period 2015 – 2022. The sampling method in this study is a non-probability sampling technique with a type of purposive sampling. The results of this study show that the variables Return On Equity, Earning Per Share, Price Earning Ratio have an effect on the Stock Price, while the Debt to Equity Ratio variable has no effect on the Stock Price. The variable that has the most dominant influence on stock prices is the Earning Per Share (EPS) variable.

Keywords: Debt to Equity Ratio, Earning Per Share, Price Earning Ratio, Return On Equity, Stock Price

Introduction

Investors measure the company's performance in managing its sources of funds to generate profits. The company's ability to generate profits in its operating activities is the main focus in assessing the company's performance in fulfilling its obligations to the fund-raisers. If a company has good financial performance, investors will invest their capital, because it is certain that they will benefit from the investment.

Company value is an investor's perception of the company's success rate which is often associated with the stock price (Sujoko and Soebiantoro, 2007). High stock prices make the value of the company also high. A high company value will make the market believe not only in the company's current performance but also in the company's future prospects.

Stock prices are determined from investors' demand and supply on the stock market. The factors that affect the stock price such as the company's financial and operational performance, so that if the company produces high profits or strong growth, this will usually increase the stock price. Stock prices can also change dynamically over time due to factors that affect and the existence of trading activities in the stock market. Stock prices can also change due to technical factors such as charts, support and resistance of trading volume. The development of technology and information has made it very easy for people to relate to the stock market and more and more people are interested in the potential profits offered in the stock market.

Factors that affect stock prices include Return on Equity (ROE), Debt to Equity Ratio (DER), Price Earning Ratio (PER), and Earnings Per Share (EPS). Debt to Equity Ratio is the ratio used to assess debt to equity, this ratio is sought by comparing all debt (current debt and non-current debt) with equity (Dan.O. et al., 2010). DER plays a role in revealing the extent to which each company's capital is used as collateral for the debt obtained. If the company has a dependence on other parties' funding or has a source of funds from outside the company that exceeds the internal source of funds, this will have an impact on the amount of responsibility that the company has (Sutrisno, 2012). Abdullah Research, et.al. (2016); Adikerta & Abudanti (2020) stated that DER has an effect on stock prices, while Safitri (2013), Nurfadillah (2011), Iqbal, et., al. (2016) stated that Debt to Equity Ratio has no effect on stock prices.

Kasmir (2018) stated that Return on equity is a ratio that measures net profit after deduction of taxes by using own capital after taxes on the capital owned. The higher the ROE, the more positive the outcome. This indicates that the company's shareholders have a more favorable position, and conversely if the ROE is low, it could indicate that the company has a less favorable position. Salehnejad Research & Ghayor, (2010); Ratih, Prihartini & Saryadi (2013) stated that ROE affects stock prices. Yudistira & Adiputra (2020) stated that ROE has a negative influence on stock value. Meanwhile, Abdullah, et.al. (2016); Meyer, Bikdash and Dai (2017) stated that there is no effect of Return On Equity (ROE) on stock prices.

According to Santoso (2019), Earning per Share is the company's net profit placed in each outstanding ordinary share. Investors who invest in the capital market expect profits from the funds invested. Earning Per Share (EPS) is a ratio that measures how much dividends per share will be distributed to investors after deducting dividends. If the Earning Per Share value is in line with investors' expectations, then the change in stock price will increase along with investors' interest in buying the shares. If the company's EPS is high, more investors will want to buy the stock, causing the stock price to be high. The higher the EPS value, the greater the profit that will be provided to shareholders. EPS has a certain reference value for investors to observe stock prospects, and is also important for investors who pursue capital gains in the capital market. Research by Kurniawan (2016); Asri (2017); Sari & Hakim (2017) stated that EPS has an influence on stock prices. Meanwhile, the research of Abdullah, et.al. (2016); Anita and Pavitra (2014); Bahri (2018) stated that EPS has no influence on stock prices.

Price Earning Ratio is one of the analyses that many investors do to analyze whether the investment is profitable or disadvantageous. PER is used to determine whether the stock price is in line with the company's performance, if the Price Earning Ratio (PER) is high, this indicates that investors' expectations for the company's future performance are quite high. Azhari, Rahayu and Zahroh (2016) stated that PER has an influence on stock prices. Meanwhile, the research of Abdullah, et.al. (2016), Bahri (2018) stated that PER has no influence on stock prices.

Analysis of a company's financial ratios is used in the valuation of stock prices because it is considered to be able to provide an overview of the company's performance. In addition to using financial ratios, stock prices can be measured using market value ratios. The market value ratio is used by investors to show the extent to which stock investors assess whether the stock price is feasible to buy. Of the various types of financial ratios used to assess financial performance, what will be discussed in this study is Debt to Equity Ratio (DER), and Return on Equity (ROE), while the market value ratios used to assess stock prices in this study are EPS (Earning Per Share) and PER (Price Earning Ratio)

The focus of this research is on companies operating in the telecommunications industry sector and listed on the Indonesia Stock Exchange. The telecommunications sector is one of the important sectors of the economy because the communication and information services provided are very important for the community and the business world to communicate and make transactions. The telecommunications sector is one of the sectors that showed stability during the Covid-19 pandemic. The increase in public demand for digital lifestyles and the increasing need for internet access during the pandemic have had a positive impact on the performance of telecommunications companies. The use of apps for virtual meetings and video streaming services has increased rapidly by 75% and 13.8%, respectively. Apart from the prospect of continuing to grow, internet users and the need for fast internet services, stocks in the telecommunications sector continue to increase. When the covid-19 pandemic was discovered, the JCI trend became declining. Although many companies are unable to survive in the midst of current conditions, telecommunications companies have actually improved their performance during this pandemic.

Shares are a sign of the capital participation of a person or party (business entity) in a company or limited liability company. Stock prices change up or down from one time to another. The change depends on the strength of demand and supply, if a stock is overdemanded, then the price tends to rise. On the other hand, if there is an oversupply, then the stock price tends to fall. The share price will change at any time, due to the momentary valuation by sellers and buyers which is influenced by many factors. Factors that can affect stock prices include the company's financial condition obtained through the company's financial statements, deposit interest rates, inflation rate, the amount of profit earned by the company, marketing strategies, risk levels and returns. (Weston and Brigham (2001).

Higher DER reflects a relatively high risk of the company, as a result investors tend to avoid stocks that have a high DER. The decrease in investor interest in investing their funds will have an impact on the decline in the company's share price, so that the company's share price is also declining. According to Wals (2004) "The decision to increase debt for capital not only has a negative effect, but can also have a positive effect because the company must try to balance the benefits with the costs incurred due to debt. Adding debt to the company in general can increase profitability, which in turn raises its share price, thereby improving the welfare of shareholders and building greater growth potential." It was concluded that DER had an influence on the stock price. This is in line with the research conducted by Hidayat (2009).

H1: DER affects the stock price.

ROE shows the success of management in maximizing the level of shareholder returns and is useful for knowing the amount of change given by the company for each rupiah of capital from the owner. The higher this ratio will be better because it provides a greater rate of return to shareholders. eturn On Equity (ROE) is a profitability ratio from the perspective of shareholders (Hanafi and Halim, 2007). This ratio shows the efficiency of using own capital. The higher the ROE percentage value, the better the company's financial performance.

H2: ROE affects Stock Price

Earning Per Share is the rate of net profit of a stock that a company can achieve during the course of its operations. EPS is part of the company's profits distributed to shareholders, so if the EPS value is high, it will be a special attraction for investors. Earnings Per Share (EPS) or earnings per share are obtained from the profit available to common shareholders divided by the average of outstanding common shares. EPS is the result or income that will be received by shareholders for each share they own for their participation in the company. Earnings per share are usually an indicator of profit that investors pay attention to, generally against a strong correlation between profit growth and stock price growth. Research Estiasih et al (2020); Febrianti and Nurhayati (2019) showed that EPS has a positive effect on stock prices, Kurniawan Research (2016); Asri (2017); Sari & Hakim (2017) stated that EPS has an influence on stock prices.

H3: Earnings Per Share affects Stock Price

The Price Earning Ratio (PER) is a comparison between the price of a stock offered in the market and the income received. PER is used as an evaluation to determine the true value of a company's shares. PER is used to evaluate whether the stock price is in line with the company's performance. Price Earning Ratio is information that identifies the amount of rupiah that investors must pay to obtain profits from the company (Tandelilin, 2017). PER is the ratio obtained from the market price of ordinary shares divided by the company's profits (Sugianto, 2008). The higher the ratio, the better the company's performance. However, if the PER is too high, it can also indicate that the stock price is high or irrational. Research by Rahmawati and Abudanti (2018), states that PER has a positive influence on stock prices.

H4: Price Earning Ratio has a positive effect on the Stock Price

Method

The object of this research is to analyze the influence of financial performance and market performance on stock prices in the telecommunications sector listed on the IDX in 2015-2022. This study uses secondary data derived from the financial statements of each sample company taken during the observation period, from 2015 to 2022, which was collected based on certain criteria by obtaining 4 companies (PT. Telkom Indonesia (Persero) Tbk, PT. Indosat Tbk, PT. XL Axiata Tbk, PT. Smartfren Telecom Tbk) as a sample from the official website of the IDX, and the pages of each sample company. The collected data was then analyzed using multiple linear regression analysis.

Results and Discussion

Based on table 1, a decision can be obtained that H0 is rejected and H1 is accepted. This can be seen from the calculated F value of 18,540 while the resulting significance value is 0.000 which is smaller than 0.05. Thus, it can be concluded that this multiple regression model is feasible to use, and independent variables including Debt to Equity Ratio (DER), Earning Per Share (EPS), general, Price Earning Ratio (PER) and Return On Equity (ROE) have a simultaneous influence on the dependent variables of Stock Price.

Table 1. Test Result F

Model	F	Mr
Regression	18.540	.000b

Source: Data processed, 2024

The t-test is used to test whether the independent variable has an influence on the dependent variable. The test used a significant 0.05 (α= 5%). With the following criteria: if the probability (sig) value is >0.05 then Ho is not rejected, on the other hand if the probability (sig) value is <0.05 then H0 is rejected, H1 is accepted. The test results can be seen in table 2:

Table 2. T Test Results

Model	t	Mr.	Information
(Constant)	-.557	.582	
THE	.906	.373	No Effect
ROE	2.643	.014	Influential
EPS	4.222	.000	Influential
FOR	3.599	.001	Influential

Source: Data processed, 2024

Hypothesis 1: Debt to Equity Ratio (DER) has a negative effect on stock prices

Based on the results of the t-test in table 2, it is known that the Debt to Equity variable has a significance value of 0.373 and a calculated t-value of 0.906. From this result, it can be concluded that the significance value of the Debt to Equity variable > 0.05 and the t-value calculated < 2.037, so H1 is rejected. This means that the Debt to Equity variable has no effect on the stock price. Investors may focus more on a company's ability to make a profit than on how much debt is used to fund its operations. Companies with stable financial performance will be able to manage their debt well, so investors are not worried about high debt levels. So investors may not see DER as a factor that affects stock prices. This finding is in line with Safitri's research,. (2013), Nurfadillah, (2011), Iqbal, et., al. (2016) that Debt to Equity Ratio has no effect on Stock Price.

Hypothesis 2: Return On Equity (ROE) has a positive effect on stock prices

Based on the results of the t-test in table 2, it is known that the ROE variable has a significance value of 0.014 and a calculated t-value of 2.643. This shows that the significance value of the ROE variable < 0.05 and the t-value calculated > 2.037. Thus, it can be concluded that H2 is accepted, which means that the Return On Equity variable has an effect on the stock price. A high ROE shows that the company can generate high profits with available equity, the company will be better in the eyes of investors and gain the trust of investors because the company is able to utilize its own capital and generate maximum profits. Investors tend to be more trusting and interested in investing in companies that demonstrate strong ability to manage equities well, so that the demand for shares increases and stock prices rise. The results of this study are in line with Salehnejad's research,. & Ghayor,. (2010); Ratih, Prihartini & Saryadi (2013) stated that ROE affects stock prices.

Hypothesis 3: Earnings Per Share (EPS) has a positive effect on stock prices

Based on the results of the t-test in table 2, it is known that the Earning Per Share variable has a significance value of 0.000 and a calculated t-value of 4.222. This shows that the significance value of the Earning Per Share (EPS) variable < 0.05 and the t-value calculated > 2.037, which means that H3 is accepted, meaning that the Earning Per Share (EPS) variable has an effect on the stock price. A high or increased EPS usually indicates that the company is successfully generating more earnings per share, which can attract investors to buy the stock. This increased demand will push stock prices up. Investors often use EPS to measure a company's profit growth. If EPS increases over time, it could indicate that the company has good growth prospects, which makes its stock more attractive to investors. A high EPS can mean that the company has enough profit to pay larger dividends. Investors looking for income from dividends may be interested in buying the stock, increasing the demand and price of the stock. The results of this study are in line with the research of Kurniawan (2016); Asri (2017); Sari & Hakim (2017) who stated that EPS has an influence on stock prices.

Hypothesis 4: Price Earning Ratio (PER) affects stock prices

Based on the results of the t-test in table 2, it is known that the Price Earning Ratio (PER) variable has a significance value of 0.001 and a calculated t-value of 3.599. This result shows that the significance value of the variable (PER) < 0.05 and the t-value calculated > 2.037, so it can be concluded that H4 is accepted, meaning that the Price Earning Ratio (PER) has an influence on the stock price. A high PER often indicates that investors expect high profit growth in the future. This means that the market has positive expectations for the company's ability to generate higher profits in the future, so they are willing to pay more for the stock now. A high PER can also be an indication of investor confidence in the company's management and business strategy. If investors believe that management can increase profits, they will be more willing to buy shares at a higher price, which ultimately drives the stock price up. Investors use the PER as one of the indicators to decide whether to buy, sell, or hold the stock, which ultimately affects the market price of the stock. The results of this study are in line with the study of Azhari, Rahayu and Zahroh (2016) stating that PER has an influence on stock prices.

The determination coefficient shows the extent to which the contribution of the free variable in the regression model is able to explain the variation of its bound variable.

Table 3. Determination Coefficient Test Results (R2)

Model	Adjusted R Square
1	.810

Source: Data Processed, 2024

Based on the results in Table 3 of the Adjusted R Square in this study, it is 0.810 or 81%. This shows that the influence of the variables Debt to Equity Ratio, Return on Equity, Earning Per Share, and Price Earning Ratio on the share price of telecommunications sector companies is 81%, while the remaining 19% of the share price is influenced by other variables or factors such as inflation, monetary policy and interest rates.

Conclusion

Based on the results of the research and discussion on the influence of the variables Debt to Equity Ratio (DER), Return On Equity (ROE), Earning Per Share (EPS) and Price Earning Ratio (PER) on stock prices as dependent variables, in four telecommunication companies listed on the IDX for the period 2015-2022, it can be concluded *the Debt to Equity Ratio* (DER) has no effect on the share price of companies listed in the telecommunications sector on the Indonesia Stock Exchange (IDX) for the 2015-2022 period. *Return On Equity* (ROE) affects the share price of companies listed in the telecommunications sector on the Indonesia Stock Exchange (IDX) for the 2015-2022 period. *Earning Per Share* (EPS) affects the share price of companies listed in the telecommunications sector on the Indonesia Stock Exchange (IDX) for the 2015-2022 period. *The Price Earning Ratio* (PER) affects the share price of companies listed in the telecommunications sector on the Indonesia Stock Exchange (IDX) for the 2015-2022 period. The most dominant variable or the one that has a greater influence on stock price movements is *Earning Per Share* (EPS). This research is limited to 4 variables, the next researcher should add other variables that may be more dominant in influencing stock prices. In addition, it is recommended that extend the research period and use different data analysis models so that the research results are more precise and accurate and can represent the facts that occur in the field.

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