

The Effect of Financial Performance on the Stock Price of PT. Unilever Indonesia, TBK

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ABSTRACT : The study aims to determine the effect of Financial Performance consisting of Current Ratio (CR), Earning Per Share (EPS), and Return on Equity (ROE) on the Stock Price of PT. Unilever Indonesia, Tbk for the 2011 – 2018 periods. The research method used in this research is quantitative methods. The type of data used in this study is Time Series data during the first quarter of 2011 to the fourth quarter of 2018 from PT. Unilever Indonesia, Tbk as the research sample. The data source used comes from secondary data that has been published and accessed through the Indonesia Stock Exchange website www.idx.go.id. The data collection method used in this study was purposive sampling method. The analysis in this study uses multiple linear regression analysis with the OLS (Ordinary Least Square) method. The result show that simultaneous variables of financial performance consisting of Current Ratio (CR), Earning Per Share (EPS), and Return on Equity (ROE) have a significant influence on The Stock Price of PT. Unilever Indonesia, Tbk for the 2011 – 2018 periods. Based on these results, PT Unilever Indonesia, Tbk need to increase CR, EPS, ROE in order to generate higher the Stock Price. Furthermore, it is also necessary to carry out further research from other companies in the consumer good sector that have been listed in Indonesia Stock Exchange.

KEYWORDS – Current Ratio, Earnings Per Share, Financial Performance, Return on Equity, Stock Price

I. INTRODUCTION

The company's financial performance can be measured by using fundamental analysis. Investors can analyze balance reports, income statements, statement of changes in equity, statement of cash flows and financial ratio analysis. The results of the ratio analysis are used as a basis for investors in making investment decisions. Financial statements may use as a tool for performance measurement. Financial statements are the primary means of communicating financial information both within the firm and outside the firm (Prastuti, D., & Setianingrum, P. H., 2019).

Companies that can generate profits every year will have the possibility to increase the demand for shares owned by the company. If this happens, the company's stock price will indirectly increase higher than before because of the trust of investors or potential investors in the company.

Investors in predicting stock prices on the Indonesia Stock Exchange use many fundamental and technical approaches. Somethings that are included in the fundamental aspects of stocks are financial performance, company industry, including company revenue and sales structure. The stock analysis approach through a technical approach can also be carried out by investors apart from the fundamental approach (Tarmidi, D., Pramukty, R., & Akbar, T., 2020).

One of the sectors listed on the capital market on the Indonesia Stock Exchange is consumer goods industry. The consumer goods industry is a sector that is quite interesting because it produces consumer goods needed in everyday human life such as the business sector of PT. Unilever Indonesia, Tbk.

PT. Unilever Indonesia, Tbk as a consumer goods sector company that has made an Initial Public Offering (IPO) on the Indonesia Stock Exchange in 1982. During the period 2011-2018 PT Unilever Indonesia, Tbk has always published its financial statements with the condition that the company never suffered a loss. In that period too, the company was not delisted on the Indonesia Stock Exchange.

II. LITERATURE REVIEW

2.1. Investment

Tandelilin (2016: 2) states that investment is a commitment to a number of funds or other resources made at this time, with the aim of obtaining a number of benefits in the future.

2.2. Stock

Proof of equity ownership in a company for investors is Stock, namely in the form of acquisition of stocks. Investors who will invest in the company consider information about the company's financial

performance or look for other alternatives. The better the company's financial performance, the higher the company's value (Hapsoro & Husain, 2019).

2.3. Stock Price

Halimatussakhiah (2017) states that the stock price is the price of a stock in the ongoing market, if the market is closed, the stock price is the closing price.

The stock price determines the shareholder's wealth. Maximization of shareholder wealth is translated into maximizing the company's share price (Brigham and Houston, 2010: 7).

2.4. Current Ratio (CR)

Kasmir (2015: 111) states that the current ratio is a ratio to measure the company's ability to pay short-term obligations or debts that are due immediately when they are collected as a whole.

The better the company is in managing its short term debt, the better the company value will be. Investors will be interested in investing in the company if there is an increase in the value of the company's stocks because it will provide high stock returns for investors (Hapsoro & Husain, 2019).

$$Current\ Ratio = \frac{Current\ Asset}{Current\ Liabilities} \times 100\%$$

2.5. Earning Per Share (EPS)

Salamun and Isworo (2013: 26) states that Earning Per Share (EPS) or earnings per share is a measure of a company's ability to generate profits per share of the owner. The profit used as a measure is profit for the owner or profit after tax.

$$Earning\ Per\ Share = \frac{Earning\ After\ Tax}{Outstanding\ Shares}$$

2.6. Return on Equity (ROE)

Kasmir (2015: 11) states that Return on Equity (ROE) is a ratio used to measure a company's ability to generate net income based on certain share capital, this ratio is a measure of profitability from the perspective of shareholders.

Return on Equity (ROE) is the company's ability to generate profits with its own capital, so that this ROE is called its own capital profitability (Salamun and Isworo, 2013).

$$Return\ on\ Equity = \frac{Earning\ After\ Tax}{Equity} \times 100\%$$

2.7. Hypothesis

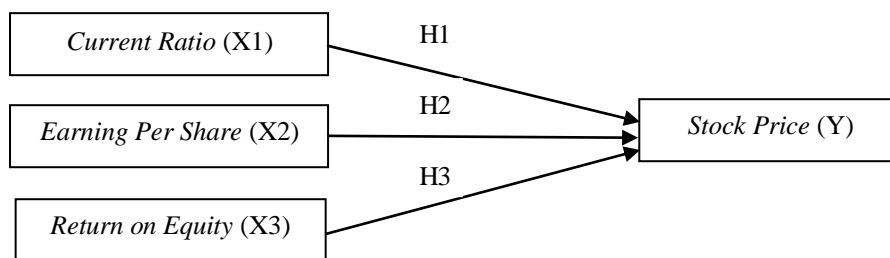


Figure 2.1 Research Framework

The hypothesis in this study is as follows:

- H1: There is an effect of Current Ratio (CR) on the Stock Price of PT. Unilever Indonesia, Tbk for the 2011 – 2018 periods;
- H2: There is an effect of Earning Per Share (EPS) on the Stock Price of PT. Unilever Indonesia, Tbk for the 2011 – 2018 periods;
- H3: There is an effect of Return on Equity (ROE) on the Stock Price of PT. Unilever Indonesia, Tbk for the 2011 – 2018 periods;

III. RESEARCH METHODE

The research method used in this research is quantitative methods. The samples used in this research are Current Ratio (CR), Earning Per Share (EPS), Return on Equity (ROE) and PT. Unilever Indonesia, Tbk

which is listed on the Indonesia Stock Exchange which was formed during the first quarter of 2011 to the fourth quarter of 2018 is used in this research. The company uses the unit of Rupiah (IDR) in financial statements.

The samples used as data in this study are as follows:

- PT. Unilever Indonesia, Tbk as a consumer goods sector company that has made an Initial Public Offering (IPO) on the Indonesia Stock Exchange prior to the period 2011-2018;
- PT. Unilever Indonesia, Tbk as a consumer goods sector company that has been listed on the Indonesia Stock Exchange which always announces company performance through the publication of financial reports during the 2011-2018 period;
- PT. Unilever Indonesia, Tbk as a consumer goods sector company that was not delisted on the Indonesia Stock Exchange during the 2011-2018 period;
- PT. Unilever Indonesia, Tbk as a consumer goods sector company that has never suffered a financial loss during the 2011-2018 period;

The type of data used in this study is Time Series data during the first quarter of 2011 to the fourth quarter of 2018 from PT. Unilever Indonesia, Tbk as the research sample. The data source used comes from secondary data that has been published and accessed through the Indonesia Stock Exchange website www.idx.go.id. The data collection method used in this study was purposive sampling method.

The analysis in this study uses multiple linear regression analysis with the OLS (Ordinary Least Square) method so that you will still be able to get BLUE $\beta_0, \beta_1, \beta_2$ and β_3 in order to obtain the regression line as close as possible to the actual data. The general form of the multiple linear regression equation used in this study is as follows:

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + e$$

Where :

- Y = Stock Price
- $\beta_0, \beta_1, \beta_2, \beta_3$ = Constants / Slope
- X1 = Current Ratio (CR)
- X2 = Earning Per Share (EPS)
- X3 = Return on Equity (ROE)
- e = random error (error term)

IV. RESULT

4.1. Normality Test

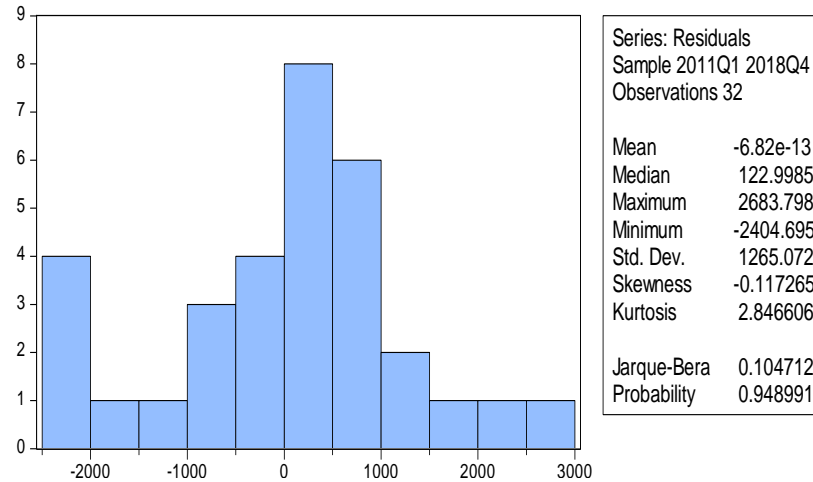


Figure 4.1 Normality Test
Source: Eviews Calculation Result

Based on the data above, it can be seen that each minimum value, maximum value, mean, and standard deviation with a total of 32 data.

Based on these results it appears that the statistical value of the Jarque-Bera test is JB (0.104712) < X2 (9.49) or p-value (0.948991) > α (0.05), so the null hypothesis fails to be rejected, which means that the residuals of the research model are normally distributed so that the T test and the F test can be done to see the significance of the model.

Based on the results of the normality test above, the following are the results of multiple regression calculations:

Dependent Variable: Stock_Price				
Method: Least Squares				
Date: 11/29/20 Time: 14:47				
Sample: 2011Q1 2018Q4				
Included observations: 32				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	26890.70	3597.807	7.474191	0.0000
CR	-23862.87	4034.095	-5.915296	0.0000
ROE	-11972.20	1747.422	-6.851353	0.0000
EPS	14.09273	1.967592	7.162424	0.0000
R-squared	0.704261	Mean dependent var		6865.156
Adjusted R-squared	0.672575	S.D. dependent var		2326.277
S.E. of regression	1331.120	Akaike info criterion		17.34190
Sum squared resid	49612656	Schwarz criterion		17.52511
Log likelihood	-273.4704	Hannan-Quinn criter.		17.40263
F-statistic	22.22608	Durbin-Watson stat		0.995169
Prob(F-statistic)	0.000000			

Table 4.1 Multiple Regression Test Results

Source: Eviews Calculation Result

4.2. The Classic Assumption Test

4.2.1. Multikolinearitas Test

	CR	EPS	ROE
CR	1.000000	-0.477716	-0.693540
EPS	-0.477716	1.000000	0.869237
ROE	-0.693540	0.869237	1.000000

Table 4.2 Multikolinearitas Test

Source: Eviews Calculation Result

From the results of the correlation coefficient test between the independent variables, there is no multicollinearity between the independent variables CR and EPS, CR and ROE, EPS and CR, and ROE and CR where the correlation value between the independent variables is below 0.85.

However, the correlation value between EPS and ROE variables is above 0.85. This indicates a multicollinearity problem between the independent variables. The multicollinearity problem in the regression equation in this study, the estimator is still BLUE so that individually the independent variables do not affect the dependent variable through the t test and f test. Therefore, the authors did not make changes.

With the multicollinearity problem, the regression results still produce BLUE estimators because the BLUE estimator problems do not require the assumption of no correlation between independent variables (Widarjono 2016: 108-110).

4.3. Regression Analysis Results

Dependent Variable: Stock_Price

Method: Least Squares

Included observations: 32

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	26890.70	2392.173	11.24112	0.0000
CR	-23862.87	2788.755	-8.556817	0.0000
ROE	-11972.20	1376.985	-8.694503	0.0000
EPS	14.09273	2.478621	5.685715	0.0000

Table 4.3 Regression Analysis Results

Source: Eviews Calculation Result

Multiple regression model in analyzing CR, ROE and EPS of PT. Unilever Indonesia, Tbk (UNVR) as follows:

$$Y (\text{UNVR}) = \beta_0 + \beta_1 (\text{CR}) + \beta_2 (\text{ROE}) + \beta_3 (\text{EPS}) + e$$

Based on the results of multiple regression analysis in table 4.3 above, the coefficients for the independent variables are CR = -23862.87, ROE = -11972.20 and EPS = 14.09273, with an intercept / constant of 26890.70. So that from these results the regression equation model is:

$$Y (\text{UNVR}) = 26890.70 - 23862.87 (\text{CR}) - 11972.20 (\text{ROE}) + 14.09273 (\text{EPS}) + e$$

4.4. Hypothesis test

4.4.1. T Test

Dependent Variable: Stock_Price
 Method: Least Squares
 Included observations: 32

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	26890.70	2392.173	11.24112	0.0000
CR	-23862.87	2788.755	-8.556817	0.0000
ROE	-11972.20	1376.985	-8.694503	0.0000
EPS	14.09273	2.478621	5.685715	0.0000

Table 4.4 T Test
Source: Eviews Calculation Result

4.4.2. F Test

F-statistic	22.22608
Prob(F-statistic)	0.000000

Table 4.5 Hypothesis Test (Simultaneous F)
Source: Eviews Calculation Result

4.5. Coefficient of Determination

R-squared	0.704261
Adjusted R-squared	0.672575

Table 4.6 Determination Coefficient Test (R²)
Source: Eviews Calculation Result

V. CONCLUSION AND RECOMMENDATION

5.1. Analysis of the Effect of Current Ratio on the Stock Price

The variable Current Ratio (CR) partially has a significant correlation coefficient value to the stock price of PT. Unilever Indonesia Tbk. This shows that the fluctuation in the value of the Current Ratio (CR) does not affect the fluctuation of the Unilever Stock Price. This can be seen from the results of the t test calculation for the CR variable, where t count (-8.556817) < t table (2.048).

Current Ratio (CR) is the liquidity ratio, this ratio is an indicator to describe the company's ability to pay all short-term liabilities or debts that are due immediately when billed with current assets as a whole.

The results of this study indicate that PT. Unilever Indonesia, Tbk during the first quarter of 2011 to the fourth quarter of 2018 has the ability to pay current debts (short-term debt) with its current assets. This means that the current assets it owns are still greater than current debts that must be paid at maturity.

5.2. Analysis of the Effect of Earning Per Share on the Stock Price

Variable Earning Per Share (EPS) partially has a positive and significant correlation coefficient on the stock price of PT. Unilever Indonesia Tbk. This illustrates that the fluctuation of the value of Earning Per Share (EPS) greatly affects the fluctuation of the stock price. This can be seen in the results of the t test calculation for the EPS variable, where t count (5.685715) > t table (2.048).

Earning Per Share is a profitability ratio, where this ratio is very important for investors because through this ratio it can be seen to what extent the investment made by investors is able to provide a profit in accordance with the expected level because EPS information can describe the earnings of a company in the

future. With that, prospective shareholders will be very interested in investing because the higher the value of EPS, the greater the profits will be

The results of this study indicate that the EPS value increased during the first quarter of 2011 to the fourth quarter of 2018, PT. Unilever Indonesia, Tbk has shown better performance in generating operating profits.

5.3. Analysis of the Effect of Return on Equity on the Stock Price

The variable Return on Equity (ROE) partially has a significant correlation coefficient value on the stock price of PT. Unilever Indonesia Tbk. This shows that the fluctuation in the value of Return on Equity (ROE) does not affect the rise and fall of Unilever's Stock Price. This can be seen from the results of the t test calculation for the USD exchange rate variable, where t count $(-8.694503) > t$ table (2.048) .

Return on Equity (ROE) is the ratio of profitability, where this ratio is very important for investors because through this ratio it can be seen the company's ability to generate profits with its own capital, so this ROE is called its own capital profitability.

The results of this study indicate that all profits generated by PT. Unilever Indonesia, Tbk during the first quarter of 2011 to the fourth quarter of 2018 showed that it was able to generate good enough profits so that this could affect investors in investing their capital.

5.4. Simultaneous Analysis of the Effect of CR, ROE and EPS on The Stock Price

Current Ratio (CR), Return on Equity (ROE), and Earning Per Share (EPS) variables together have a significant influence on The Stock Price of PT. Unilever Indonesia, Tbk for the 2011 – 2018 periods. This is indicated by the value of F count $(22.22608) > F$ table (2.82) .

5.5. Determination Coefficient Test Results

From the results of these calculations, the influence of the independent variable on the dependent variable which can be explained by the model in this equation is 0.704261 or 70.42%. This shows that the variations in CR, ROE and EPS are able to explain variations in the rise or fall of the PT. Unilever Indonesia Tbk amounted to 70.42% while the remaining 29.58% was explained by other variables not included in this regression model.

5.6. Recommendation

Based on these results, PT Unilever Indonesia, Tbk need to increase Current Ratio, Earning Per Share, and Return on Equity in order to generate higher the Stock Price. Furthermore, it is also necessary to carry out further research from other companies in the consumer good sector that have been listed in Indonesia Stock Exchange.

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