THE EFFECT OF CAPITAL STRUCTUREPROFITABILITY AND MARKET RATIOS ON STOCK PRICE IN THE PROPERTY SECTOR

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ABSTRACT: *The aim of this research is to investigate capital structure profitability and market ratio especially in the property sector and make it such an experience in the field of investment, especially for assessing the company's stock wich heavily influenced by a variety of both internal and external aspects of the company. The method used in this research is descriptive to illustrate the data obtained, and verification which aims to determine causal relationships between variables a statistical hypothesis test. Samples taken as 32 companies using purposive sampling technique that has passed through various predetermined criteria. Results of the research found that partially Return On Assets has a significant relationship to the stock price, while the Debt to Equity Ratio and Book Value per Share were not. While simultaneously concluded that the DER, ROA, and BVS jointly significant effect on stock price.*

Keywords: Capital Structure; Profitability; Market Ratios; Stock Price

1. INTRODUCTION

The capital market is seen as an effective means to raise funds from the public [1], it is possible because the capital market is a tools that can raise long-term movement of investment funds from the community to be channeled into business sectors. The conditions such as these the role of financial manager to be very important [2] in running three functions, namely (1)determine the optimal sources of funds to finance various investment alternatives, so as to maximize the value of the company is reflected in the market price of its shares. (2)making investment decisions that include fund allocation decisions, whether the funds come from within the company or outside the company on various forms of investment. (3)running the dividend policy which determines the proportion of profits to be distributed to shareholders which will be used to fund investment in the future. Investment is the allocation of funds in the hope of benefit in the future [3], various forms of existing investments, such an investment in securities. The investment decision is very important [4] because it will affect the core of the entire financial analysis which ends with the value of the company. The value of the company can be measured by share market price. Market price shows the price investors are willing to pay. The market price may be higher or lower than its book value [5]. Comparison between market value to book value of the shares higher indicates investors' assessment of the company is better [6]. It was also reflecting the desire of shareholders, because the high value of the company indicates high prosperity of shareholders. The market value can be seen through the company's stock price that occurred in the stock at a given moment, determined by the market participants [7]. The decisions, investment decisions and dividend policy partially positive effect on the value of the company [8][9]. Dividend policy directly affects the value of

the company and indirectly affect investment decisions corporate value through dividend policy and funding decisions [9]. Decisions are interrelated to one another so that we must consider the joint impact of all three of the company's stock market price.

The value of a company determined by the earning power of the assets of the company, the higher the earnings power more higher profit margins from the company thereby increasing the value of the company [10]. Investors are willing to pay a higher stock price if there's a safety capital or the value of the net assets of the claims are higher. Book value variable is the ratio of capital equity book value by the number of shares outstanding. The higher the expectations, more higher the book value of the stock market value [11]. Representing the book value of the company's physical assets. Investing in property sector generally long term and will grow in line with economic growth [12]. But had fallen during the economic crisis of 1998, and re-emerged in 2004, estimated the property business will experience a heyday as 1996. In 2007 an estimated property peaked and headed turning point so that the developer had anticipated the possibility of risks that arise in the coming period [13]. Based on the thought and the arises phenomenon, the question in this research is a significant difference between capital structure, profitability, and market ratio on stock prices in the property sector in Indonesia Stock Exchange either partially or simultaneously? So that readers know the effect of each of these factors, especially in the property sector and make it an experience, increase knowledge, expand knowledge in the field of investment, especially in assessing the company's stock is heavily influenced by a variety of both internal and external aspects of the company. Moreover as reference material for individuals companies who are interested to invest.
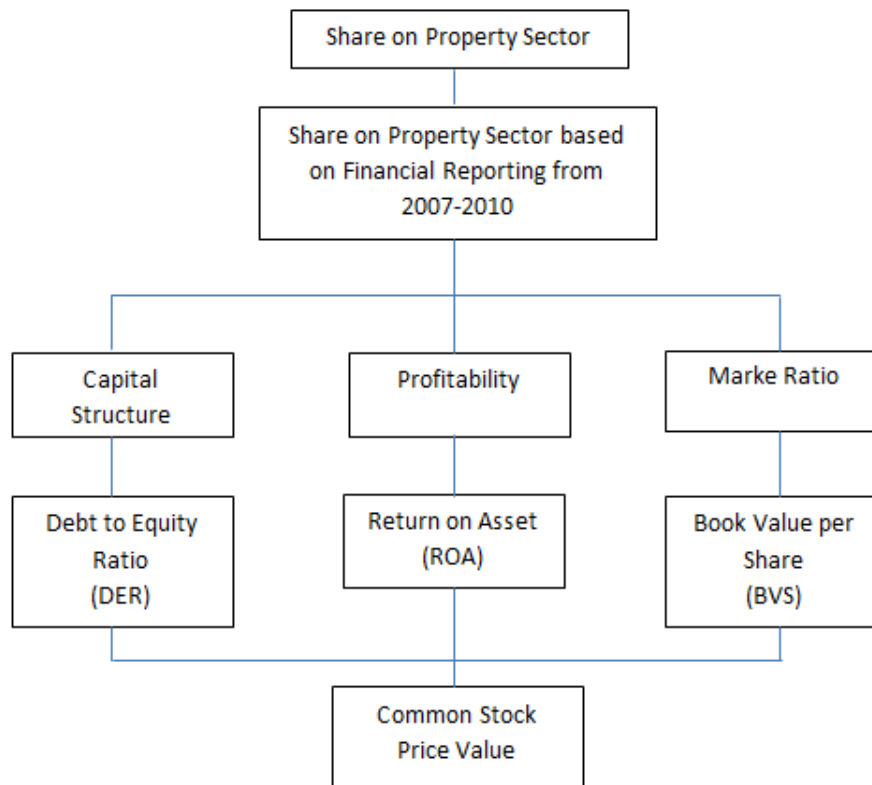
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┌─────────────────────────────┐
│   Share on Property Sector  │
└─────────────────────────────┘
              │
┌─────────────────────────────┐
│  Share on Property Sector based │
│  on Financial Reporting from │
│         2007-2010           │
└─────────────────────────────┘
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Capital Structure	Profitability	Marke Ratio
Debt to Equity Ratio (DER)	Return on Asset (ROA)	Book Value per Share (BVS)

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              ┌─────────────────────┐
              │  Common Stock       │
              │  Price Value        │
              └─────────────────────┘
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Fig 1: Research Framework

Hypothesis

Based on the frame work from the above can be assumed hypothesis as follows:

H1 : Debt to Equity Ratio significantly affecting on stock price ofthe property sector

H2 : Return on Assets Stock Price significantly affecting the property sector

H3 : Book Value per Share significantly affecting the stock price on property sector

H4 : Debt to Equity Ratio, Return on Assets, Book Value per Share is jointly significant affecting on stock price on property sector

2. LITERATUR REVIEW

2.1 THE RELATIONSHIP OF CAPITAL STRUCTURE MEASURED BY DER ON STOCK PRICE

The capital structure is a mix or the proportion of long-term loans, preferred stock and common stock [14]. Then the capital structure is measured by Debt to Equity Ratio (DER), which was formulated by the amount of long-term loans divided by equity capital [15]. So in general that the capital structure provides an overview of how the financing companies is done by using a source of long-term funds, own capital in the form of common stock, preferred stock and retained earnings which can be measured by the level of Debt to Equity Ratio [16], Debt to Equity Ratio showed a comparison of funds provided by the owner or management company derived from the company's creditors. The higher DER showed a high dependence on external capital company so that the company is also increasingly heavy burden [17]. Surely this will reduce the rights of shareholders (in the form of dividends). The high DER will further affect investor interest in a particular company's stock, since investors are definitely more interested in stocks that do not bear too much of the burden of debt. In other words, DER affect the company's performance [7]

2.2 THE RELATIONSHIP OF PROFITABILITY RATIOS MEASURED BY ROA ON STOCK PRICE

Profitability is the relationship between revenues and costs generated by using the firm's current and fixed assets in productive activities [18]. In other words that profitability is a corporate profits derived from the sale or investment companies [2]. The company's profit can be measured as one of the indicators that influence stock prices. The value of a company is determined by the earning power of the assets of the company, the higher the earnings power higher profit margins from the company thereby increasing the value of the company [19]. Assets of an enterprise funded by shareholders and creditors, so that these assets will be working capital for the company to do business [20]. While the Company's operating results expressed in terms of net profit or earnings after tax (EAT). Thus the ratio between the EAT against the assets as a whole will show the size of the productivity of assets in providing returns to capital [21]. The higher this ratio indicates that the company is more effective in using assets to generate a net profit after tax [22]. Thus the higher ROA, the more effective the company's performance. This in turn will increase the attractiveness of the company to investors. Increased attractiveness of the company to make the company more attractive to investors, because the rate of change will be even greater [23]. It will also have an impact that stock prices of these companies in the capital market will also increase. In other words ROA will affect the company's stock price [7].

2.3 THE RELATION SHIP OF MARKET RATIOS MEASURED BY BVS ON STOCK PRICE

An investor would expect to earn profits from its investments [24]. Therefore, before deciding to buy a stock, an investor needs to know the burden of shares to be purchased, as stocks with a lighter load levels will certainly be more attractive to investors, as it will provide greater profit. Ratio to measure the value of shareholders' equity for any shares referred to as the ratio of the market [23], the Book Value per Share, which describes the ratio of total capital (equity) to the number of shares. The higher the expectations, the book value of the stock market value is also high [11]. Representing the book value of the company's physical assets, other than that the greater the ratio of BVS, then the shares will be more attractive to investors so that the stock price will rise. Thus the BVS affect stock prices [15]. The real value of a stock is determined by the fundamentals of a company. Investors made the decision to plant his money by buying shares after consideration of the issuer earnings, sales growth, and assets during a certain period of time. In addition the prospect of this company in the future is very important to consider is the PER, DPS, PBV, ROA, ROE [25].

3. RESEARCH METHODS

3.1 SAMPLE AND DATA COLLECTION

This research uses a public company's stock price listing in BEI period 2007-2010. Samples were taken by purposive sampling techniques with certain criteria, namely (1)The companies listed on the Stock Exchange in the property sector. (2)Companies whose financial statements have been audited by an independent auditor (3)The Company which is not anoutlier in the testing sample data. Data collection techniques in this research include (1)Library research, literature studied, articles and results of previous research directly related to the matter to be investigated. (2)Field research is doing research by way of spaciousness.

3.2 TYPES AND SOURCES OFDATA

The data used by the authors are secondary data, among others, (1)The closing price of the stock price is incorporated in the property sector (2)Summary of financial sector issuers property (3)Other data were obtained from literature sources, magazines, financial journals and previous relevant research.

3.3 DATA ANALYSIS TECHNIQUES

The method used in this research is to carry out the descriptive method to describe phenomena of data captured [26] and verification method to determine the causal relationship between variables. Data obtained during research process then analyze and interpreted further by using Multiple Linear Regression and Correlation Analysis

4. RESULTS/DISCUSSION

4.1 RESULTS

Classical Assumption

On normality test to obtain the results that the whole level of significance on the research variables are normally distributed, it can be seen from the level of significance that happens all the variables ranging over $\alpha = 0.05$. Which indicates that the sample has normal distribution. Auto correlation test shows that there is no autocorrelation, where

the value of the Durbin-Watson (DW) of 1.399 which is in the interval $-2 < DW < 2$, thus assuming non autocorrelation met. Based on a scatter diagram above, shows that the spread of residuals is not homogeneous. This is because the plots are spread out and do not form a particular pattern. With such results proved that no symptoms of the regression equation homokedasticity or meet the assumption of non heteroskedasticity. At multicollinearity test computed VIF value smaller than 5 so that it can be concluded that there are no multicollinearity among variables freely. Based on all the classic assumption test results above, it can be concluded that the above regression analysis model meets all the classic assumption or meet the test validity.

Regression equations statistical calculation results obtained by the research model as follows:

$$Y= 233,708 - 48,176 X_1 + 58,041X_2 + 0,051X_3 + \varepsilon$$

From the results of the equation shows that the constant of 233.708 states if ROA(X2) is constant then the stock price is Rp. 233.708. From the calculation of ROA regression coefficient analysis was 58.041 states that any additions (positive velue) ROA of 1% would raise the stock price of 58.041. So every ROA increased value high, it will raise the price of shares and if the value of a low ROA it will lower the stock price, nor with the BVS(X3), but inversely proportional to the DER(X1).

Hypothesis Testing

The result test of simultaneously obtained that p-value=0,000. It means that Ho is rejected because the p-value<0,005 then simultaneously DER, ROA and BVS significant effect on stock prices.The partially obtained the following results:

1. DER not significantly affect the stock price, because p-value>0,005 or 0.310> 0.05.
2. ROA significantly influence stock prices, because p-value<0,005 or 0.000> 0.05.
3. BVS not significantly affect the stock price, because the p-value>0,005 or 0.429>0.05.

Partially results that the variables that significantly influence the stock price is Return on Assets (ROA), while the Book Value per Share (BVS) and Debt to Equity Ratio does not havea significant impact on the stock price the property sector.

4.2. DISCUSSION

The development of the capital structureas measured by the DER that has an average DER property company is 0.95891 times the period on 2007-2010. DER value difference is due to the greater use of foreign capital chosen by the company, the company's financial behavior tends to be on risk taker or risk takers. Where as the opposite, in companies that tendouse their own capitalis referred to as risk a verter. Based on the results of research conducted in the ROA development company on property sector period 2007-2010 the average ROA property companies on 2007-2010 period is 2.59484%. The average of ROA on Property sector fluctuated year to year, is caused by the difference in performance of the company which produces the profitability of the company are achieved as a result of the use of assets owned by the

company to achieve profits or maximum profit. Based on there search conducted, the development of Book Value per Share company on property sector period 2007-2010 the average property company BVS 2007-2010 period is Rp 294.648,00 average BVS from year to year the varied sectors of property value due to the difference the amount of own capital (equity) and the number of shares outstanding in each company. The higher the value the better the BVS, the expectations of stock market value is also high because the book value represents acompany's physical assets. The development of the company on property sector stock price on 2007-2010 shown that the average price of property companies on 2007-2010 is Rp 353.234,00. The diversity of the stock price due to differences in the number of requests and offers for shares of a company. If there's high demand for shares its affecting of reducing share price but it could be a lower price if demand is decreasing even stable.

5. CONCLUSION

Overview DER in property sector fluctuated from year 2007-2010, the ROA of company average property sector is positive with an average ROA of 2.59484%. BVS property sector has always increased and the average BVS in the research period is Rp 294.648,00. And the property sector stock prices have always increased with the average in the research period   Rp 353.234,00. The effect of capital structure, profitabillitas and the ratio of market to simultaneously affecting the stock price and give the effect of 54.9% while the remaining 45.1% is influenced by other variables not examined in this research. The results showed that the coefficient of adjusted R^2 of the regression model can explain the variation of stock returns of 54.9%. And partially that have a significant impact on stock prices is the effect ROA of 72.8% while DER and BVS does not have a significant influence on stock prices and only give the effect by 1.4% and 47.7%. Investors can invest more wisely by observing the performance of the company based on financial statement information, and analysis of shares traded in the capital market. For more property sector companies improving corporate performance especially fundamentals factors make the investors for deciding their investment ratings. To further research many factors that must be considered in examining the condition of a company's stock or market conditions as well as the company objects to be studied more broadly, in order to illustrate the general condition and represent the whole.

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