The Influence of Financial Ratio on Stock Price of LQ45 Index Companies Listed on Indonesia Stock Exchange

Teo Li Jin¹, Robinhot Gultom², Ella Silvana Ginting³
¹,²,³ Study Program of Management, Faculty of Business, Mikroskil University, Medan, Indonesia

ABSTRACT

This study aims to determine and analyze the effect of financial ratios (Return on Equity, Earning Per Share, and Debt to Equity Ratio) simultaneously or partially on stock prices of LQ45 index companies listed on the Indonesia Stock Exchange for the 2018-2020 period. The data analysis method used is the multiple linear regression method. The population in this study amounted to 62 companies and the number of samples obtained was 24 companies. The sampling method used a purposive sampling technique. Based on the results of data testing, it is known that simultaneously, Return on Equity, Earning Per Share, and Debt to Equity Ratio have a significant effect on stock prices of LQ45 index companies listed on the Indonesia Stock Exchange for the 2018-2020 period. Partially, Earning Per Share has a significant positive effect on stock prices of LQ45 index companies listed on the Indonesia Stock Exchange for the 2018-2020 period. However, Return on Equity and Debt to Equity Ratio have a significant negative effect on stock prices in LQ45 index companies listed on the Indonesia Stock Exchange for the 2018-2020 period.

INTRODUCTION

Currently, countries in the world are faced with the great challenge of handling the Covid-19 pandemic that has spread throughout the world. The pandemic, which started in the city of Wuhan, China, has caused global shock because in recent decades there has never been an attack of a virus outbreak with such a fast and massive transmission rate as this Coronavirus (Mukti, 2021). The spread of Covid-19 has had a major effect on the world economy. Before the Coronavirus spread, some international institutions predicted the pace of the world economy to weaken due to several global factors such as trade wars, geopolitics and others (Kusuma, 2020). The presence of Covid-19 is considered an additional impact that will weaken world economic growth and affect the dynamics of the stock market which causes stocks around the world to decline. The slowdown in economic growth is not only experienced by Indonesia, but many countries have also experienced economic contraction due to the implementation of lockdown policies, and policies taken to stem the spread of the Coronavirus (Thomas, 2020).

The decline in the Indonesia Composite Index (ICI) performance also impacted large-cap stocks incorporated in the LQ45 Index. The performance of LQ45 index stocks in the stock market slumped as investors feared amid the economic slowdown and the Coronavirus outbreak fell 22% since the beginning of 2020. All stocks in the LQ45 index have experienced a decline. It was noted that the largest decline in the share price occurred in PT. Waskita Karya (WSKT) has dropped by 59.6% since the beginning of the year. Meanwhile, PT. Indofood CBP Sukses (ICBP) experienced the lowest decline of 11.66% (Jayani, 2020). At the beginning of 2021, the Covid-19 pandemic still negatively influenced the Indonesian stock market. Concerning the LQ45 index, most of the stocks that are members of the index are still showing negative performance from the previous year. Only a subset of stocks shows positive price movements. The stocks that performed positively last year and this year stayed in the green zone are PT. Merdeka Copper Gold Tbk (MDKA), PT. Aneka Tambang Tbk (ANTM), PT. Indo Tambangraya Megah Tbk (ITMG), PT. Tower Bersama Infrastructure Tbk (TBIQ), PT. Sarana Menara Nusantara Tbk (TOWR), PT. Egayu Swasembada Tbk (ERAA), and PT. Japfa Tbk (JPFA) (Qolbi, 2021).

Some studies examine investor buying and selling trends showing that the impact of the Covid-19 pandemic has caused low investor sentiment towards the market which ultimately brings the market towards a negative trend. Companies that experienced a decline in stock prices were also due to a decrease in the

Corresponding Author:
Teo Li Jin,
Study Program of Management, Faculty of Business
Mikroskil University,
Thamrin Street No 112, 124, 140, Medan City 20212, North Sumatera, Indonesia.
Email: lsnfl@ccu.edu.tw

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

This is an open access article under the CC BY-NC license

DOI : https://doi.org/10.54076/juket.v2i2.238
ISSN : 2807-4009 | Vol. 2 Issue 2, November 2022
company's fundamentals (Nasution, Erlina, & Muda, 2020). One of the fundamental factors of the company that is focused on in this study is financial performance through financial ratios such as Return On Equity, Earning Per Share and Debt to Equity Ratio.

Return On Equity is a ratio that shows how much equity contributes to creating net income. In other words, Return On Equity is used to measure how much net profit will be generated from each dollar of funds embedded in the total equity. The higher the Return On Equity means the higher the amount of profit generated from each rupee of funds embedded in the equity and vice versa [7]. The higher the Return On Equity value, of course, it will attract investors to invest in the company concerned because it indicates that the company has a good performance and as a result, the stock price will also be high (Tumandung, Murni, & Baramuli, 2017).

Earnings Per Share is a ratio to measure the success of a company's management in providing benefits for ordinary shareholders. Earning Per Share shows the relationship between the amount of net profit and the share of shareholder ownership in the investee company. The higher the Earning Per Share value of the meal company, the higher the profit will be distributed to shareholders and the higher the stock price of the company in question (Sutapa, 2018).

Another factor that can affect stock prices is the leverage ratio as measured by the Debt to Equity Ratio. Debt to Equity Ratio is a ratio used to measure the proportion of debt to capital. This ratio is calculated as a quotient between total debt and capital. In other words, Debt to Equity Ratio serves to find out how many parts of each rupee of capital are used as debt collateral. The higher the Debt to Equity Ratio, the smaller the amount of owner capital that can be used as collateral for debt (Hery, 2017). A high Debt to Equity Ratio value will be at risk to investors’ investment decisions as it will trigger a decline in the stock price and reduce the demand for the stock (Dewi & Suaryana, 2103).

**RESEARCH METHOD**

This research is quantitative research that emphasizes its analysis of numerical data which will be processed with statistical methods for the interpretation of data. This research was conducted of LQ45 index companies listed on the Indonesia Stock Exchange for the 2018-2020 period.

2.1. **Data Collection Method**

The method of data collection techniques were carried out using two methods:

1. Literature method
   The literature method is carried out by collecting theoretical information such as journals with ISSN, articles and other reading sources related to the problem to be studied to obtain the theoretical foundation used in research.

2. Documentation method
   The documentation method is carried out by collecting secondary data in the form of financial data of companies selected as samples in the 2018-2020 period for the calculation of stock prices and financial ratios through the www.idx.co.id website and the website of each company.

2.2. **Population and Sample**

The population of this study is LQ45 index companies listed on the Indonesia Stock Exchange for the 2018 - 2020 period, which is 62 companies. The sample selection technique used is the purposive sampling technique, which is a sample selection technique based on the specified criteria. Based on the sample selection technique, a sample of 24 companies was obtained and a total of 72 companies observation data were obtained.

<table>
<thead>
<tr>
<th>Table 1. Sample Selection Criteria</th>
</tr>
</thead>
<tbody>
<tr>
<td>Details</td>
</tr>
<tr>
<td>Population:</td>
</tr>
<tr>
<td>LQ45 Index Companies listed on the Indonesia Stock Exchange for the 2018-2020 period</td>
</tr>
<tr>
<td>Criteria:</td>
</tr>
<tr>
<td>1. LQ45 Index companies that are not consecutively included in the order of the LQ45 Index on the Indonesia Stock Exchange during the 2018-2020 period</td>
</tr>
<tr>
<td>2. LQ45 Index companies that do not present financial statements denominated in rupee</td>
</tr>
<tr>
<td>3. LQ45 Index companies that did not successfully earn positive profits in the period 2018 -2020</td>
</tr>
<tr>
<td>Total sample</td>
</tr>
<tr>
<td>Total observation (3 years x 24)</td>
</tr>
</tbody>
</table>
Results and Discussions

3.1. Descriptive Statistic

Based on data on the amount of Return On Equity (ROE), Earnings Per Share (EPS), Debt to Equity Ratio (DER) to stock prices, descriptive statistics are made where these statistics provide an overview of the minimum value, maximum value, average value and standard deviation for the data used in the study.

<table>
<thead>
<tr>
<th>Table 2. Descriptive Statistic</th>
</tr>
</thead>
<tbody>
<tr>
<td>N</td>
</tr>
<tr>
<td>----</td>
</tr>
<tr>
<td>ROE</td>
</tr>
<tr>
<td>EPS</td>
</tr>
<tr>
<td>DER</td>
</tr>
<tr>
<td>Stock Price</td>
</tr>
</tbody>
</table>

Based on Table 2, it can be explained that the mean value generated by the variables Return On Equity, Earning Per Share, Debt to Equity Ratio and stock price is higher than the standard deviation value, illustrating that the data deviation that occurs is high where the observation data is scattered away from its average value and shows a lot of data variation.

Return On Equity (ROE) variable has a minimum ROE value of 0.0088 contained in PT Bank Tabungan Negara Tbk (BBTN) in 2019. While the maximum ROE value is 1.4509 contained in PT Unilever Indonesia Tbk (UNVR) in 2020. The industry standard ROE is 40% [12]. The resulting mean value is less than the industry standard value (19.16% < 40%). This shows that the average LQ45 index company listed on the Indonesia Stock Exchange for the 2018-2020 period has not been able to maximize the use of overall capital in generating profits.

Earning Per Share (EPS) variable has a minimum EPS value of 8.0668 contained in PT Aneka Tambang Tbk (ANTM) in 2019. While the maximum value of EPS is 5654.9929 contained in PT Gudang Garam Tbk (GGRM) in 2019. The mean value is lower than the standard deviation value (622.476000<1004.333614) meaning that the data deviation that occurs is high where the observation data is scattered away from the average value and shows a lot of data variation. This shows that the average LQ45 index company listed on the Indonesia Stock Exchange for the 2018-2020 period does not yet have a good ability to generate a return on each share outstanding.

Debt to Equity Ratio (DER) variable has a minimum value of DER is 0.1864 contained in PT Kalbe Farma Tbk (KLBF) in 2018. While the maximum value of DER is 16.0786 contained in PT Bank Tabungan Negara Tbk (BBTN) in 2020. DER industry standard is 90% [12]. The resulting mean value is higher than the industry standard value (219.12% > 90%). This shows that the average of LQ45 index company listed on the Indonesia Stock Exchange for the 2018-2020 period has not been able to manage debt based on the capital owned.

The stock price variable has a minimum share price value of 690 contained in PT Media Nusantara Citra Tbk (MNCN) in 2018. While the maximum value of the share price is 16.0786 contained in PT Gudang Garam Tbk (GGRM) in 2020. The mean value is lower than the standard deviation value (8,238 < 12,676) meaning that the data deviation that occurs is high where the observation data is scattered away from the average value and shows a lot of data variation. This shows that LQ45 index companies listed on the Indonesia Stock Exchange for the 2018-2020 period have an unevenly distributed stock price value which indicates high volatility.

3.2. Simultaneous Significance Test (F Statistical Test)

Statistical test F basically shows whether all the independent variables used in the model have an influence on the dependent variables.

<table>
<thead>
<tr>
<th>Table 3. Simultaneous Significance Test Results (F Statistical Test)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model</td>
</tr>
<tr>
<td>Regression</td>
</tr>
<tr>
<td>Residual</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Ln_Stock_Price
b. Predictors: (Constant), Ln_DER, Ln_EPS, Ln_ROE

Based on Table 3 that F "table" = 2.77 (df = n-k-1 = 61-3-1 = 57 and the significance level of α = 0.05) so that it is obtained (F "count" = 50.535) > (F "table" = 2.77) with (significance value = 0.000 < 0.05). Thus, it can be concluded that Return On Equity, Earning Per Share and Debt to Equity Ratio simultaneously had a
significant effect on the stock price of LQ45 index companies listed on the Indonesia Stock Exchange for the 2018-2020 period.

3.3. Partial Significance Test (t Statistic Test)

A partial test (t-test) basically shows how far one independent variable affects the dependent variable.

Table 4. Partial Significance Test Results (t Statistic Test)

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>2.956</td>
<td>.502</td>
<td></td>
<td>5.885</td>
</tr>
<tr>
<td>Ln_ROE</td>
<td>-0.409</td>
<td>.096</td>
<td>-.341</td>
<td>-4.273</td>
</tr>
<tr>
<td>Ln_EPS</td>
<td>0.808</td>
<td>.067</td>
<td>.992</td>
<td>11.998</td>
</tr>
<tr>
<td>Ln_DER</td>
<td>-0.178</td>
<td>.064</td>
<td>-.216</td>
<td>-2.781</td>
</tr>
</tbody>
</table>

Based on Table 4 that $t_{table} = 2.00247$ (df = n-k-1 = 61-3-1 = 57 and the significance level of $\alpha = 0.05$). The following are the conclusions of the results of the partial test (t-test) above as follows:

1. Effect of Return on Equity on stock price

Based on Table 4 it is known that ($t_{count} = | -4.273 | > t_{table} = 2.00247$) and (significant value = 0.000) < 0.05 it can be concluded that Return On Equity has a significant effect on stock prices. The negative coefficient is -0.409 which indicates that the Return On Equity partially has a significant negative effect on the stock price of LQ45 index companies listed on the Indonesia Stock Exchange for the 2018-2020 period.

2. Effect of Earning Per Share on stock price

Based on Table 4 it is known that ($t_{count} = 11.998$) > ($t_{table} = 2.00247$) and (significant value = 0.000) < 0.05 it can be concluded that Earning Per Share has a significant effect on stock prices. The positive value coefficient is 0.808 which indicates that Earning Per Share partially has a significant positive effect on the stock price of LQ45 index companies listed on the Indonesia Stock Exchange for the 2018-2020 period.

3. Effect of Debt to Equity Ratio on stock price

Based on Table 4 it is known that ($t_{count} = | -2.781 | > t_{table} = 2.00247$) and (significant value = 0.007) < 0.05 it can be concluded that Debt to Equity Ratio has a significant effect on stock prices. The negative value coefficient is -0.178 which indicates that the Debt to Equity Ratio partially has a significant negative effect on the stock price of LQ45 index companies listed on the Indonesia Stock Exchange for the 2018-2020 period.

Based on Table 4, it can be seen that the results of multiple linear regression equations are as follows:

$$\text{Stock price} = 2.956 - 0.409 \text{Ln}_\text{ROE} + 0.808 \text{Ln}_\text{EPS} - 0.178 \text{Ln}_\text{DER}$$

From the regression equation above, it can be concluded that:

1. A constant value is 2.956 means that if the variables Return On Equity, Earning Per Share, Debt to Equity Ratio is zero (0), then the value of the stock price is 2.956 units.

2. The value of the coefficient of Return on Equity is -0.409 means that every increase in the variable Return on Equity by one unit, then the value of stock price will decrease by 0.409 units assuming variables other than Return on Equity are constant or zero (0).

3. The value of the Earning Per Share coefficient of 0.808 means that every increase in the Earning Per Share variable is by one unit, then the value of the stock price will increase by 0.808 units assuming variables other than Earning Per Share are constant or zero(0).

3.4. Coefficient of Determination Test ($R^2$)

The coefficient of determination ($R^2$) essentially measures how far the model's ability to explain variations in dependent variables is. The value of the coefficient of determination is between zero and one. A small $R^2$ value means that the ability of independent variables to explain dependent variables is very limited.

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.852</td>
<td>.727</td>
<td>.712</td>
<td>.47360</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Ln_DER, Ln_EPS, Ln_ROE
b. Dependent Variable: Ln_Stock_Price

Based on Table 5, it can be seen that the Adjusted R² value obtained is 0.712 which means that the variable stock price able to be explained by the variables Return On Equity, Earning Per Share, Debt to Equity Ratio which is 71.2% while the remaining 28.8% is explained by other variables that were not studied in this study.

3.5. Discussion

1. Effect of Return on Equity on stock price

Return On Equity has a significant negative effect on the stock price of LQ45 index companies on the Indonesia Stock Exchange for the 2018-2020 period. This research is in line with previous research which stated that Return On Equity has a significant negative effect on stock prices [13] However, this study is not in line with research that states that Return On Equity does not have a significant effect on stock prices. This happens because it turns out that the company's profit, which is one of the indicators of calculating ROE, is not the only indicator in making stock price decisions. The cost of capital is also strongly influenced by interest rates [9]. In addition, investors are not interested in getting long-term profits in the form of dividends, but are interested in short-term profits, namely capital gains, so in considering stock purchases do not consider the company's Return On Equity but follow the trends that occur in the market, as well as the global economic crisis which adds negative sentiment to investors about the company's prospects regarding efficiency in using its own capital to generate profits (Mevlani, 2019).

Return On Equity which negatively affects the stock price can be caused because investors see a low Return On Equity value can harm the condition of the company. Return On Equity to show how much profit the company can make from every one rupiah invested by shareholders. The increased Return On Equity indicates that the company's performance is improving as well as the company can provide greater income through dividends to be distributed so that it will eventually be able to increase the stock price [15]. Vice versa, the declining Return On Equity shows that the company is unable to generate profits from its own capital for all shareholders, thus reducing the interest of investors to invest in the company concerned because it indicates that the company has a less than optimal performance and as a result, the stock price will also fall.

Return On Equity has a significant negative effect on the stock price can be seen in PT AKR Corporindo Tbk (AKRA) which recorded the value of Return On Equity in 2019 decreased from 0.1608 to 0.0698 so that the stock price also decreased from IDR 4,290 per share to IDR 3,950 per share. This is in line with the decrease in total sales and operating income by 7.65%, followed by a decrease in net profit by 55.95%, which fell from IDR 1.59 trillion to IDR 703.07 billion (Aziz, 2020). In addition, the Return On Equity of PT Bank Negara Indonesia Tbk (BBNI) also decreased from 2019 0.1241 to 0.0294 in 2020. The decline in the value of Return On Equity was caused by a decline in net profit by 78.7% from IDR 15.5 trillion to IDR 3.32 trillion where the decline in profit was caused by a decrease in interest income and fertilization of the company's reserves to minimize credit risk. This also had an impact on the decline in the stock price from IDR 7,850 to IDR 6,175 due to a decline in net profit which was quite plummeting. A decrease in the value of Return On Equity is always followed by a decrease in the stock price so that the market indicates that the company has a poor performance.

2. Effect of Earning Per Share on stock price

Earning Per Share has a significant positive effect on the stock price of LQ45 index companies on The Indonesia Stock Exchange for the 2018-2020 period. This research is in line with previous research which stated that Earning Per Share had a significant positive effect on stock prices. Earning Per Share is a variable that must be considered by investors before investing in a company. Because the increase in the value of Earning Per Share is also followed by an increase in the stock price (Gunawan, Funny, Marcella, Evelyn, & Sitorus, 2020). However, this research is not in line with research that states that Earning Per Share does not have a significant effect on stock prices. This means that the company cannot manage the stock investment fund properly. Several Finternal and external factors of the company are an important part of developing stockholder investor funds, where how much change in net income or outstanding stock (the number of shares outstanding) will result in a change in the value of Earnings Per Share (Zannati & Budiarti, 2021).

This shows that if the value of Earnings Per Share is high, it shows that the company has a high level of ability to generate net profit so that it has a positive impact on investors, namely being able to obtain a large profit per share, which has an impact on the demand for shares. If the stock price increases, the demand for shares will also increase and vice versa, if Earnings Per Share decreases, the welfare of shareholders will decrease due to small returns. By paying attention to earnings per share growth, it can be seen the company's growth prospects in the future (Sari & Hakim, 2017).
Earning Per Share has a significant positive effect on the stock price can be seen in PT Media Nusantara Citra Tbk (MNCN) where in 2019 it recorded net profit and revenue increased by 46.51% and 16.8%. This growth occurred due to the digital initiatives carried out by the company, especially through digital broadcasts, news portals, social media monetization and the successful launch of MCN and RCTI+ (Utami, 2020). In addition, PT Hanjaya Mandala Sampoerna Tbk (HMSP) also recorded a net profit of IDR 8.58 trillion at the end of 2020. The profit decreased by 37.95% compared to the end of 2019 which recorded a net profit of IDR 133.721 trillion. This resulted in basic earnings per share falling to IDR 74 at the end of 2020. The decrease was due to an increase in the excise rate on tobacco products on a weighted average of 24% and an increase in retail selling price by 46%. These two factors have an impact on a significant decrease in sales volume reaching 19.3% in 2020 (Nurhaliza, 2021). Due to the decline in financial performance and coupled with the Covid-19 pandemic, affecting the movement of PT HMSP's stock price on the Indonesia Stock Exchange where at the end of 2020 it closed with IDR 1,505 compared to the previous year of IDR 2,100.

3. Effect of Debt to Equity Ratio on stock price

The Debt to Equity Ratio has a significant negative effect on the stock price of LQ45 index companies on the Indonesia Stock Exchange for the 2018-2020 period. This research is in line with previous research which stated that the Debt to Equity Ratio has a significant negative effect on stock prices. The higher the Debt to Equity Ratio the higher the risk of bankruptcy of the company. This ratio is very popular to see the prospects of the company so that the company's stock price may be stable and will even move up so that investors will be interested in investing in the company concerned (Tumandung, Murni, & Baramuli, 2017). However, this research is not supported by research that states that the Debt to Equity Ratio has no effect on stock prices. A high Debt to Equity Ratio does not necessarily indicate the low ability of the company to fulfill its obligations. Long-term debt is usually projected to fund long-term projects and or the purchase of fixed assets that can provide good development prospects for the company. Despite the high risks, high debt also offers good prospects so investors cannot solely use Debt to Equity Ratio information in deciding to buy shares (Septiani & Suharyono, 2018). A high Debt to Equity Ratio is viewed by some investors as a natural thing, a growing company will definitely require a lot of operating funds that are impossible to meet only from the company's own capital (Kasimir, 2015).

This ratio indicates the company's risk, where the lower the Debt to Equity Ratio reflects the greater the company's ability to guarantee its debt with its equity. The magnitude of the ratio shows the proportion of the company's capital obtained from debt compared to other sources of capital. The higher the proportion of the Debt to Equity Ratio causes the company's profit to be more erratic and adds to the possibility that the company cannot meet its debt repayment obligations. Therefore, the higher the proportion of debt ratio, the higher the financial risk of a company. The high and low financial risks of the company can indirectly affect the company's stock price (Anjarwati & Budiyanto, 2015).

Debt to Equity Ratio has a significant negative effect on the stock price as can be seen in PT H.M. Sampoerna Tbk (HMSP) which experienced an increase in debt in 2019 to IDR 15.22 trillion and the stock price decreased to IDR 2,100. In 2020, PT HMSP's debt increased to IDR 19.43 trillion and the stock price decreased to IDR 1,505. The increase in total debt mainly came from the addition of excise debt and an increase in other tax debts. In addition, revenue and profit also decreased, which decreased by 12.85% and 37.5% respectively from the previous year. This causes the stock price to decline from year to year (Ulfah, 2023). In addition, there is also PT Unilever Indonesia Tbk (UNVR) which recorded total debt in 2019 of IDR 15.36 trillion, an increase from the previous year and the stock price decreased from 2018 of IDR 9,080 to IDR8,400 in 2019. In 2020, PT UNVR experienced an increase in debt back of IDR 15.59% and the stock price decreased by 12.5% compared to the end of 2019 to IDR 7,350 per share. Net profit decreased by 3.11% to IDR 7.16 trillion from IDR 7.39 trillion in the previous year. The decline in net profit is in line with the slight increase in revenue in the covid-19 pandemic year (Saleh, 2021). Along with the increase in total debt every year followed by a decrease in net profit so that the demand for shares decreases, which is reflected in the decline in stock prices every year.

And the advice that can be given includes:

For Investor

Investors are expected before making the decision to invest in the company in order to be able to pay attention to the company's performance and financial condition through financial ratios that have a significant influence on stock prices. A good Return On Equity is reflected in the company's ability to generate high profits which indicates that the management of the company's performance is good so that the company's shares are worth buying. Earning Per Share is said to be good if the value is higher which reflects the prospects of a company. High profit will also affect the high profit on each share for each shareholder so it will affect the increase in stock price. A good Debt to Equity Ratio is if the company's total debt is low, this reflects that the company is able to manage debt well so that the company's shares are worth buying. If the demand for shares increases, of course, the stock price will also increase so that the shares purchased are able to provide the expected returns.
For company
The company is expected to be able to manage finances well in order to improve the company's performance which will affect stock price movements. A good level of sales and net profit will affect the level of Return On Equity ratio where the increase indicates that the company has good company performance and Earning Per Share which will increase the return on each share outstanding so that investors are interested in investing in the company so that it will cause the stock price to rise. The low level of debt will affect the level of the Debt to Equity Ratio ratio which indicates that the company's capital dependence on outside parties is also getting lower, thereby reducing the use of profits generated to pay interest expense obligations and other principal obligations. Of course, it will give a good signal to the market so that the demand for shares will increase which has an impact on increasing the stock price.

For next researcher
Next researchers who want to conduct research on stock prices even with different objects can add other independent variables that affect dependent variables such as Return on Assets (ROA) and Net Profit Margin (NPM). Return on Assets (ROA) describes a company's ability to make a profit by utilizing assets. The greater the Return on Assets (ROA) ratio, the better it indicates that the company is experiencing a profit so that it will affect the movement of the company's stock price in the capital market. Net Profit Margin (NPM) shows how much percentage of net profit is earned from each sale. The greater the Net Profit Margin (NPM) ratio, the better the company's ability to get high profits. The high Net Profit Margin (NPM) value will affect the company's performance level which causes the company to get better and can increase the company's stock price so that it will cause investor confidence to invest its capital.

CONCLUSION
Based on the results of the research that has been carried out above, the following conclusions can be drawn:

1. Simultaneously, the variables Return On Equity, Earning Per Share and Debt to Equity Ratio have a significant effect on the stock price of LQ45 index companies listed on the Indonesia Stock Exchange for the 2018-2020 period.

2. Partially, the variables Return On Equity and Debt to Equity Ratio have a significant negative effect on the stock price of LQ45 index companies listed on the Indonesia Stock Exchange for the 2018-2020 period while Earning Per Share has a positive effect on stock prices of LQ45 index companies listed on the Indonesia Stock Exchange for the 2018-2020 period.

3. The result of the coefficient of determination obtained is 0.712 which means that the stock price variable can be explained by the variables Return On Equity, Earning Per Share and Debt to Equity Ratio which is 71.2% while the remaining 28.8% is explained by other variables that were not studied in this study.

REFERENCES


