



Return On Asset, Return On Equity, And Net Profit Margin: Influence Stock Price

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ABSTRACT

The company has a goal to fulfill the welfare of investors. Company performance is one of the considerations for potential investors before making investment decisions, because the higher the value of a company, the higher its share price. This study aims to analyze the effect of ROA, ROE, and NPM on stock prices. The analytical method uses panel data regression with a quantitative data approach. This study consists of several test analyses; descriptive testing, classical assumption testing, model selection testing, and hypothesis testing. The findings of this study indicate that ROA, ROE, and NPM simultaneously show a 16% effect on stock prices and partially ROA, ROE, and NPM are significant factors that influence stock prices. The implication is that a company that has a rate of return on assets, a rate of return through capital and liability management, and a high level of income contributes to an increase in profits thereby increasing stock prices.

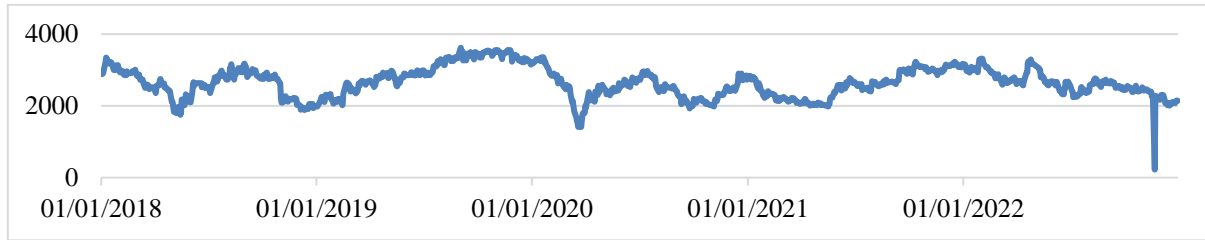
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INTRODUCTION

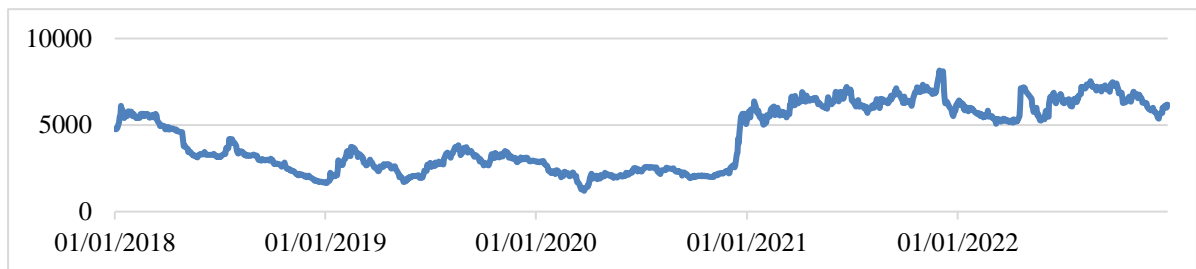
The company's objective is to prioritize the well-being and satisfaction of its investors. To achieve this objective, it is crucial for the company to effectively manage expenses and maximize profits (Ramadita & Suzan, 2019: 1). The evaluation of a company's performance is a crucial factor for potential investors when making investment decisions. This is because there is a positive correlation between a company's value and its stock price. Predicting stock prices is a valuable tool for investors, as it helps them achieve their profit goals. This requires careful consideration to meet the expectations of investors (Fitriyana et al., 2020: 2).

The study focuses on telecommunications sub-sector companies within the Infrastructure, Utilities, and Transportation sectors listed on the Indonesia Stock Exchange (IDX) from 2018 to 2022. The rapid growth of the telecommunications industry in recent years can be attributed to factors such as the increasing population and the rise in the number of cellular users in this digital era. The development of telecommunications offers several advantages, including the ability to enhance knowledge, facilitate information exchange, and access news related to the economy and investment. Furthermore, the transparency of the data allows for accountability, as it is available to the public. The research period of 2018 to 2022 was selected to accurately reflect the prevailing conditions of stock prices within the telecommunications industry.



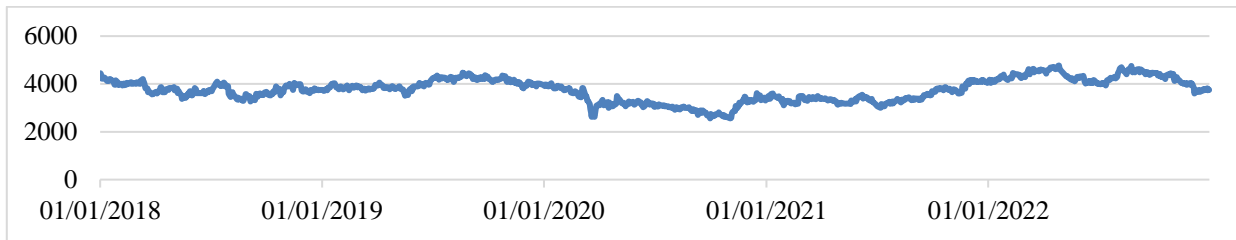
Graph 1. EXCL Company Shares for 2018 – 2022

The presence of Graph 1 is observable. The performance of EXCL from 2018 to 2022 has been characterized by fluctuations. XL Axiata's share price has experienced a significant decline of -40.88% since the start of 2018. This decline is in comparison to the recorded level of 2,960 at the end of 2017. The current share price is at its lowest level since November 9, 2009. In the beginning of 2020, XL Axiata shares were valued at 3,210, reflecting a significant increase of 62% compared to the previous year's value of 2,730. However, by the end of 2020, the shares had decreased to 3,150, representing a decline of -13% from the previous year's value of 2,730. In the beginning of 2022, XL Axiata shares were valued at 3,160, representing an 11% increase compared to the previous year's value of 2,840. However, by the end of 2022, the shares had declined to 2,140, reflecting a decrease of -32% from the previous year's value of 3,170. In 2022, XL Axiata reported a profit attributable to the parent company of IDR 1.1 trillion. This figure represents a 13.85% decrease compared to the previous year, as the profit decreased to IDR 1.28 trillion in 2021.



Graph 2. ISAT Company Shares 2018 – 2022

Graph 2 shows the shares of PT Indosat Tbk. (ISAT) from 2018 to 2022 will experience fluctuations. PT Indosat Tbk (ISAT) posted a net loss of IDR 2.4 trillion in 2018, even though the previous year it managed to record a net profit of IDR 1.13 trillion. At the beginning of 2020, there were 2,870 ISAT shares, an increase of 70% from the previous year, namely 1,685, while at the end of 2020, shares were 5,050, an increase of 74% from the previous year, namely 5,050. ISAT shares at the beginning of 2022 amounted to 6,425, an increase of 11% from the previous year, which was 5,800, while the shares at the end of 2022 amounted to 6,175, experiencing an insignificant decrease of 6,200. Throughout the 2022 period, ISAT's consolidated revenue will be IDR 46.75 trillion. This figure increased by 48.95% compared to 2021's IDR 31.39 trillion. However, ISAT's total expenses increased 71.92% on an annual basis to IDR 36.16 trillion from the previous IDR 21.03 trillion.



Graph 3. TLKM Company Shares for 2018 – 2022

Graph 3 shows the phenomenon of PT Telekomunikasi Indonesia Tbk (Telkom) shares experiencing stock fluctuations in 2018–2022, even though TLKM always posted a net profit that increased every year. In 2019, Telkom was able to record a net profit of IDR 27.5 trillion, up from IDR 26.9 trillion in 2018. Quoting RTI, TLKM shares in 2020 for one semester have fallen 21.53%. Telkom fell 1.48% to the lowest level of Rp 2,560, even though at the beginning of the year Telkom's shares were at Rp 3,910 per share. Throughout 2021, Telkom is experiencing an increasing trend. Booked revenue of IDR 143.2 trillion in 2021, an increase of 4.9% compared to 2020. Revenue in 2022 reached IDR 147.31 trillion, an increase of 2.86% from the previous year. Meanwhile, net profit fell 16.19% to Rp 20.75 trillion last year.

Connelly et al., (2011), the application of signaling theory proves valuable in elucidating behavioral patterns exhibited by two parties, be they individuals or organizations, who possess disparate sets of information. The research is based on the signaling theory, which explores how price fluctuations in the market impact investors' decision-making processes. Signaling theory suggests that there is pressure on companies to carefully manage the information they release regarding their investment decisions, particularly when it comes to external parties (Almira & Wiagustini, 2020).

The profitability ratio is a financial ratio used to evaluate business success. How profitable a business is can be determined by looking at its profitability ratio (Iswandi, 2022). Because more profitability is indicative of the company's ability to earn big profits, it has a favorable effect on firm value. This was found to be the case (Putri et al., 2018:2). There is a distinct context for each financial ratio. The measured ratios are then evaluated to provide useful information for making choices.

Financial measures, such as the profitability ratio, are employed as a means of evaluating the performance of companies. The profitability ratio is a metric utilized to assess a company's capacity to earn profits (Iswandi, 2022). The relationship between profitability and firm value is positive, as higher levels of profitability serve as an indicator of the company's ability to earn significant profits. According to Putri et al. (2018:2), Every financial ratio possesses a distinct purpose, utility, and significance. Subsequently, the interpretation of each measured ratio result is undertaken to imbue it with significance for the purpose of informed decision-making. The initial metric under consideration is Return on Assets (ROA), which serves as an indicator of a company's capacity to earn profits from the assets used. According to Refani (2018), a positive return on assets (ROA) signifies that the company can generate profit from the entire assets employed in its operations. Conversely, a negative ROA shows that the organization experiences a loss from the whole assets utilized. The study conducted by Ariyanti and Suwitho (2016) demonstrated a noteworthy impact of Return on Assets (ROA) on the valuation of stocks. However, a study conducted by Gerald Edsel Yermia Egam, Ventje Ilat, and Sony Pangerapan

(2017) presents a contrasting perspective, suggesting that there is no significant impact of Return on Assets (ROA) on stock prices.

Furthermore, an influential number that is anticipated to have an impact on stock prices is the Return on Equity (ROE) ratio. The ratio represents the return on equity, serving as a measure of profitability pertaining to one's own capital. Specifically, it quantifies the net profit after tax in relation to the amount of own capital, hence indicating the effectiveness with which said capital is utilized. A greater value of this ratio is indicative of superior performance. According to Refani (2018), the authority of the corporate owner is becoming more prominent, while conversely, the authority of others is diminishing. According to a study conducted by Valentino and Sularto (2017), it was found that the return on equity (ROE) has a notable impact on the pricing of stocks. This finding is consistent with the research conducted by Cahyono (2013), which indicates that the return on equity (ROE) has a substantial impact on stock prices.

Moreover, the Net Profit Margin (NPM) ratio represents the profitability of a company by measuring the proportion of sales revenue that remains as profit after accounting for all expenses and income taxes. The margin depicted in this context is the proportion of net profit after tax in relation to sales. According to Harjito and Martono (2018: 60), there is a positive relationship between the net profit margin (NPM) and a firm's productivity and efficiency in cost reduction, leading to increased profits from sales. This, in turn, enhances investor confidence and encourages investment in the company. The study conducted by Manoppo et al. (2017) suggests that there is no statistically significant relationship between New Public Management (NPM) and stock prices. The assertion made by the user is inconsistent with the findings of Wangarry et al. (2015), who have demonstrated that NPM exerts a notable impact on stock prices.

Junaedi et al., (2021), one of the most important skills for potential investors is the ability to assess the situation of issuer companies in which they are interested in making investments. Prospective buyers of the issuer's stock can learn a lot by keeping an eye on market activity. Based on the observed phenomena and study findings, it becomes evident that there exists a research gap, characterized by inconsistent research outcomes and the manifestation of stock price swings, which tend to be highly volatile. A firm's success is often measured by the sustained growth of its share price, as this indicates effective management of the company. Investors can utilize this metric to evaluate the company's success. Nevertheless, considering the occurrences pertaining to the decline in stock values, Therefore, further investigation into the subject matter of stock pricing is necessary.

LITERATURE REVIEW

Definition of Investment

Investors will choose profitable investments because every dollar of paid-up capital for investment must have a high rate of return. Aziz et al. (2015) define investment as the allocation of funds or resources in the present with the objective of generating future benefits. Investment can be interpreted as consumption in the future, but the broader understanding of investment requires productive assets to change one unit of consumption in the future. It can be concluded that investment is an investment activity carried out at this time with the aim of obtaining profits in the future. Willy & Jogiyanto (2015:7), investment is divided into two parts:

1. Direct Investment

Through intermediaries or other channels, persons with spare cash may make direct investments (direct investment) by purchasing a company's financial assets outright..

2. Indirect Investment

Indirect investors refer to individuals or entities with surplus capital who possess the ability to make investment choices without active participation, primarily through acquiring financial instruments such as stocks or bonds and retaining them in their portfolios. Individuals that implement indirect investment strategies typically do not actively participate in the decision-making processes of corporations. In the context of financial markets, the acquisition of stocks and bonds typically occurs through investment businesses or intermediaries, such as agents.

An investment company is an entity that offers financial services through the issuance of shares to the public, utilizing the capital raised to make investments in its portfolio.

Definition of Shares

According to Samsul (2015: 59), shares serve as proof of ownership in a company. Shareholders are commonly referred to as shareholders or stockholders in academic literature. The presence of an individual or entity in the register of shareholders serves as substantiating evidence for their classification as a shareholder. It can be inferred that shares represent a form of equity involvement or ownership held by individuals or entities, encompassing both governmental and private entities, in a corporation. Shares of stock, represented by a company's letter or certificate, are a popular investment option because of the high potential returns they offer (Junaedi et al., 2021). The benefits of owning shares in a corporation are twofold: profit participation and capital appreciation. Shares are classified into three categories, as stated by Willy and Jogiyanto (2015: 111).

Definition of Stock Price

Darmadji and Fakhruddin (2012: 102) define prices as the values observed on the exchange during a specific period. Stock prices exhibit high volatility, with the potential to fluctuate rapidly within short time intervals, ranging from minutes to even seconds. The possibility of this scenario occurring is contingent upon the interplay of supply and demand dynamics between buyers and sellers of shares. According to Aziz et al. (2015:81–82) share prices can be divided into three:

1. The term "nominal price" refers to the stated or face value of a product or service, without considering factors such the price indicated on the share certificate is determined by the issuer as the valuation for each issued share. The significance of share size lies in its nominal price, as the minimum dividend is typically calculated using the nominal value.
2. The user is referring to the starting price of a product or service. The initial price refers to the selling price of the issuance agreement to investors. The determination of the share price on the primary market typically involves collaboration between the company, underwriter, IDX, and OJK. The price of a stock may fluctuate if the company issuing the shares undergoes a corporate action.
3. The market price refers to the current value or cost of a product or service in the marketplace. It is determined by various factors such the market price refers to the price at which an investor sells a security to another investor. The price mentioned is the one that is determined once the shares have been listed on the stock exchange. The involvement of the issuer of the underwriter in transactions is no longer present. The price in the secondary market, often referred to as the market price, is a more accurate representation of the issuing company's value. This is because

transactions in the secondary market involve minimal price negotiation between investors and the issuing company.

Definition of Return on Assets (ROA)

The Return on Assets (ROA) metric plays a vital role in analyzing a company's performance and determining its profitability. The statement highlights the importance of understanding a company's profitability. Sujarweni (2017: 65) defines Return on Assets (ROA) as a ratio that evaluates the profitability of the capital invested in all assets in generating net profit. The level of trust an investor has in a company is closely tied to the value of its Return on Assets (ROA). There is a positive relationship between the ROA value and investor confidence, which in turn affects the stock price.

Definition of Return on Equity (ROE)

The Return on Equity (ROE) metric is widely used because it provides valuable insights into the expected profitability that shareholders can typically achieve. Horner and John M. Wachowicz (2014: 183) put forth a methodology for evaluating the relationship between net profit after tax (excluding common stock dividends) and the equity invested by shareholders in a company. The ratio discussed in this context is a metric that assesses a company's capacity to generate a return on investment by utilizing the book value of shareholders. Comparing multiple companies within the same industry is a common practice. Investors commonly rely on this ratio as it effectively signifies the anticipated level of profit that shareholders typically receive.

Definition of Net Profit Margin (NPM)

Net profit margin (NPM) is the percentage of revenue left over after deducting expenses and paying taxes (Harjito & Martono, 2018: 60). According to Siswanto (2019: 37), a company's ability to turn sales into profits can be gauged by looking at its profit margin ratio. This metric is indicative of how well things are running. It is a measure of how well the production, human resources, marketing, and accounting departments are working together. This margin represents the percentage of sales that are netted as profit. Investors are more likely to put their money into a firm with a high NPM since it indicates the company is productive, efficient, and profitable.

METHOD

The quantitative approach refers to a research method that is grounded in the philosophy of positivism. It involves studying specific populations or samples and employing random sampling techniques to collect data. The analysis of this data is conducted using statistical methods (Sugiyono, 2018: 14).

Sugiyono (2018: 131) suggests that the sample is representative of the population in terms of its number and characteristics. The study employed a purposive sampling method, which involves selecting a sample of companies based on specific criteria. A total of 55 samples were collected from Telecommunication Industry Sub Sector Companies listed on the Indonesia Stock Exchange between 2018 and 2022, according to the provided criteria.

Table 1. Criteria for Sampling

| No. | Criteria | Total |
|-----|--|-------|
| 1 | The telecommunications industry subsector companies that were listed on the Indonesia Stock Exchange (IDX) between 2018 and 2022 | 22 |
| 2 | The telecommunications industry subsector companies on the Indonesia Stock Exchange (IDX) showed inconsistency in submitting their financial reports from 2018 to 2022 | (4) |
| 3 | Telecommunications Industry Sub Sector Companies that disclose incomplete data on Indonesia Stock Exchange (IDX) in 2018-2022 | (7) |
| 4 | Number of sample companies | 11 |
| 5 | Total sample data processed (11 Companies X 5 Years) | 55 |

Variable Operationalization

The following is an operational definition of each variable.

1. Stock Price

Darmadji and Fakhrudin (2012: 102), stock prices are exchange prices at a certain time. Stock values can change in minutes or seconds.

$$\text{Stock Price} = \text{Closing stock price}$$

2. Return on Assets

A greater ROA value will have a beneficial impact on the stock price, turning it into an attractive investment option.

$$\text{ROA} = \frac{\text{Net Profit}}{\text{Total assets}}$$

3. Return on Equity

The ratio illustrates the capacity to generate a return on equity by considering the book value of the shareholders.

$$\text{ROE} = \frac{\text{Net Profit}}{\text{Total Equity}}$$

4. Net Profit Margin

This margin is the percentage of the company's after-tax net profit to the total amount of sales.

$$\text{NPM} = \frac{\text{Net Profit}}{\text{Net Sales}}$$

RESULTS AND DISCUSSION

Descriptive Statistics

Descriptive statistics encompass statistical measures that provide information about the characteristics or attributes of variables being analyzed. The mean value represents the average value of each variable analyzed. The minimum value refers to the smallest value observed in the research data. The standard deviation is derived from the square root of the variance. Table 2 below displays the outcomes of the descriptive statistical test.

Table 2. Descriptive Statistics Results

| Variabel | Observasi | Mean | Maximum | Minimum | Std. Dev |
|----------|-----------|----------|----------|----------|----------|
| HS | 55 | 4153.636 | 40925.00 | 60.00000 | 7272.045 |

| | | | | | |
|-----|----|-----------|----------|-----------|----------|
| ROA | 55 | 0.010010 | 0.134456 | -0.600286 | 0.115288 |
| ROE | 55 | -0.744678 | 0.692101 | -41.65122 | 5.639286 |
| NPM | 55 | -0.174443 | 0.547798 | -8.339025 | 1.324291 |

The stock price's dependent variable is recorded as 4156,636. Additionally, the magnitude of the deviation of the stock price variable from its average is measured at 7272,045. In 2021, PT Solusi Sinergi Digital Tbk will hold the highest value for the share price variable, reaching 40,925. Conversely, in 2022, PT Smartfren Telecom Tbk will possess the lowest value for the overall share price, amounting to 60.

The ROA variable has an average value of 0.010010. The deviation of the ROA variable from this average is 0.115288. In 2019, PT Link Net Tbk had the highest overall ROA value of 0.134456, while in 2018, PT First Media Tbk had the lowest overall ROA value of -0.60029.

The ROE variable has a deviation of -0.744678 from the average, indicating a significant difference of 5.639286 in magnitude. In 2022, PT First Media Tbk will have the highest value of the ROE variable, reaching 0.692101. On the other hand, in 2021, PT First Media Tbk has the lowest value of the ROE variable, which is -41.6512.

The NPM variable has an average value of -0.174443, indicating a negative trend. On the other hand, the Net Profit Margin variable shows an average savings of 1.324291, suggesting a positive trend. In 2020, PT Gihon Telekomunikasi Indonesia Tbk had the highest Net Profit Margin (NPM) value of 0.54484. On the other hand, PT First Media Tbk had the lowest NPM value of -4.2587 in 2018.

Classic Assumption Test

Multicollinearity Test

The purpose of conducting the multicollinearity test to assess the presence of a linear relationship among the independent variables that were examined. According to the data presented in table 3, the correlation coefficient between variables X1 and X2 is 0.331306. This value is less than 0.9, indicating that there is no significant multicollinearity issue between these variables.

Table 3. Multicollinearity test

| | Y | X1 | X2 | X3 |
|----|----------|----------|----------|----------|
| Y | 1.000000 | 0.352239 | 0.087033 | 0.154570 |
| X1 | 0.352239 | 1.000000 | 0.331306 | 0.772944 |
| X2 | 0.087033 | 0.331306 | 1.000000 | 0.811751 |
| X3 | 0.154570 | 0.772944 | 0.811751 | 1.000000 |

Heteroscedasticity Test

The heteroscedasticity test employed the Breusch-Pagan-Godfrey test model. Based on table 4 below, the Chi-Square Prob value is 0.9969 > 0.05, so it can be concluded that there are no symptoms of heteroscedasticity.

Table 4. Heteroscedasticity Test

| | |
|--|--------|
| Heteroskedasticity Test: Breusch-Pagan-Godfrey | |
| Prob. Chi-Square | 0.9969 |

The Selection of a Panel Data Regression Model

Table 5. Panel Data Regression Selection

| Chow Test | Hausman Test | Lagrange Multiplier |
|--------------|--------------|---------------------|
| Prob. 0.0032 | Prob. 0.3419 | Prob. 0.0462 |

Based on the statistical information provided in Table 5, it can be observed that the probability value associated with Cross-section F is 0.0989. This value above the predetermined significance level of 0.05 (5%). Based on the analysis, it can be inferred that the Random Effect Model is the best appropriate model for estimating panel data regression. The forthcoming examination pertains to the Hausman test, a widely utilized statistical analysis tool.

According to the data presented in Table 5, the probability value for the random cross-section is 0.3419, which is greater than the significance level of 0.05 (5%). The rejection of H₀ and acceptance of H₁ indicate that the Random Effect Model is the most suitable model for this study. The Lagrange Multiplier Test will be utilized to conduct a third test. Furthermore, the analysis indicates that the value of both variables is 0.0462, which is less than 0.05. Based on this result, the Random Effect Model is chosen.

Hypothesis Testing

F-Simultaneous Test

Table 6 show that probability value (F-statistic) is 0.007196, which is lower than the significance level of 0.05 (5%). This indicates that ROA, ROE, and NPM collectively have a significant impact on stock prices.

Table 6. Simultaneous-Random Effect Model Test

| | |
|-------------------|----------|
| Prob(F-statistic) | 0.007196 |
|-------------------|----------|

Determinant Coefficient (R²)

Table 7 show that ROA, ROE, and NPM affect stock prices by 16% and other independent variables by 88%.

Table 7. Coefficient of Determination—Random Effect Model

| | |
|--------------------|----------|
| Adjusted R-squared | 0.162209 |
|--------------------|----------|

Partial Test (t)

Table 8. Partial Test – Random Effect Model

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|----------|-------------|------------|-------------|--------|
| C | 2254.399 | 1341.031 | 1.681094 | 0.0989 |
| X1 | 55573.77 | 15650.95 | 3.550824 | 0.0008 |

| | | | | |
|----|-----------|----------|-----------|--------|
| X2 | 1106.726 | 419.6982 | 2.636958 | 0.0111 |
| X3 | -7367.212 | 2557.668 | -2.880442 | 0.0058 |

Effect of Return on Assets on Stock Prices

Hypothesis testing shows that Return on Assets has a probability value of 0.0008, below the significance level of 0.05. This confirms the null hypothesis (Ho1). The analysis suggests that there is a partial impact of Return on Assets on stock prices in Telecommunications Sub Sector Companies. The coefficient value of 55573.73 for the ROA variable suggests a positive correlation with the stock price variable. A favorable correlation between return on assets (ROA) and stock price serves as an indication to investors that the company is exhibiting strong performance in terms of generating profits in comparison to its assets. Increased profitability has a positive impact on investor confidence, leading to an influx of purchasers and potentially resulting in an upward movement of the stock price. A corporation that exhibits a high ROA is typically perceived as financially resilient and effective in leveraging its assets to produce profits. The perception of the company's financial soundness enhances its appeal to investors, leading to heightened demand and thus driving up the stock price.

The existence of positive correlations between ROA and stock prices might give rise to a positive feedback loop inside the market. As ROA improves, there is a corresponding increase in the stock price, which subsequently fosters a favorable feeling among investors. This is demonstrated by the fact that the value of the stock price is greater than the average of 15, and that the value of the ROA is greater than the average of 36. In contrast, the value of the stock price is less than the average of 40, and the ROA value is less than the average of 19, respectively. Return on assets increases stock price. Conversely, poor Return on Assets lowers stock prices. This analysis confirms (Ariyanti & Suwitho, 2016) that ROA affects stock prices.

Effect of Return on Equity on Stock Prices

The hypothesis test results show that the probability value of ROE is 0.0111, which is lower than the significance level of 0.05. It appears that the alternative hypothesis (H02) can be accepted. It can be inferred that there is a partial impact of Return on Equity on the stock prices of Telecommunications sub-sector companies. The coefficient value of 1106,726 for the ROE variable suggests a positive correlation with the stock price variable. A higher ROE means better shareholder returns. This performance statistic boosts investor confidence in management and value creation. Thus, investors may be more inclined to acquire the company's stock, which could boost its price.

Investors prefer competitive companies because they are more likely to retain market share and profitability. Investors may buy the stock in anticipation of continuous performance, raising its price. A strong ROE may help a company get better funding conditions and finance growth or investment projects. Capital access boosts corporate growth and market sentiment, raising stock prices. A high ROE may indicate future earnings growth. Investors estimate future earnings based on historical performance. High-ROE companies tend to perform well, resulting in higher earnings and stock prices. Out of the 55 samples analyzed during the study period, it was observed that 53 samples exhibited a ROE higher than the average ROE. Furthermore, among these 53 samples, 15 of them displayed an average ROE that surpassed the corresponding stock price. There are 2

samples of ROE that are below the average, and there are 40 samples of stock prices that are below the average. Return on Equity ROE is a profitability ratio that is commonly used to assess the rate of return on investment made by shareholders or investors. A higher return on equity ROE suggests that the company has the potential to generate higher profits for its shareholders. The findings of this study align with previous research conducted by Cahyono (2013), which concluded that the ROE has a notable impact on stock prices.

Effect of Net Profit Margin on Stock Price

The results of hypothesis testing indicate that the probability value of the Net Profit Margin is 0.0058, which is less than the significance level of 0.05. It appears that the alternative hypothesis (H03) can be accepted. It can be inferred that there is a positive correlation between Net Profit Margin and stock prices in Telecommunications sub-sector companies during the period of 2018-2022. The coefficient value of the NPM variable is -7367.212. A decrease in the net profit margin could potentially suggest a contraction in the company's profitability and a potential deterioration in its overall financial condition. Investors may become concerned about the company's profitability efficiency if the NPM continues to decline. The company's current situation could indicate difficulties in cost management, maintaining pricing power, or dealing with intense competition. The possibility exists that investors could exercise caution or opt to sell their shares, potentially resulting in a decline in the stock price.

Profitability plays a crucial role in determining the value of a company. A decline in the NPM could potentially result in analysts and investors revising the company's valuation downwards. When the perceived value of a company decreases, it is highly probable that the stock price will also decrease. A company's declining profitability can lead to a loss of investor confidence, particularly if this negative trend persists over a prolonged period. The company's potential to regain and expand its profits may be a concern for investors, potentially resulting in a decline in the stock price. Companies that experience a decrease in profitability may encounter difficulties in sustaining their dividend payments to shareholders. Out of the 55 samples analyzed during the study period, it was observed that 48 samples had a Net Profit Margin above the average. Furthermore, out of these 48 samples, 14 of them also had stock prices that were above the average. Out of the 7 samples of NPM, the majority are below average, while the majority of the 40 samples of stock prices are above average. When sales increase but net profit does not, it can lead to a decrease in the Net Profit margin. This is because net profit is influenced by rising expenses and costs that continue to grow. The findings of this analysis are in line with those from earlier research by Wangarry et al. (2015), who discovered that NPM has a significant impact on stock prices.

CONCLUSION

The empirical evidence indicates that there is a simultaneous impact of ROA, ROE, and NPM on stock prices, accounting for around 16% of the variation seen. These factors collectively contribute to an augmentation in profits, subsequently leading to an elevation in stock prices. This phenomenon can be attributed to investors' inclination to allocate their capital towards companies exhibiting promising financial performance.

Companies should consider the ratios of ROA, ROE, and NPM when making business

decisions, particularly those that are significant or financial in nature. These decisions can have a direct impact on enhancing company profits, thereby creating a favorable perception among investors. It is recommended for investors to possess knowledge regarding the levels of ROA, ROE, and NPM while making investment decisions. This is because these three ratios demonstrate a substantial impact.

For prospective researchers, it is recommended to extend the duration or modify the subject of investigation as the findings of this study indicate the presence of more elements that may influence stock prices. Consequently, incorporating additional variables not included in this study is advised.

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