

## The Influence of Financial Performance, Managerial Ownership, and Capital Structure on Stock Price

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### ABSTRACT

*This research aims to determine the influence of return on assets, return on equity, managerial ownership, and capital structure on share prices both partially and simultaneously. The method used for sampling was purposive sampling with several predetermined criteria. The sample obtained was 27 companies with a total of 135 data and the population in this study were companies in the primary consumer goods sector, food and beverage sub-sector which were listed on the Indonesian Stock Exchange for the 2017-2021 period. The regression method in this research uses panel data regression. The research results show that simultaneously return on assets, return on equity, managerial ownership and capital structure have a significant effect on stock prices. Partially, the return on assets variable has a significant positive effect on stock prices. Meanwhile, return on equity, managerial ownership, and capital structure partially do not have a significant effect in a positive direction on share prices.*

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### INTRODUCTION

The existence of this capital market is very important for the country's economy, where this capital market is a media channel for buying and selling shares in various forms. Shares are capital investments owned by an individual or business entity in a company, by including this capital the individual or business entity can be said to be a party involved in the company's income, company assets and has the right to attend the general meeting of shareholders (GMS). In stock buying and selling activities, you will of course pay attention to the increase or decrease in share prices, this is caused by demand and supply for these shares. In a company, the problems that cause the rise and fall of numbers (share prices) include the management policies of the company itself regarding acquisitions, mergers and *rights issues* as well as the company's performance which is used by investors as a reference in assessing the company's level of dividends and debt ([www.sikapiuangmu.ojk.go.id](http://www.sikapiuangmu.ojk.go.id)). The share price is the price of a share that occurs on the stock market at a certain time which is determined by market players and is determined by the demand and supply of the relevant shares in the capital market (Mo'o, et al. 2018). Share prices can be influenced by various factors such as the performance of the company that has issued shares. Share prices are an important indicator of a company's achievement of success. One of them is that companies operating in the food and beverage sector are currently experiencing significant growth and are a strong industry for stock trading activities (Mo'o, et al. 2018). The samples from this research were obtained from Food and Beverage Sub-Sector Manufacturing Companies listed on the Indonesia Stock Exchange (BEI) for the 2017-2021 period. Below is a table of share prices for companies in the food and beverage sub sector for 2017-2021 which experienced ups and downs.

**Tabel 1 Tingkat Fluktuasi Harga Saham Perusahaan Manufaktur Sub Sektor Makanan dan Minuman Tahun 2017-2021**

NO	Perusahaan	Tahun	Harga Saham
1.	PT Indofood Sukses Makmur Tbk	2017	7.625
		2018	7.450
		2019	7.925
		2020	6.850
		2021	6.325
2.	PT Buyung Poetra Sembada Tbk	2017	344
		2018	730
		2019	940
		2020	1.005
		2021	181
3.	PT Ultrajaya Milk Industri dan Trading CO Tbk	2017	1.295
		2018	1.350
		2019	1.680
		2020	1.600
		2021	1.570

Sumber: Bursa Efek Indonesia (BEI)

The table above can explain the data taken from the official website of the Indonesia Stock Exchange (BEI) showing fluctuating share price values (up/down) from 2017-2021. The rise or fall in share prices is caused by several factors. The share price owned by PT Indofood Sukses Makmur Tbk from year to year has not been observed to rise or fall too much, even though in 2020 the pandemic put pressure on the economy, INDF remained safe because instant noodle sales did not decline and INDF's performance growth was also supported by the agribusiness business. In other words, INDF continues to record expected profits, so that the share price can be considered good by investors (Kontan.co.id). However, it is a nightmare for HOKI shares which experienced a drastic decline in 2021. This is because in terms of opex, HOKI experienced an increase as a result of transportation costs which also increased. This is the impact of the implementation of Large-Scale Social Restrictions (PSBB) in the second quarter of 2020. This incident caused HOKI's sales to weaken, then the situation became even worse when the abundant supply of rice for social assistance from the government also affected HOKI's sales. As a result, share prices also weakened, because HOKI sales had not yet improved (Kontan.co.id). It is known that the price of ULTJ shares is that the sales transaction was carried out by PT Indolife Pensiontama, while the person who bought ULTJ shares was Sabana Prawirawidjaja, who is none other than the President Director of ULTJ. With this purchase, shares in the name of Sabana Prawirawidjaja in KSEI jumped from 791,675,200 shares or 6.85 percent to 2,091,675,200 shares or 18.10 percent. (Bisnis.com).

## LITERATURE REVIEW

### Signal Theory

According to Irfani (2020) *Signaling Theory* is the information signals needed by investors to consider and determine whether investors will invest their shares or not in the company concerned. Signal theory focuses on asymmetric information between insiders *and* outsiders . Signal theory explains that management carries out signaling as a way to reduce information asymmetry. Theory

is a theory used by companies to convey information related to the company's financial condition to be used as material for decision making. The relationship between signal theory and share prices is that when the share price of a company is rising, it means that the company's financial condition is in a position to achieve maximum profits. This is received as good news or a positive signal for investors, and vice versa if the share price of a company is experiencing a decline means that the company's financial condition is in a loss position, so this is accepted as bad news or a negative signal for investors.

### **Agency theory**

Agency theory is a theory that contains an agreement between the principal and the agent, this agreement is used to resolve conflicts of interest that occur. It is also explained that this conflict leads to an agency relationship which can give rise to two problems, including information asymmetry and conflict of interest.

### **Stock Price**

Shares are a sign of statement or ownership of a person or entity in a company or limited liability company. According to Wira (2019) Shares are proof of ownership of a company, buying shares means owning part of the company, a stock investor is someone who buys shares and keeps them for a very long period of time, stock investors buy shares that have good fundamentals, therefore stock investors use fundamental analysis to analyze financial reports with the aim of checking the health of the company. Share prices are an indicator of the rise and fall of company revenues, which are caused by several events as factors influencing company performance. Stock price assessment is an investor's attempt to make decisions.

H1: It is suspected that *Return On Assets* (ROA), *Return On Equity* (ROE), Managerial Ownership, and Capital Structure have an influence on Stock Prices

### ***Return on Assets***

Financial performance is a tool used to assess achievements related to the extent of a company's financial performance. Financial performance shows the level of management's success in managing company resources. *Return On Assets* is a measurement that describes the company's profit. If the company's ROA continues to increase, the company's profits will get better.

H2: *Return On Assets* (ROA) influences share prices

### ***Return on Equity***

Financial performance is defined as an important factor that will be assessed by potential investors through the company's financial ratios. Financial performance plays a role in providing information on the situation and conditions of the company so that investors do not make mistakes when making investment decisions. The company's advantages must be understood. If the company is to be utilized appropriately, it is necessary to know the weaknesses that must be followed up. *Return on Equity* is a measurement that reflects the condition of the company with the amount of capital the company has to maximize profits.

H3: *Return On Equity* (ROE) influences share prices

### **Managerial ownership**

Managerial ownership is shares owned by shareholders and management. This management also doubles as a shareholder with a percentage of ownership for each member. This level of ownership is used as evidence of how much management is directly involved in the company.

H4: Managerial Ownership influences Share Prices

## Capital Structure

Capital structure is an assessment carried out by a company in fulfilling its obligations with the assumption that without using much of the company's capital, it can be said that the company has a good capital structure and this makes it easier for investors to make decisions from this assessment.

H5: Capital structure influences share prices

## METHODS

This research was conducted using associative quantitative methods with the aim of finding out and providing proof of the influence of financial performance, managerial ownership and capital structure as independent variables on stock prices as the dependent variable. Using quantitative research methods because research data is in the form of numbers and analysis uses statistics . Meanwhile, associative research is research that looks at the relationship of variables to the object being studied in a more cause and effect (causal) manner. This research was conducted on food and beverage sub-sector companies listed on the Indonesia Stock Exchange (BEI) via the official IDX website, namely [https://:www.idx.co.id](https://www.idx.co.id) .

**Tabel 2 Operasional Variabel Penelitian**

No	Jenis Variabel	Nama Variabel	Pengukuran
1	Variabel Dependen	Harga Saham (Y)	<i>Closing Price</i> Bursa Efek Indonesia (BEI) Fahlevi,dkk (2018)
2	Variabel Independen	<i>Return On Asset</i> (ROA) (X1)	$ROA = \frac{\text{Laba Bersih}}{\text{Total Aset}} \times 100\%$ Fahlevi,dkk (2018)
		<i>Return On Equity</i> (ROE) (X2)	$ROE = \frac{\text{Laba Bersih}}{\text{Total Ekuitas}} \times 100\%$ Rosadi dan Hartini (2018)
		Kepemilikan Manajerial (X3)	$MAN = \frac{\text{Kepemilikan Saham Manajerial}}{\text{Total Saham Beredar}} \times 100\%$ Irfani dan Anhar (2019)
		Struktur Modal (X4)	$DER = \frac{\text{Total Hutang}}{\text{Total Ekuitas}} \times 100\%$ Yunior,dkk (2021)

Sumber: Data diolah peneliti, 2023

In this research, the population used was all food and beverage sub sector manufacturing companies listed on the Indonesia Stock Exchange from 2017 to 2021, totaling 47 companies . In this research, the population used was all food and beverage subsector manufacturing companies listed on the Indonesia Stock Exchange from 2017 to 2021, totaling 47 companies . In this research, researchers used a *purposive sampling method* . According to Sugiyono (2021:133) *Purposive sampling* is a sampling technique with certain considerations. This *purposive sampling* technique is used because it is suitable for quantitative research, or research that does not carry out generalizations. Sampling in this research using the *purposive sampling method* used the following criteria: 1. Food and beverage sub sector manufacturing companies listed on the Indonesia Stock Exchange (BEI) from

2017-2021. 2. Food and beverage subsector manufacturing companies that present consecutive annual financial reports from 2017-2021. 3. Food and beverage subsector manufacturing companies that generate profits consecutively from 2017-2021.

## RESULTS

**Tabel 3 Hasil Uji F**

R-squared	0.203918	Mean dependent var	0.930068
Adjusted R-squared	0.179424	S.D. dependent var	0.322305
S.E. of regression	0.291962	Sum squared resid	11.08144
F-statistic	8.324958	Durbin-Watson stat	1.483738
Prob(F-statistic)	0.000005		

Sumber: Data Olahan EViews 9.0

Based on the F test results in the table, the *Prob(F-Statistic)* for all models shows a value of 0.000005, meaning the probability value is smaller than the significance of 0.05. It can be concluded that simultaneously the variables *Return On Assets*, *Return On Equity*, managerial ownership and capital structure have a significant effect on share prices. This is in line with the first hypothesis.

**Tabel 4 Hasil Uji t**

Dependent Variable: Y  
Method: Panel EGLS (Cross-section random effects)  
Date: 04/12/23 Time: 16:59  
Sample: 2017 2021  
Periods included: 5  
Cross-sections included: 27  
Total panel (balanced) observations: 135  
Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	7.315595	0.281401	25.99705	0.0000
X1	0.068164	0.023233	2.933918	0.0040
X2	-0.018385	0.010800	-1.702318	0.0911
X3	-0.017390	0.010317	-1.685582	0.0943
X4	3.80E-05	0.001528	0.024888	0.9802

  

Effects Specification		S.D.	Rho
Cross-section random		1.046749	0.9278
Idiosyncratic random		0.291974	0.0722

  

Weighted Statistics	

Sumber: Data Olahan EViews 9.0

The first hypothesis, namely *Return On Assets*, has an effect on stock prices. Based on the results of the *t* test in the table, the variable 0.05. It can be concluded that partially *Return On Assets* has a significant effect on share prices. This is in line with the development of the second hypothesis. A company that has a high level of ROA means that it reflects the company's ability to successfully manage assets to maximize profits so that it can attract investors' interest in carrying out share transactions.

1. The second hypothesis, namely *Return On Equity*, has an effect on stock prices. Based on the results of the *t* test in the variable *table* > 0.05. It can be concluded that partially *Return On Equity* is not significant effect on share prices. This is not in line with the third development hypothesis. The results of this research show that high or low ROE values do not affect the company's share price on the capital market. This reflects that the capital

owned and managed by the company to generate profits does not affect the sale of shares in the capital market

2. The third hypothesis, namely that Managerial Ownership influences share prices. Based on the results of the t test in the variable table 0.05. It can be concluded that partially Managerial Ownership has no significant effect on share prices. This is not in line with the development of the fourth hypothesis. Ownership of shareholder capital which is managed by management for later decisions to be made, does not affect the company's share price. So whatever the amount of share ownership by shareholders and the decisions taken by management do not affect the purchasing power of investors' interest in buying company shares.
3. The fourth hypothesis, namely that Capital Structure influences share prices. Based on the results of the t test in the variable table 0.05. It can be concluded that partially Capital Structure has no significant effect on share prices. This is not in line with the development of the fifth hypothesis. The results of this research prove that high or low DER levels do not affect share prices on the capital market. It is possible that this could be used as a reason that the company has not been able to fulfill its short-term obligations so it is forced to use the company's capital.

## CONCLUSION

1. *Return on assets, return on equity*, managerial ownership and capital structure simultaneously influence stock prices. So H1 is accepted.
2. *Return On Assets* partially influences share prices. So H2 is accepted.
3. *Partial Return On Equity has no effect on share prices*. So H3 is rejected.
4. Partial managerial ownership has no effect on share prices. So H4 is rejected.
5. Partial capital structure has no effect on share prices. So H5 is rejected.

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