Financial Performance Based On Profitability, Solvency And Its Impact On The Stock Price Of Companies Listed In The Mining Sector At Indonesia Stock Exchange From Year 2006-2014

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Abstract

The research is a result of the need for the Indonesian people to strive for greater financial security through investment awareness. To achieve financial security, the public must be knowledgeable of various forms of investing. Investing in stocks is a popular and profitable option for interest investors. A clear understanding of stock investment is required for investors seeking optimal benefits from their investment. The study will use historical data, ROA, ROE, NPM, CR, DTA, DTE, and stock prices from period of 2006-2014 to evaluate and value selected stock of four companies listed in the mining sector at Indonesia Stock Exchange. The purpose of the study is to explore financial performance based on profitability, liquidity, solvency and its impact towrads stock price at mining companies listed in the Indonesian Stock Exchange from year 2006-2014. Method used in the study is descriptive. F-test and ttest were used to determine significant level of relationship between variables. The results of the study shows that there is no significant relationship both simultaneously and partially between financial ratios such as: GPM, NPM, ROA, ROE, CR, DTA, DTE and stock price of PT. Timah Tbk, PT. Aneka Tambang Tbk, and PT. Bukit Asam, respectively.

I.   Introduction

The mining industry is an interesting business to capitalize. In Indonesia many mining companies were established since it is profitable. The capital market serves as an economic pillar in most countries. Indonesia is a rich country, rich in many ways especially in natural resources. However, the mining industry has its ups and downs in the stock market. It is interesting to see how is the performance of the company listed in the mining sector. Hence, investor ponder on factors to consider when evaluating for an investment in a mining companies. The capital market allows for buyers and sellers to meet and find suitable, worthwhile opportunities. Owners can find the most optimal return for their investment. Whilst issuers is provided a chance to efficiently collect their long term investment funds from investors. The capital market is a favorable option for most investors. It does not mean that the capital market is without risk, all forms of investments serve some degree of risk. With risk comes reward, which is precedent in the capital market. It's high risk, high return is what attracts most investors. Purchase of equity stocks is a preferred investment choice for most investors. Investment in stocks entail purchasing shares from a stock market with hope for a future return that is greater than the original amount invested in such stock. Efficient investment is an

investment that has the benefits of maximum return, with a known level of risk or an investment that bears minimal risk with its minor reward. With any level of risk and return, investors must analyze relevant information about the stocks to determine which investment will deliver an optimal return. To further understand the performance of the banking industry, the following data of Indonesian mining companies and the following Table 1 shows data of PT. Timah Tbk with listed code in Indonesian Stock Exchange TINS from year 2006 - 2014.

Table 1: PT. Timah Tbk Financial Ratios

Year	GPM	NPM	ROE	ROA	CR	DTA	DTE	Stock
2006	0	5	12	6	150	52	107	299
2007	37	21	53	36	291	33	50	1939
2008	30	15	35	23	262	34	51	730
2009	15	4	9	6	288	29	42	1352
2010	23	11	30	16	324	29	40	1858
2011	23	11	27	14	322	30	43	1129
2012	17	6	20	7	400	24	32	1041
2013	25	10	13	7	215	36	57	1081

Table 2 shows the financial performance of PT. Aneka Tambang Tbk with listed code in Indonesian Stock Exchange ANTM from year 2006-2014.

Table 2: PT. Aneka Tambang Tbk Financial Ratios

Year	GPM	NPM	ROE	ROA	CR	DTA	DTE	Stock
2006	48.7	27.58	42.5	22.68	281.3	41.27	70.3	8000
2007	61.04	42.63	78.6	52.95	442.7	27.34	37.6	4475
2008	27.64	14.26	16.3	12.28	801.7	20.8	26.4	1090
2009	13.75	6.94	7.46	5.99	710.8	17.59	21.5	2200
2010	33.59	19.25	19	15.13	381.8	22.01	28.3	2450

2011	29.26	18.63	18.9	14.06	1064	29.14	41.1	1620
2012	19.36	28.64	25.4	17.15	251.4	34.89	53.6	1280
2013	14.3	3.63	3.2	1.97	183.6	41.43	70.9	1090
2014	8.24	---8.23	---6.3	---3.53	164.2	45.88	84.8	1065

Table 3 shows the financial performance of PT. Bukit Asam Tbk with listed code in Indonesian Stock Exchange PTBA from year 2006-2014.

Table 3: PT. Bukit Asam Tbk Financial Ratios

Year	GPM	NPM	ROE	ROA	CR	DTA	DTE	Stock
2006	37.8	13.7	21.2	15.6	544.1	25.7	34.9	3525
2007	39.4	17.6	27.1	18.3	413.8	32.5	48.3	12000
2008	48.9	23.7	42.7	28	365.7	33.2	50.8	6900
2009	54.1	30.5	47.8	33.8	491.2	28.4	40.2	17250
2010	46.2	25.4	31.6	23	579.1	26.2	35.9	22950
2011	49.9	29.2	37.8	26.8	461.8	29.1	41	17350
2012	43.9	25	34.1	22.8	486.7	33.2	49.7	15100
2013	30.9	16.5	24.5	15.9	286.6	35.3	54.6	10200
2014	30.7	15.4	23.3	13.6	207.5	41.5	70.8	12500

As investor keen to see their investment returned, surely they need to based their investment decision on certain analysis. Stock price depict the value of the firm, therefore, stock price surely is influenced by company's performance and its future prospects. Financial performance is an important factors in valuing company's financial condition. Financial ratios are therefore can be used to measure the financial performance of a company. Based on the description above, the purpose of the study is thus to explore factors that affects stock price at stateowned mining companies listed in the Indonesian Stock Exchange in 2006-2014.

Financial ratios can be used to see the condition of the company. Through the ratios, analysis can be made on its solvency, liquidity, activity, and profitability, furthermore its market value. Two common approaches found in stock analysis is technical and fundamental analysis. Historical data is the preferred form of data used in the development of the market price within a stock

or index over a set time period based on market trends and conditions. Fundamental analysis is used to estimate and determine future stock prices, including the fundamental values that will affect future stock prices. Investors should properly assess their investment choices prior to making critical investment decisions such as purchasing shares in a new company. An accurate assessment will provide a clearer picture of prospective companies' future values. A company's financial statement is a key form of information used to determine the value of an investment. The level of performance and operational efficiency of a company is shown through their financial reports. Investors can make use of a company's financial statements to evaluate the company's performance through their financial

ratios. An investor can then get a better

understanding of the strengths and weaknesses of prospective stock investments and determine the appropriate course of action. Therefore, the study aimed to look on FINANCIAL PERFORMANCE BASED ON PROFITABILITY, LIQUIDITY, SOLVENCY AND ITS IMPACT ON THE STOCK PRICE OF COMPANIES LISTED IN MINING SECTOR AT INDONESIA STOCK EXCHANGE FROM YEAR 2006-2014.

II.   Review of Related Literature

Investing, as Tyson (2011:1) put it, is basically putting your money to work for you. An investment
can be defined as the commitment of funds to one or more assets that will be held over some future time period. Investments is concerned with the management of an investor's wealth, which is the sum of current income and the present value of all future income (Jones, 2009:3) Thus, higher level of investment and capital goods creation, will increase the growth rate of the economy, ceteris paribus (Sengupta, 2011:19). However, in every investment also involved risk. Thus, risk includes not only the bad outcomes (returns that are lower than expected), but also good outcomes (returns that are higher than expected) (Damodaran, 2012:58). The total risk associated with an investment is made up of systematic risk and

unsystematic risk. Systematic risk emanates from common factors that affect all investments. Unsystematic risk is due to unique factors affecting a particular company (Beelaerts, 2010:23). Almost all investments have some risk, but you can control the amount by choosing your funds and investments with care (Constas, 2001). The markets dicussed in the research is financial market. And the financial market here, channels the savings of households, businesses, governments to those economic units needing to borrow (Johnson, 2014:6). Financial markets perform the essential economic function of channeling funds from households, firms, and governments that have saved surplus funds by spending less than their income to those that have a shortage of funds because they wish to spend more than their income (Eakins and Mishkin, 2012:2). This market is not a physical trading exchange or location, but represents a telecommunications network for selling new securities. The secondary market, also called the aftermarket, is a market for trading existing securities among investors, either directly or through an intermediary. Secondary markets exist for bonds, stocks, options, futures contracts, and other financial assets (Baker, 2005:326). Corporation issued two basic types of stock: common stock and preferred stock. (Biedenweg, 2009:10) Most large companies list their common stock on national and global stock exchanges so that their stock is more liquid and can be easily bought and sold by a large number of investors (Lawless, 2010:37).
Financial statements are the only direct source for gauging a business's financial performance-they tell the story about profitability, financial health, and the ability to pay obligations, including returning earnings to stockholders. While past performance cannot predict future profits, it does show how one company has performed against competitors in the same industry, and current trends indicate a company's future direction. The universal nature of financial statements simplifies the comparison of companies in different industries (Kline, 2007:9). Public corporations in the US and many other countries are required to prepare and disclose the following financial statements to the public on a periodic basis: balance sheet, income statement, statement of cash flows, and statement of retained earnings (Baker 2009:20).
In investing in public company, an investor can

look upon the financial statement and the financial performance of the company. There are many indicators of financial performance that includes comapny decision in terms of debt and liquity and their outcome profitability. Atmajaya (2008:254) look at debt policy as company's policy on how much a company uses debt financing. The higher the debt policy that is carried out, the higher the value of the company because if there are corporate income tax, the use of debt will increase the company's value as debt interest costs are costs that reduce tax payments. Debt itself is measured by Debt to Equity Ratio. Sutrisno (2009:222) on the other hand look on profitability of the company and look at it as the result of a policy taken by the management. The ratio of profit to measure how big the show is getting better advantage in managing the company's management. Profitability in this study was measured by Return on Assets. And in terms of liquidity, Cashmere (2009:129) states that the liquidity indicates the company's ability to meet its short term obligations on time. Liquidity in this study was measured by the current ratio. The stock price is simply the current

market price, and it is easily observed for publicly traded companies. By contrasts, intrinsic value, which represents the "true" value of the company's stock, cannot be directly observed and must instead be estimated. Market equilibrium occurs when the stock's price equals its intrinsic value. If the stock market is reasonably efficient, gaps between the stock price and intrinsic value should not be very large and they should not persist for very long (Brigham and Ehrhardt,2011:305). Furthermore, there are many factors that can affect the stock price. These factors according to Moyer et al (2009:12) include:

1.   Economic Environment Factors. The factors in the economic environment includes the following: Level of economic activity; tax rates and regulations;competition, including the threat of new competitors and substitute products;laws and government regulations; unionization of employees; International business conditions and currency exchange rates; and, bargaining power of buyers

2.   Major Policy Decisions Under Management Control. The factors included in major policy decisions under management control includes the following: products and services offered for sale; production technology; marketing and distribution network; investment strategies;   employment   policies   and compensation packages for managers and other employees;   ownership   form-proprietorship, partnership, or corporation; Capital structure-- use of debt and equity to finance the firm; working capital

management policies;

3.   Dividend policies

4.   Amount, Timing and Risk of Expected Cash Flows

5.   Shareholder Wealth (Market Price of Stock)

6.   Conditions in Financial Markets that includes: Interest rate levels, Investor optimism; and, anticipated inflation.

Fundamental analysis is the study of a company's financial strength, based on historical data; sector and industry position; management; dividend history; capitalization; and the potential for future growth. The combination of historical information and fiscal status collectively represent all data not directly related to the price of stock, and this body of information is used to define value investing and to compare one stock to another (Thomsett, 2006:6).Ashshofia and Sulistiyani (2009) studied the effect of economic crisis in America on Indonesia capital market looking at the Indonesian companies financial statement. The study resulted in that there is no significant differences before the economic crisis in America during the year 2004-2006 and the US Economic crisis in 2007-2009 is the liquidity ratio, profitability ratios and market ratios. Another study by Pangaribuan (2009) shows the influence of financial ratios comprise of solvency position, liquidity position, and profitability position on the stock price of automotive industrial sector of the then Jakarta Stock Exchange (JSX). The results shows that only return on asset which is on profitability position has a significant and positive affect on stock price which has 55.9% contribution to the changes on stock price. Thus, fundamental analysis ideally helps you identify businesses that sell goods and services for more than what

they paid to produce them. Fundamental analysis is your tool to evaluate how good a company is at turning raw materials into profits (Krantz, 2009:13).

III.   Methods

The method of study in this research is descriptive. Samples were taken from the annual report of data from the 2006-2014 mining company namely PT. Timah Tbk (INTS), PT. Aneka Tambang Tbk (ANTM), and PT. Bukit Asam Tbk (PTBA) that are listed in the Indonesian Stock Exchange. Variables used for the study consists of: independent variable, namely Gross Profit Margin (GPM), Net Profit Margin (NPM), Return on Equity (ROE) Return on Asset (ROA), Current Ratio (CR), Debt to Asset (DTA), and Debt to Equity (DTE), and dependent variable namely Stock Price. Data were analyze dusing statistical formulas and processed with statistical software called SPSS with an error rate of 5 percent using F-test and t-test analysis.

IV.   Results

PT. Timah Tbk is a company that is engaged in the business in mining sectors. The following table shows results on factors that affecting stock price at PT. Timah Tbk based on data from 2006-2014.

Table 4: PT. Timah Statistic Results

Model	R	R Square	Sig.
1	.837	.701	.873

Model		B	Std. Error	gmailBeta	T	Sig.
1	(Constant)	4126 2.587	54340.877		.759	.587
	GPM	146.170	261.941	2.963	.558	.676
	NPM	-591.635	962.419	-6.164	-.615	.649
	ROE	480.322	642.223	13.461	.748	.591
	ROA	-367.888	543.383	-7.406	-.677	.621
	CR	-63.623	83.408	-9.635	-.763	.585

		B	Std. Error	Beta	T	Sig.
	DTA	-1294.476	1825.234	-21.212	-.709	.607
	DTE	330.412	496.822	14.813	.665	.626

a. Dependent Variable: STOCK

From table 1 above, the results shows that from the above financial ratios shown their relationship towards the stock price. The following results indicated that there is a positive (r = 0.837) however not significant relationship simultaneously between financial ratios factors and stock price at PT. Timah Tbk with p = 0.873 at α = 0.05. Furthermore, the results also shows that partially the relationship between financial ratios factors and stock price are not significant, as indicated by the financial ratios of GPM (p = 0.676), NPM (p = 0.649), ROE (p = 0.591), ROA (p = 0.621), CR (p = 0.585), CR (p = 0.607), and DTE (p = 0.626) at α = 0.05. Therefore, based on the result table above it can be concluded that the observed factors have no significant relationship on stock prices of PT. Timah Tbk, thus the Ho hypothesis is accepted.

PT. Aneka Tambang Tbk is a company that is engaged in the business in mining sectors. The following table shows results on factors that affecting stock price at PT. Timah Tbk based on data from 2006-2014.

Table 5: PT. Aneka Tambang Statistic Results

Model	R	R Square	Sig.
1	.979	.958	.403

Model					T	Sig.
		B	Std. Error	Beta		
1	(Constant)	6434.193	8465.969		.760	.586
	GPM	92.873	86.411	.699	1.075	.477
	NPM	53.704	238.895	.353	.225	.859
	ROE	389.446	332.649	4.242	1.171	.450
	ROA	-629.741	398.288	-4.433	-1.581	.359
	CR	-174	2.973	-.024	-.059	.963
	DTA	-666.006	1497.044	-2.948	-.445	.734
	DTE	295.345	737.771	2.908	.400	.758

From table 5 above, the results shows that from the above financial ratios shown their relationship towards the stock price. The following results indicated that there is a positive (r = 0.979) but not significant relationship simultaneously between financial

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ratios factors and stock price of PT. Aneka Tambang Tbk with $p = 0.403$ at $\alpha = 0.05$. Furthermore, the results also shows that partially the relationship between financial ratios factos and stock price are not significant, as indicated by the financial ratios of GPM ($p = 0.477$), NPM ($p = 0.859$), ROE ($p = 0.450$), ROA ($p = 0.359$), CR ($p = 0.963$), CR ($p = 0.734$), and DTE ($p = 0.758$) at $\alpha = 0.05$. Therefore, based on the result table above it canbe

concludedthat the observed factors have no significantrelationshipon stock pricesof PT. Aneka Tambang Tbk, thus the Ho hypothesis is accepted.

PT. Bukit Asam Tbk is a company that is engaged in the business in mining sectors. The following table shows results on factors that affecting stock price at PT. Timah Tbk based on data from 20062014.

Table 6: PT. Bukit Asam Statistic Results

Model	R	R Square	Sig.
1	.925	.855	.688

Model		B	Std. Error	Beta		T	Sig.
1	(Constant)	-23222.740	147481.756			-.157	.901
	GPM	-301.452	1717.445	-.426		-.176	.889
	NPM	1439.219	1594.739	1.523		.902	.533
	ROE	-3083.332	6594.411	-4.816		-.468	.722
	ROA	3959.756	9995.702	4.534		.396	.760
	CR	22.916	68.810	.473		.333	.795
	DTA	-1087.460	7077.603	-.920		-.154	.903
	DTE	1153.681	2645.234	2.193		.436	.738

a. Dependent Variable: STOCK

From table 6 above, the results shows that from the above financial ratios shown their relationship towards the stock price. The following results indicated that there is a positive relationship (r = 0.925), however not significant between financial ratios factors and stock price of PT. Aneka Tambang Tbk, simultaneously with $p = 0.688$ at $\alpha = 0.05$. Furthermore, the results also shows that partially the relationship between financial ratios factos and stock price are not significant, as indicated by the financial ratios of GPM ($p = 0.889$), NPM ($p = 0.533$), ROE ($p = 0.722$), ROA ($p = 0.760$), CR ($p = 0.795$), DTA ($p = 0.903$), and DTE ($p = 0.738$) at $\alpha = 0.05$. Therefore, based on the result table above it can be concluded that the observed factors have no significant relationship on stock prices of PT. Aneka Tambang Tbk, thus the Ho hypothesis is accepted.

V.   Discussion
I.   Subsection One

Based on the research results and the description above it can be concluded and

discuss as follows:

1.   There is no significant relationship of factors affecting stock prices in PT. Timah Tbk. Thus, this indicates that financial ratios of the company are able to predict the changes of stock price in PT. Timah Tbk.

2.   There is no significant relationship of factors affecting stock prices in PT. Aneka Tambang Tbk.Thus, this shows that financial ratios are not able to predict the changes of stock price in PT. Aneka Tambang Tbk.

3.   There is no significant relationship of factors affecting stock prices in PT. Bukit Asam Tbk. Thus, this indicates that financial ratios of the company are notable to predict the changes of stock price in PT. Bukit Asam Tbk.

II.   Subsection Two

The point of this study suggests that prior to buying shares, investors should be aware of all the factors that can affect the price of a stock including the condition of the economy. A careful analysis of selected companies to invest must be made to ensure selected stocks can withstand unexpected economic turmoil, such as a recession. For a company to survive through a recession it must continue to be a leading innovator in its industry. It must continue to expand its product line to meet its consumer's everchanging wants and needs. With product development, firms can expect an increase in sales and profits. Which will be beneficial to the welfare of current shareholders and entice potential investors.

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