



The Relationship Between Financial Performance and Share Price of Energy Companies: BEI Case Study 2018-2022

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INFO ARTIKEL

Abstract

Keywords:

Stock price, current ratio, debt-to-equity ratio, return on assets, earnings per share

The study's goal is to look at how energy companies listed on the Indonesia Stock Exchange (IDX) fared financially and how their stock prices changed from 2018 to 2022. Academics are interested in the factors that affect the stock prices of energy businesses because of the recent market volatility in this sector. Seven companies listed on the IDX during the specified period were included in the sample, covering the entire population of such companies. Data was collected from the financial statements of these companies and analysed using EViews software. The analysis found no statistically significant relationship between the current ratio, the debt-to-equity ratio, the return on assets, or earnings per share and the share prices of energy sector businesses on the IDX throughout the study period. These results provide valuable insights for stakeholders, including energy sector investors and managers, in evaluating factors that influence stock prices and considering the potential influence of other factors in the market valuation of energy companies. Further research is needed to explore additional variables that may affect stock valuations in the energy sector and improve understanding of the sector's stock market dynamics.

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Introduction

Energy sector enterprises in Indonesia play an essential part in the country's economy. This industry is crucial to Indonesia's economic development as it is in charge of power generation, distribution, and consumption. Since the financial performance of energy sector companies has a substantial impact on the entire performance of the Indonesian capital market, the share prices of these companies are of important significance to investors and market participants. According to Septiano and Mulyadi (2023), stocks with high prices offer the potential for capital gain, which refers to the difference between the selling price and the purchase price of stocks that benefits investors. On the contrary, a low stock price can serve as an indication that the company is experiencing capital loss or performing poorly. This study aims to conduct a more specific analysis on the influence of current ratio and debt to equity ratio on the stock prices of energy sector companies listed on the Indonesia Stock Exchange (IDX) during the period of 2018-2022. Thus, it is expected that the findings of this research can provide more accurate and beneficial insights for investors and market participants in making smarter and more effective investment decisions in the capital market. The purpose of this research is to examine the trends in the Current Ratio, Debt to Equity Ratio, Return on Assets, and Profits per Share of energy companies trading on the Indonesia Stock Exchange between 2018 and 2022. The financial reporting period, which falls during the Covid-19 pandemic, needs to be considered, because at that time all businesses experienced disruptions, including companies in the energy sector.

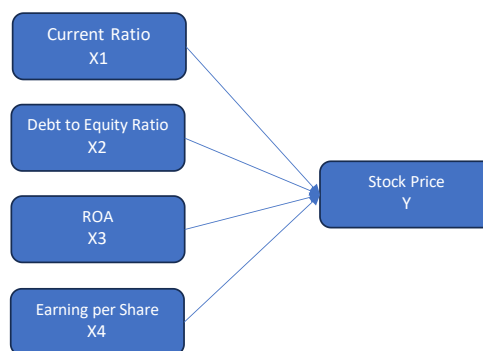
The theory of signals is considered to be one of the most crucial theories for comprehending financial management. The theory of signaling aims to demonstrate that parties within the corporate environment typically possess superior information regarding the conditions and future prospects of the company compared to external parties such as investors, shareholders, and the state. Organizations have the ability to convey messages that can be categorized as either positive or negative. Irrespective of the intended message the company aims to convey, it is hopeful that both the market and investors will alter their opinion of the company (Fauziah, 2017). The capital market in Indonesia plays a significant role in the country's economy. It enables investors with surplus funds to allocate their cash towards various securities. Simultaneously, companies in need of financing might utilize the funds to facilitate the development of their projects (Suriayu & Septiano, 2023). The Current Ratio is a liquidity ratio used to evaluate a company's capacity to meet its immediate financial obligations due (Lailatus Sa'adah, 2020). The Debt to Equity Ratio is a ratio used to compare total debt to total equity. The ratio is used to ascertain the amount of funds provided by creditors to the owners of the company (Morris, 2022). ROA, also known as Return on Assets, is a profitability ratio utilized to assess the extent to which a company can utilize its assets to generate profits (Efendi & Ngatno, 2018). A high Earnings Per Share (EPS) reflects the extent of capital that a company possesses to distribute among investors (Sari et al., 2022). The term "stock price" pertains to the valuation of stocks that are traded in the capital market and can be utilized for investment objectives. When individuals or entities engage in the acquisition of company shares, they contribute cash or funds that are then distributed by

management to facilitate the operational activities of the company (Tambunan, 2007).

RESEARCH METHODS

In this investigation, the scholars employed a quantitative research methodology. The present investigation adopts a quantitative research methodology due to the utilization of variables such as current ratio, debt to equity ratio, and stock price, which are derived from annual financial records and comprise numerical data. The research study focuses on energy firms, specifically seven companies that are continuously listed on the Indonesia Stock Exchange from 2018 to 2022. The sample size comprises 35 data points, which will be derived from the annual reports of the aforementioned companies. The research methodology employed in this work involves the utilization of panel data regression, while the data source utilized is secondary data. The data gathering methodology employed in this study involves the use of documentation, and the subsequent data processing is conducted with the EViews program. Here, the stock price is the dependent variable, so that's what we'll be looking at the most. The independent variables in this study are the current ratio, the debt-to-equity ratio, the return-on-assets (ROA), and the earnings-per-share.

Picture 1
Conceptual Framework



RESULT

Table 1
Coefficient Test Results Regression in a way Partial

Variable	Coefficient	Std. Error	t-Statistic	Prob.	Result
C	5.471594	0.379420	14.42096	0.0000	
X1	0.057450	0.091480	0.628007	0.5348	H ₁ Rejected
X2	-7.50E-05	0.001552	-0.048320	0.9618	H ₂ Rejected
X3	-1.93E-05	0.000136	-0.141838	0.8882	H ₃ Rejected

X4	0.003612	0.002356	1.533020	0.1358	H ₄ Rejected
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When examining the partial test table, one may observe the influence of the independent variable on the dependent variable.

1. The Impact of Current Ratio on Share Prices

The probability value of 0.5348 is greater than the critical value of 0.05, indicating statistical significance. According to the data, between 2018 and 2022, the current ratio variable has a positive but negligible effect on the stock prices of energy sector businesses listed on the Indonesia Stock Exchange (IDX). Enterprises have the ability to send both positive and negative signals. The company thinks it can change the minds of consumers and investors by being transparent about its goals..

2. The Impact of Debt-to-Equity Ratio on Share Prices

The probability value of 0.9618 is more than the 0.05 threshold needed for statistical significance. The results indicate that, from 2018 to 2022, the debt to equity ratio variable influences energy sector company stock prices positively but not significantly.

3. The Impact of Return on Assets on Share Prices

The result is statistically significant (p 0.05), with a probability of 0.8882. This study demonstrates that the variable return on asset has a modestly beneficial effect on the stock prices of energy sector companies listed on the Indonesia Stock Exchange (IDX) throughout the years 2018-2022.

4. The Impact of Earnings per Share on Share Prices

In terms of statistical significance, the value of 0.1358 is greater than 0.05. Earnings per share was found to have a favorable influence on the stock prices of energy companies listed on the Indonesia Stock Exchange (IDX) between 2018 and 2022, albeit this effect was not statistically significant.

DISCUSSION

While the analysis reveals a positive correlation between the Current Ratio and stock prices, this relationship does not reach statistical significance for energy sector companies listed on the IDX between 2018 and 2022. This implies that fluctuations in this financial metric do not consistently yield quantifiable effects on stock price fluctuations. While the current ratio is commonly regarded as a measure of a company's liquidity and capacity to meet short-term obligations, it may not exert as much of a market valuation impact on the energy sector as other determinants do.

The investigation indicates that while there is a perceived beneficial impact of the Debt to Equity Ratio on the share price of energy sector businesses listed on the IDX, the statistical analysis reveals that this effect lacks significance. Put simply, fluctuations in the ratio of corporate debt do not typically result in substantial fluctuations in stock values. This observation suggests that the market's response to the debt-to-equity ratio of energy businesses may not be direct, implying that other factors, such as global market circumstances or industry policies, might exert a more significant influence on stock valuation.

While the Return on Asset (ROA) has a favorable influence on stock price, the findings of the investigation indicate that this impact lacks statistical significance. This implies that although return on assets is commonly seen as a

measure of a company's effectiveness and profitability, fluctuations in operational performance may not have a direct correlation with the market's reaction to stock prices. Market dynamics can be significantly influenced by external variables, such as legislative changes or fluctuations in energy prices.

While the variable of Earning Per Share demonstrates a positive correlation with stock prices, the findings of the analysis indicate that this relationship lacks statistical significance. This observation suggests that within the energy sector companies listed on the IDX, the growth in earnings per share does not typically result in substantial fluctuations in stock prices. Various factors, such as strategic projects, industrial policies, and sustainability features, can significantly influence the market's assessment of energy firms.

CONCLUSION

1. The impact of the Current Ratio on stock prices in the energy sector businesses listed on the IDX is generally positive. However, it is important to note that this effect lacks statistical significance. Hence, it is crucial for financial evaluation that investors and market participants in the energy industry take into account additional variables that could exert a stronger impact on fluctuations in stock prices, notwithstanding the significance of liquidity and the capacity to meet short-term liabilities.
2. Although not statistically significant, a positive association between the Debt to Equity Ratio and stock prices has been discovered among IDX-listed energy sector businesses. The aforementioned result underscores the intricate nature of the factors that impact financial markets, and underscores the possibility that the correlation between the capital structure of energy businesses and their stock value could be influenced by additional variables that were not explored in this study.
3. The relationship between Return on Asset and stock price suggests a favorable influence; however, it is important to note that this effect lacks statistical significance. Hence, it is vital for investors to comprehend that external variables, such as industrial policies or fluctuations in energy prices, may have exerted a greater influence on the valuation of energy sector firms listed on the IDX over the analyzed timeframe.
4. The impact of Earnings Per Share on stock price has been examined, and it has been determined that while there is a positive relationship between the two variables, this relationship lacks statistical significance. This underscores the significance of taking into account additional factors, such as strategic initiatives or industrial policies, that could exert a more substantial influence on the valuation of energy business stocks in the financial market. Investors must include this knowledge in order to make investing selections that are more comprehensive in nature.

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