

THE INFLUENCE OF FINANCIAL FACTORS TO THE STOCK PRICES OF LISTED BANKING COMPANIES

ABSTRACT

Stock investment is predicted to have bigger risk than other investments, such as saving bond and bank deposit, because we cannot ascertain the expected return of the stock, which is gained from dividend and capital gain that is determined by the fluctuation of stock price rate. The investors need the information from the firms financial statements to predict the firms stock prices.

The purpose of this research is to examine factors that affect stock prices in the market. These factors include earning per share, price earning ratio, debt equity ratio, return on assets, and net profit margin.

Sample of research are listed banking firms in Indonesia Stock Exchange. Time period of this research are three years from 2009 until 2011. The sample was taken by using purposive sampling method. Ten firms were used as sample of biggest banking companies listed in Indonesia Stock Exchange, used cut off 31 December and Rupiah currency, had net income and shared cash dividend consistently from 2009 until 2011. The method of analysis data is the multiple regressions.

The results of this research represented: 1. earning per share, debt equity ratio, return on assets, and net profit margin had no influence on stock prices. 2. price earnings ratio had influence on stock price.

Keywords: Stock Prices, Earning Per Share, Price Earnings Ratio, Debt Equity Ratio, Return On Assets, and Net Profit Margin.