THE INFLUENCE OF RETURN ON EQUITY (ROE) AND DEBT TO EQUITY RATIO (DER) ON STOCK PRICE IN LQ - 45 STOCK EXCHANGE IN INDONESIA

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ABSTRACT

The purpose of this study was to determine the effect of independent variables Return On Equity (ROE) and the Debt To Equity Ratio (DER) of the dependent variable (stock price). The object of this study is a company that goes in the LQ group - 45 and is listed on the Indonesia Stock Exchange (IDX) with the financial reporting period of 2007 to 2009 and stock prices in 2008 to 2010. This study used a population sample companies included in the LQ group - 45 as many as 135 companies. The data was done using descriptive statistical tests, normality test, test classic assumptions, multiple linear regression analysis.

Regression results obtained by the regression equation as follows: Stock Price = 5.036 + 0.888 Return On Equity – 0.130 Debt To Equity Ratio. The results of hypothesis testing with the t test showed that the independent variables Return on Equity has an influence on stock prices while the Debt To Equity Ratio has no effect on stock prices. And the results of the F test is known that all the independent variables (Return On Equity and Debt To Equity Ratio) simultaneously have a significant effect on the dependent variable is the stock price. From the results obtained R Square value of 0.353 (35.3%) means all the independent variables could explain the dependent variable, while the rest are at 0.647 (64.7%) influenced by other variables that are not researched by the author.

Key words: Return On Equity (ROE), Debt To Equity Ratio (DER), Stock Price.