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ANALYSIS OF FACTORS INFLUENCING STOCK PRICES OF COMPANIES IN THE LQ45 INDEX: A STUDY PERIOD FROM 2019 TO 2022

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ABSTRACT: The stock market plays a crucial role in the allocation of capital and the economic growth of a country, including Indonesia. This study aims to identify the factors that influence the stock prices of companies within the LQ45 Index during the 2019-2022 period. Through an empirical analysis approach, this research explores the impact of capital structure (Debt to Equity Ratio - DER), liquidity (Cash Ratio), ownership structure (Institutional and Managerial Ownership), and company size on stock prices.This study aims to analyze the factors influencing stock prices of companies listed in the LQ45 Index during the period of 2019-2022. Financial data and market information were collected to identify significant factors affecting stock prices. The study employed multiple linear regression analysis to explore the relationship between independent variables, namely capital structure (DER), liquidity (Cash ratio), ownership structure (KI and KM), and company size (SIZE), with stock prices. The results show that, in this context, Institutional Ownership (KI) has a significant positive effect on stock prices, while Company Size (SIZE) also has a significant influence. These findings indicate that these factors collectively contribute to determining stock prices. The implications of this research provide a deeper understanding of the factors influencing stock price behavior in the capital market.
Keywords: Stock price, LQ45 Index, Factors, Net income, Revenue growth, Market conditions, Panel regression analysis.

INTRODUCTION

The stock market serves as a primary arena for investment activities in many countries, playing a crucial role in capital allocation and facilitating economic growth. In this context, a deep understanding of the factors influencing stock prices is crucial for investors, business decision-makers, and capital market regulators.

The LQ45 Index, as one of the key stock indices in Indonesia, reflects the performance of a group of leading companies listed on the Indonesia Stock Exchange (IDX). During the period of 2019-2022, the dynamics of the Indonesian capital market were influenced by various economic, political, and global factors affecting the movement of stock prices within this index (Indonesia Stock Exchange, 2019-2022).

The analysis of factors influencing the stock prices of companies in the LQ45 index for the observation period of 2019 - 2022 is highly urgent for several reasons:

The period of 2019 - 2022 includes several significant economic events, including the COVID-19 pandemic, which had a substantial impact on global and Indonesian stock markets. This analysis is crucial to understand how certain factors influenced stock prices during a period of economic uncertainty. Investors need accurate and up-to-date information to make wise investment decisions. Knowing the factors that affect stock

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prices can help investors identify investment opportunities and risks. Additionally, companies in the LQ45 index need to understand how internal and external factors affect their stock prices. This information can be used to create more effective policies and better risk management strategies.

The LQ45 index consists of companies with high liquidity and large market capitalization. This analysis provides insights into the overall performance of the stock market and the financial stability of major companies in Indonesia. The results of the analysis can also provide input for policymakers in designing regulations and policies that support the stability and growth of the Indonesian stock market. This research is also important for academic development and literature in the fields of economics and finance, particularly related to the capital market in Indonesia.

This study aims to investigate the factors significantly influencing the stock prices of companies included in the LQ45 Index during this period. Through an empirical analysis approach, this research will provide deeper insights into how certain variables, such as capital structure, liquidity, ownership structure, and company size, contribute to the fluctuations in stock prices within this index.

By understanding the factors influencing stock prices within the LQ45 Index, investors can make more informed investment decisions, company managers can design more effective strategies, and capital market regulators can develop policies that are more adaptive and responsive to the evolving market dynamics. Therefore, this research holds significant relevance in the context of investment management and decision-making in the Indonesian capital market (Financial Services Authority of Indonesia, 2022).

Based on data from the Indonesia Central Securities Depository (KSEI) at the end of the first semester of 2022, the number of Single Investor Identification (SID) has reached 4,002,289, with 99.79% being local individual investors. Here is the data regarding the increase in the number of investors in the capital market from 2019 to June 2022:

Table 1: Number of capital market investors from 2019 to June 2022.

No.	Year	Number of Investors
1	2019	1.104.610
2	2020	1.695.268
3	2021	3.451.513
4	Juni 2022	4.002.289

Source:https://www.ksei.co.id/files/uploads/press_releases/press_file/id_id/208_berita_pers_didominasi_milenial_dan_gen_z_jumlah_investor_saham_tembus_4_juta_20220725182203.pdf (2022)

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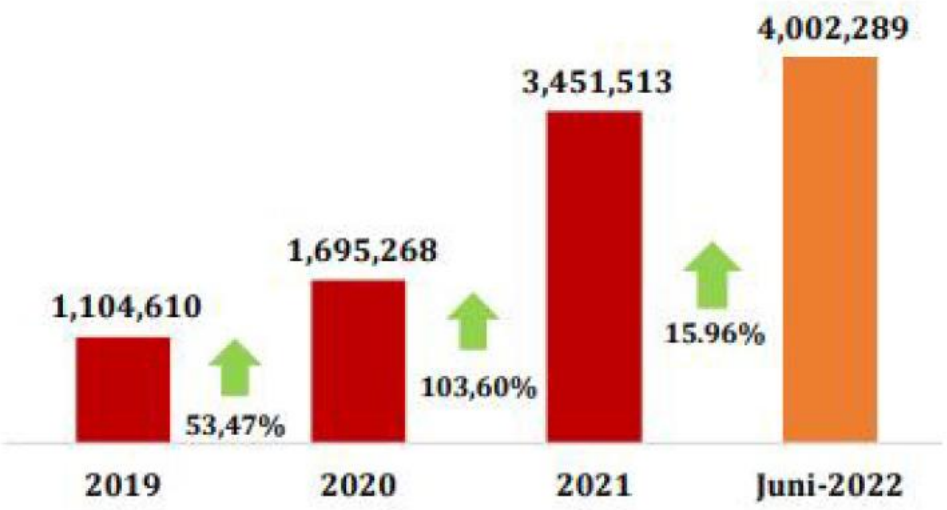

Figure 1: Graph Number of capital market investors from 2019 to June 2022.
Source:https://www.ksei.co.id/files/uploads/press_releases/press_file/id_id/208_berita_pers_didominasi_milenial_dan_gen_z_jumlah_investor_saham_tembus_4_juta_20220725182203.pdf (2022)

The data indicates a significant growth trend in the number of investors from 2019 to June 2022. In 2019, the number of investors was 1,104,610, which increased significantly to 1,695,268 in 2020. This growth trend continued, with the number of investors reaching 3,451,513 in 2021, and reaching 4,002,289 in June 2022.

From 2019 to 2020, there was an increase of approximately 53% in the number of investors. Similarly, from 2020 to 2021, there was an increase of around 104%. Likewise, from 2021 to June 2022, there was an increase of approximately 16%. This indicates that the growth in the number of investors is increasing exponentially from year to year.

Certain events may have influenced the significant surge in the number of investors, such as changes in government policies, the launch of new products in the market, or global events affecting the overall financial markets. Surges in the number of investors can have significant impacts on the capital market, including increased market liquidity, trading activity, and demand for investment products. It may also reflect an increased interest in investment among the public, which can drive growth in the financial sector and the economy as a whole (Indonesian Stock Exchange, 2022).

For a deeper understanding of this trend, further analysis can be conducted to identify the factors driving the growth in the number of investors and its impact on the capital market as a whole. This will assist stakeholders in planning investment strategies and policies that align with the evolving market dynamics.

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LITERATURE REVIEW

Stock Prices of Companies in the LQ45

Index Stock prices of companies within the LQ45 Index refer to the prices of shares of companies listed in the LQ45 Index on the Indonesia Stock Exchange (IDX). The LQ45 Index is a major stock market index in the IDX consisting of 45 companies with high liquidity and market capitalization. Stock prices of companies within the LQ45 Index serve as an important benchmark in evaluating the performance of the Indonesian stock market (IDX: 2023).

The stock prices of companies listed in the LQ45 Index on the Indonesia Stock Exchange (IDX) reflect the performance of some of the most liquid and well-capitalized companies in Indonesia. The LQ45 Index is a key stock market index that includes 45 companies with high liquidity and significant market capitalization. These companies are considered to be representative of the broader market and are often used as a benchmark to evaluate the performance of the Indonesian stock market (Bisnis.com).

Debt to Equity Ratio (DER)

Debt to Equity Ratio (DER) refers to a ratio used to measure the proportion of debt and equity used by a company to finance its assets. This ratio depicts how much debt a company has compared to its equity. Typically, the higher the DER ratio, the greater the portion of financing derived from debt (Brigham & Houston (2012)).

The Debt to Equity Ratio (DER) provides insight into the proportion of funds a company obtains from debt and equity. A high DER indicates that a company is relying more on debt than equity, which can increase financial risk due to higher interest payments. However, a high DER can also indicate the potential for leveraging profits. Conversely, a low DER suggests that a company is more reliant on its equity, which may be safer but could reduce potential returns for shareholders (Gitman & Zutter,2012).

Cash Ratio

Cash Ratio is a financial ratio that measures a company's ability to meet short-term obligations using its most liquid assets, such as cash and cash equivalents. This ratio indicates the amount of cash and cash equivalents available to the company in relation to its total short-term liabilities. The higher the liquidity ratio value, the greater the company's ability to quickly pay its short-term liabilities (Gitman & Zutter (2019)).

According to Ehrhardt (2016), likuiditas (liquidity) refers to a company's ability to meet its short-term obligations using its most liquid assets. Liquidity ratios, such as the cash ratio, measure a company's ability to meet short-term obligations using its most liquid assets.

Ownership Structure (KI and KM) - Institutional Ownership (KI) and Managerial Ownership (KM)

Ownership Structure (KI and KM) refers to two types of stock ownership that can influence corporate governance and strategic decision-making. These two types of ownership are Institutional Ownership (KI) and Managerial Ownership (KM).

1. Institutional Ownership (KI): Refers to stock ownership by financial institutions such as banks, insurance companies, pension funds, or investment companies. Institutional ownership can have a significant impact on the company, as these institutions often have the resources and power to influence corporate policies.

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2. Managerial Ownership (KM): Refers to stock ownership by managers or executives of the company itself. Managerial ownership can affect managerial behavior, as managers have a direct interest in the company's performance and its stock value (Jensen & Meckling (1976)).

Company Size (SIZE)

Company Size (SIZE) refers to the dimension or scale of a company, which can be measured by various metrics such as total assets, sales, or market capitalization. The concept of company size is important because the size of a company can affect various aspects of performance and behavior, and can be a relevant factor in corporate finance and economic research (Alfina, et al., 2018).

METHODS

Sampling and Data Collection

This study examines companies listed in the LQ45 Index on the Indonesia Stock Exchange (IDX) from 2017 to 2022. Data is collected using documentation methods, focusing on quantitative data with a panel/pooling data structure. The sampling method employed is purposive sampling, based on the following criteria: (1) companies that consistently published complete financial reports during the study period, (2) companies that remained listed in the LQ45 Index throughout the study period, excluding those in the banking and financial sectors, and (3) companies with specific managerial and institutional ownership structures.

Data Analysis Techniques

The data analysis for this study involves multiple techniques. Descriptive statistics will be used to summarize and describe the primary features of the collected data, providing insights into the data distribution and identifying any anomalies. Correlation analysis will assess the strength and direction of the relationships between independent variables (such as accounting digitization, dividend policy, and company growth) and the dependent variable (stock prices).

To determine the impact of multiple independent variables on stock prices, multiple regression analysis will be applied. This allows for an understanding of how each factor contributes to changes in stock prices while controlling for other variables. Given the multi-year data from various companies, panel data analysis will be utilized, employing fixed effects or random effects models based on Hausman test results. Panel data analysis is advantageous as it controls for individual heterogeneity and provides more detailed data with increased variability and reduced collinearity among variables.

Additionally, diagnostic tests, including checks for multicollinearity, heteroscedasticity, autocorrelation, and normality of residuals, will be conducted to ensure the reliability and validity of the regression models.

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Table 2. of Variable Operationalization

Variable	Definition	Measurement	Scale
Dependent Variable			
Stock Prices	The market price of a company's shares listed in the LQ45 index	Daily closing price of stocks	Ratio
Independent Variables			
Accounting Digitization	The extent to which a company has adopted digital accounting systems	Index based on the adoption of digital accounting tools	Ordinal
Dividend Policy	The policy of a company regarding the distribution of profits to shareholders	Dividend payout ratio	Ratio
Company Growth	The rate at which a company expands its business operations	Annual growth rate of revenue or assets	Ratio

Source : Procesing data (2023)

RESULTS AND DISCUSSION

Simultaneous F Test

The simultaneous test was conducted to assess the joint impact of all independent variables on the dependent variable. In this study, the simultaneous test aims to determine whether independent variables such as accounting digitization, dividend policy, and company growth collectively influence stock prices of companies listed in the LQ45 Index. This simultaneous analysis underscores the importance of considering these factors together when analyzing stock prices. It helps in understanding the complex dynamics of the stock market and provides a more comprehensive view of how the combination of these variables can affect stock prices.

In this discussion, the simultaneous test results reveal not only the individual

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effects of each variable but also the interactions between these variables. This offers a more complete perspective on the factors influencing stock prices and supports better decision-making for investors and company managers.

Table 3. Result Of Simultaneous F Test

Model	Sum Of Squares	df	Mean Square	F	Sig
Regression	139315788.173	6	24763233.922	8.737	.000[b]
Residual	143212317.758	45	3145755.847		
Total	2637627393.273	48			

Source: Processed Data, SPSS Statistics (2023)

Based on Table 3, with the calculated F value of 8.737 exceeding the critical F value of 2.58, and the significance value of the F-test being 0.000, which is lower than the predetermined value (0.05), it can be concluded that the capital structure, liquidity, ownership structure, and company size collectively have a significant influence on stock prices.

Coefficient of Determination (R2)

Coefficient of Determination (R2) is a statistical measure used in regression analysis to assess how well the regression model fits the observed data. The value of R2 ranges from 0 to 1, where a higher value indicates that the regression model better explains the variation in the dependent variable.

More specifically, R2 measures the proportion of variability in the dependent variable that can be explained by the independent variables in the regression model. In other words, R2 indicates how much of the variability in the dependent variable is accounted for by the independent variables in the regression model.

Table 4. Result Coefficient of Determination (R2)

Model	R	R2	Adjusted R2	Std, Error	Change statistics				
					R2 Change	F Change	df1	df2	Durbin Watson
1	.689	.498	.451	1735.2281	.478	8.33	6	45	.000

Source: Processed Data, SPSS Statistics (2023)

Based on the results of the coefficient of determination test, the obtained R-square value is 0.478, indicating that approximately 47.8% of the variation in stock prices can be explained by the combination of capital structure, liquidity, ownership structure, and company size simultaneously. Meanwhile, about 52.2% of the variation in stock prices is influenced by other factors outside the scope of this study. Based on previous research, several other factors can influence stock prices. Financial performance, such as profitability ratios, indicates the financial health of a company and affects its stock prices. Macroeconomic conditions, including inflation, interest rates, and economic growth, also play a role by impacting costs and company profits. Market sentiment, which reflects investor perceptions of economic and political news, influences stock prices as well. Corporate events, such as mergers, acquisitions, and management changes, can alter

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a company's outlook and affect its stock prices. Market liquidity, which refers to the ease of trading stocks, impacts price stability, while the level of dividends paid can influence a stock's attractiveness to investors. Lastly, systematic risk, including market volatility and political uncertainty, can lead to fluctuations in stock prices.This suggests that although the independent variables significantly contribute to explaining the variation in stock prices, there are still other factors that need to be considered to fully understand the behavior of stock prices.

The partial t-test

The partial t-test is one of the statistical tests used in regression analysis to evaluate the individual significance of each regression coefficient (parameter) related to the independent variables. In the context of linear regression, the partial t-test examines whether the regression coefficient of a particular independent variable significantly differs from zero.

The result of the partial t-test will yield a t-statistic value compared to the critical t-value at the specified significance level. If the t-statistic value is greater than the critical t-value, then the regression coefficient is considered statistically significant, indicating that the independent variable has a significant effect on the dependent variable in the regression model.

Table 5. Results of the T-Test

Model	Unstandarized Coefficients		Standardized Coefficients	t	Sig.	Correlations		
	B	Std. error	Beta			Zero Order	Partial	Part
(Constant)	-44652.90	12374.778		-3.60	.001			
DER	250.451	472.968	.103	.540	.588	.048	.080	.057
CHR	-754.411	1133.195	-.158	-.776	.518	-.422	-.100	-0.72
KI	3007.856	1146.244	.348	2.534	.013	.047	.368	.283
KM	-14979.87	8529.572	-.273	-1.76	.096	-.257	-.256	-.18
SIZE	1459.160	351,876	.648	4.147	.000	.532	.530	.447

Source: Processed Data, SPSS Statistics (2023)

Effect of Capital Structure on Stock Price

Based on the analysis results in Table 5, it is found that the capital structure (DER) has a regression coefficient of 0.103. This indicates that when DER increases by one unit, the stock price will also increase by 0.103 units. However, the t-value for DER is 0.540, which is smaller than the tabulated t-value of 2.2510. Therefore, the alternative hypothesis (H1) is rejected. Additionally, the significance value of DER is 0.588, which is greater than the predetermined significance level (0.05), indicating that the partial effect of DER on stock price is not significant.

Nevertheless, it should be noted that the trade-off theory supports a positive relationship between capital structure and stock price, assuming that adequate capital enhances investor confidence and may attract new investors. Although the results of this

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study are not significant, the positive signal from high capital may influence stock prices. However, this finding contradicts some previous studies that have shown a significant negative relationship between capital structure and stock price, while other studies have found a significant positive relationship. This indicates the complexity of the factors influencing the relationship between capital structure and stock price, highlighting the need for further research to fully understand this dynamics.

Effect of Liquidity on Stock Price

Based on the analysis results in Table 4, it is found that the regression coefficient for liquidity (CHR) is -0.158. This indicates that when liquidity (CHR) increases by one unit, the stock price decreases by 0.158 units. However, the t-value for CHR is -0.776, which is smaller than the tabulated t-value of 2.22510, thus rejecting hypothesis H2. Additionally, the significance value of CHR is 0.518, which is greater than the predetermined significance level (0.05), indicating that the partial effect of liquidity on stock price is not significant.

The decrease in stock prices associated with high liquidity can be explained by the signaling theory, where investors may assume that high cash levels indicate a lack of profitable investment opportunities or potentially low profitability of the company. As a result, investor interest declines, and stock prices decrease.

These research findings are consistent with previous findings by Khalifah & Nurulrahmatiah (2022), which also found a negative relationship between liquidity and stock price. This suggests that liquidity indeed has a non-significant negative impact on changes in stock prices, indicating the complexity of the relationship between these factors.

Effect of Ownership Structure on Stock Price

Based on the analysis results in Table 4, it is found that ownership structure, measured using Institutional Ownership (KI) and Managerial Ownership (KM), has different impacts on stock prices.

For Institutional Ownership (KI), the regression coefficient has a value of 0.348, indicating that when KI increases by one unit, the stock price also increases by 0.348 units. The t-value for KI is 2.534, exceeding the tabulated t-value, and its significance value (0.013) is smaller than the significance level α (0.05), indicating that KI has a positive and significant impact on stock prices. Investors may consider the presence of monitoring institutions as a positive signal for company performance, thus increasing investor interest and stock prices.

Meanwhile, for Managerial Ownership (KM), the regression coefficient has a value of -0.273, indicating that an increase of one unit in KM will lead to a decrease in stock prices by 0.273 units. However, the t-value for KM (-1.76) is lower than the tabulated t-value, and its significance value (0.96) is greater than the significance level α (0.05), indicating that the impact of KM on stock prices is not statistically significant. This means that although KM may have a negative impact on stock prices, its effect is not significant.

These findings contradict some previous studies that found that KM has a significant positive impact on stock prices. However, the complexity of the relationship between ownership structure and stock prices may also be influenced by other factors, such as market conditions and specific company characteristics.

Previous research indicates that several factors significantly influence stock prices.

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Financial performance of a company, such as profitability ratios, impacts stock prices because companies with strong financial performance generally have higher stock prices. Macroeconomic conditions, including inflation, interest rates, and economic growth, also affect stock prices as these factors influence the company's costs and profits.

Market sentiment, reflecting how investors respond to economic and political news, can cause stock price fluctuations. Corporate events like mergers and acquisitions affect stock prices by altering the company's future prospects. Market liquidity impacts price stability, with more liquid stocks typically having more stable prices. The level of dividends paid to shareholders can affect a stock's attractiveness, with higher dividends often leading to higher stock prices. Finally, systematic risk, such as market volatility and political uncertainty, can lead to significant changes in stock prices.

Effect of Company Size on Stock Price

From the analysis results in Table 4, it is found that the regression coefficient for company size (SIZE) is 0.648. This indicates that when the company size increases by one unit, the stock price will increase by 0.648 units. The t-value for SIZE is 4.147, exceeding the tabulated t-value, thus rejecting hypothesis H5. Additionally, the significance value for SIZE (0.000) is smaller than the significance level α (0.05), indicating that company size has a significant statistical impact on stock prices.

The research results indicate that company size has a positive impact on stock prices. This suggests that investors tend to view company size as an indicator of stability and greater growth potential, which can attract their interest in buying company stocks. This is consistent with the signaling theory, where a large company size can be considered a positive signal to investors about company performance and prospects.

These findings are consistent with previous research indicating that company size has a significant positive impact on stock prices, as reported by Samudra & Ardini (2020) his reaffirms the importance of company size as a relevant factor in assessing stock value in the capital market.

CONCLUSION

This study examines the factors influencing stock prices of companies within the LQ45 Index on the Indonesia Stock Exchange (IDX) during the 2019-2022 period. By utilizing empirical analysis, the research investigates the effects of capital structure (Debt to Equity Ratio - DER), liquidity (Cash Ratio), ownership structure (Institutional and Managerial Ownership), and company size on stock prices. Key findings are as follows:

Capital Structure (DER): The study finds that DER does not significantly influence stock prices. This suggests that investors may not heavily weigh the debt levels of these companies when making investment decisions.

Liquidity (Cash Ratio): The analysis indicates that liquidity has a negative but insignificant impact on stock prices. This could imply that higher liquidity does not necessarily translate to higher stock prices, possibly due to perceptions of inefficient use of cash.

Ownership Structure: Institutional ownership has a significant positive effect on stock prices, highlighting the importance of institutional investors in signaling company value to the market. Conversely, managerial ownership does not significantly affect stock

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prices, suggesting that insider holdings are not a major factor for investors in these firms.

Company Size: The study reveals that company size has a significant positive effect on stock prices. Larger companies are perceived as more stable and having greater growth potential, making them more attractive to investors.

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