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Fundamental Analysis of Stock Prices in Mining Sector Listed on The IDX Indonesia Stock Exchange

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Abstract
In this study, the IDX (Indonesia Stock Exchange) stock prices of mining businesses were examined in relation to profitability, leverage, and market ratios. The 45 mining businesses listed on the IDX for the years 2019 through 2021 made up the study's population. 25 of these firms were picked as the sample using the purposive sampling method. The research was quantitative and made use of secondary information from each company's yearly financial reports and closing stock price. The analysis was carried out using SPSS 27. The study's findings demonstrated that the factors of profitability, leverage, and market ratios had a substantial impact on the stock prices of mining firms listed on the IDX when taken into consideration together.

Keywords: Profitability, Leverage, Market Ratios, Stock Prices

Introduction

The growth of the capital market has become crucial to economic activity. The capital market's purpose is to help publicly traded corporations raise more money. The capital market, which is now undergoing fast expansion, is essential for raising money from those who want to make investments in the capital market. A rising portion of society now views the stock market as one of their investing possibilities. The increase in investment activity on the capital market is proof of this. Investors have high expectations for earning big returns in order to improve their future well-being when they engage in investing activities.

The risk that will be taken on rises in proportion to the degree of rewards. The volatility of stock prices is the risk that investors must deal with. Stock prices are a representation of the stock market's closing prices at a certain time. Before an investor agrees to purchase shares in a firm, every form of stock used as a sample for investors is continuously watched for changes. Making the wrong choice might result in losses rather than gains, thus an investor has to be able to analyse the variables that influence stock prices.

The improvement of a company's financial parameters is one way to assess stock prices. Over time, the stock's value will change. A financial indication of a company's capacity to produce a profit from its sales, known as ROE (Return on Equity), was employed in this study. A metric called the DER (Debt to Equity Ratio) is used to evaluate how debt impacts a company's profitability. The EPS (Earning Per Share) ratio aims to forecast how much stock profit will be distributed to shareholders over the long term. One of the

main sources for supporting investment operations is the mining industry. The strong local and worldwide demand for natural resources is one of the elements promoting growth in the mining industry. According to the Central Statistics Agency (Badan Pusat Statistik, or BPS), the mining industry's export value increased by US$ 37.9 billion in 2021, or 91.15%, according to the BPS. The mining industry contributes to the national economy, expanding by 8.98% compared to 2020, when the growth contribution was 6.44%, as a result of the rising value of exports on a worldwide scale. The success of the mining industry has the ability to propel Indonesia's economy forward.

Research Method

Throughout the procedure, the quantitative research methods used required a sizable amount of numerical data. To ascertain if there was a significant relationship between two or more elements was the study's main objective. All 45 mining sectors listed on the IDX made up the study's sample. Using deliberate selection, 25 companies were chosen to make up the sample for the years 2019 through 2021. A total of 75 observations were used to arrive at the final results.

A substantial amount of numerical data was required during the procedure for the quantitative research methods used. Finding a significant link between two or more parameters was the study's main objective. All 45 mining businesses that were listed on the IDX made up the study's sample. Using an intentional sampling process, the sample for the years 2019 through 2021 was composed of 25 companies. The total number of observations utilised to calculate the findings was 75.

Results and Discussion

Normality Test

Table 1: Results of Normality Test

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		60
Normal Parameters[a,b]	**Mean**	.0000000
	Std. Deviation	898.5088264
Most Extreme Differences	**Absolute**	.168
	Positive	.168
	Negative	-.123
Test Statistic		.168
Asymp. Sig. (2-tailed)		**.060**

a. Test distribution is Normal.
b. Calculated from data.
c. Lilliefors Significance Correction.

The table above displays the results of the one-sample Kolmogorov-Smirnov approach normalcy test. The Asymp. Sig (2-tailed) value was 0.060 and was higher than the level of significance of 0.05 (95% statistical confidence level). As a result, it was presumed that the data in this study's regression model had been randomly distributed and had passed the Kolmogorov-Smirnov test.

Multicollinearity Test

Table 2: Results of Multicollinearity Test

Coefficients[a]			
Model		Collinearity Statistics	
		Tolerance	VIF
1	ROE	.667	1.499
	DER	.692	1.446
	EPS	.740	1.351
a. Dependent Variable: Stock Price			

The tolerance and VIF (Variance Inflation Factor) values in the collinearity statistics column of the multicollinearity test table above meet the requirements for the data to be certified as being devoid of connection among the independent variables, namely (ROE, DER, and EPS). This occurred due to the absence of multicollinearity symptoms in any of the independent variables, the tolerance value being less than 0.10 and the VIF value being less than 10, respectively.

Heteroskedasticity Test (Rank Spearman Rho Test)

Table 3: Results of Heterokedasticity Test

Correlations						
			ROE	DER	EPS	ABS_RES1
Spearman's rho	ROE	Correlation Coefficient	1.000	-.645**	.593**	.377**
		Sig. (2-tailed)	.	.000	.000	.063
		N	60	60	60	60
	DER	Correlation Coefficient	-.645**	1.000	-.471**	-.304*
		Sig. (2-tailed)	.000	.	.000	.118
		N	60	60	60	60
	EPS	Correlation Coefficient	.593**	-.471**	1.000	.048
		Sig. (2-tailed)	.000	.000	.	.713
		N	60	60	60	60
	ABS_RES1	Correlation Coefficient	.377**	-.304*	.048	1.000
		Sig. (2-tailed)	.063	.118	.713	.
		N	60	60	60	60
**. Correlation is significant at the 0.01 level (2-tailed).						
*. Correlation is significant at the 0.05 level (2-tailed).						

According to the correlation data between the absolute residual variable and the three independent variables, there was no discernible association between the absolute residual variable and the independent variables. Checking whether the Sig. values of the three independent variables listed above are more than

0.05, which indicates non-significance, will reveal this. The data are therefore considered to be homoskedasticity-free.

Multiple Linear Regression Analysis Test

Table 4: Results of Multiple Linear Regression Analysis Test

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1345.182	241.759		5.564	.000
	ROE	18.363	5.724	.364	3.208	.002
	DER	-2.475	1.082	-.254	-2.286	.026
	EPS	2.266	.882	.276	2.569	.013
a. Dependent Variable: Harga Saham						

Stock Price = 1345.182 + (18.363) *X1* + (-2.475) *X2* + (2.266) *X3* + *e*

Constant = 1345.182

The constant value of 1345.182 indicates that when the values of the independent variables (ROE, DER, and EPS) are all zero or constant, the Stock Price is 1345.182.

Coefficient of Regression X1 (ROE) on Y (Stock Price)

The value of the coefficient for ROE = 18.363, indicating a positive relationship between X1 (ROE) and Y (Stock Price). This indicates that the Y variable (Stock Price) grows by 18.363 units for every unit increase in X1 (ROE), providing the other independent variables (DER and EPS) are maintained equal or at zero.

Coefficient of Regression X2 (DER) on Y (Stock Price)

The value of the coefficient for DER = -2.475, indicating a negative relationship between X2 (DER) and Y (Stock Price). This indicates that the Y variable (Stock Price) declines by -2.475 units for every unit increase in X2 (DER), providing the other independent variables (ROE and EPS) are maintained equal or at zero.

Coefficient of Regression X3 (EPS) on Y (Stock Price)

The value of the coefficient for EPS = 2.266, indicating a positive relationship between X3 (EPS) and Y (Stock Price). This indicates that the Y variable (Stock Price) grows by 2.266 units for every unit increase in X3 (EPS), providing the other independent variables (ROE and DER) are maintained equal or at zero.

Partial Test (t-test)

The partial test (t-test) reveals the extent to which the dependent variable (stock price) is influenced by the independent variables (profitability, leverage, and market ratios).

Table 5: Results of Partial Test (t-test)

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1345.182	241.759		5.564	.000
	ROE	18.363	5.724	.364	3.208	.002
	DER	-2.475	1.082	-.254	-2.286	.026
	EPS	2.266	.882	.276	2.569	.013
a. Dependent Variable: Stock Price						

Constant = 1345.182

The constant value of 1345.182 shows that the stock price is 1345.182 when the independent variables (ROE, DER, and EPS) are equal to zero or constant.

Coefficient of Regression X1 (ROE) on Y (Stock Price)

The coefficient value of ROE = 18.363 indicates a positive relationship between X1 (ROE) and Y (Stock Price). This implies that for each one-unit increase in X1 (ROE), the independent variable Y (Stock Price) increases by 18.363 units while the other independent variables (DER and EPS) remain fixed or at zero.

Coefficient of Regression X2 (DER) on Y (Stock Price)

The coefficient value of DER = -2.475 indicates a negative relationship between X2 (DER) and Y (Stock Price). This implies that for every one-unit increase in X2 (DER), the independent variable Y (Stock Price) decreases by -2.475 units if the other independent variables (ROE and EPS) are maintained constant or at zero.

Coefficient of Regression X3 (EPS) on Y (Stock Price)

The coefficient value of EPS = 2.266 indicates a positive relationship between X3 (EPS) and Y (Stock Price). This implies that for each one-unit increase in X3 (EPS), the independent variable Y (Stock Price) also rises by 2.266 units, with the other independent variables (ROE and DER) being maintained constant or set to zero.

Simultaneous Test (F-test)

This test is conducted to determine whether profitability, leverage, and market ratios collectively have a significant effect on the dependent variable, stock price.

Table 6: Results of Simultaneous Test (F-test)

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	51665160.423	3	17221720.141	20.247	.000[b]
	Residual	47631768.560	56	850567.296		
	Total	99296928.983	59			
a. Dependent Variable: Stock Price b. Predictors: (Constant), ROE, DER, EPS						

According to the significance value Sig. = 0.000 0.05, the variables ROE, DER, and EPS jointly or concurrently have a substantial impact on Y (Stock Price) of Mining Sector listed on the IDX.

Coefficient of Determination Test (R square)

Table 7: Results of Coefficient of Determination Test (R square)

Model Summary				
Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**
1	.721[a]	.520	.495	922.262
a. Predictors: (Constant), ROE, DER, EPS				

The R square value is 0.520, which means that changes in the three independent variables ROE, DER, and EPS can account for 52% of the variance in stock price, according to the findings of the coefficient of determination test. Other independent factors that are beyond the scope of the research model account for the remaining 48%.

Interrelationship between Variables

The Effect of Profitability on Stock Price

The results of the experiment show that the profitability variable, which represents the ROE indicator, has a favourable influence on the stock price of mining companies listed on the IDX. This is shown by the significance level of 0.002, which is less than 0.05. So, it is possible to accept the theory that profitability has a favourable impact on the stock price of mining businesses listed on the IDX. This statement is consistent with the research conducted by Putri and Suwaidi (2023), which indicates that profitability has a positive coefficient. This implies that an increase in a company's profitability would lead to an increase in stock prices. Conversely, a decrease in a company's profitability would result in a decrease in stock prices.

The increase in profitability represents a management's success in generating profits (Ramadhan and Putri, 2023). A higher level of profitability (ROE) indicates an improved performance of the company. An increased ROE signifies the enhanced effectiveness of the company's management in managing operational financing sources to generate net income. A significant increase in net income provides a higher level of return for investors (Hermanto and Ibrahim, 2020).

According to the Signaling Theory, when a company sends a positive signal by increasing its ROE, investors tend to believe that the company's high profitability will result in substantial returns. Consequently, this attracts investor interest in making investments.

The Effect of Leverage on Stock Price

The results of the experiment show that the leverage variable, which is represented the DER indicator, has a detrimental effect on the stock price of mining companies listed on the IDX. This is shown by the significance criterion, which at 0.026 is less than 0.05. As a result, it is possible to accept the theory that leverage has a negative impact on the stock price of mining firms listed on the IDX. This finding is consistent with the research conducted by Nurdesmeri and Wijayanto (2021), which demonstrates that

leverage (DER) has a negative effect on stock prices. If the Leverage (DER) is high, the stock price will be low due to the company's high level of debt (Agustin, et al., 2023).

Puspito and Sulistyowati (2023) stated that investors heavily consider a company's low level of leverage before investing in a related company. The Signaling Theory asserts that if a company sends a negative signal through a high Debt to Equity Ratio, investors are reluctant to invest in that company. Leverage indicates that a company's high burden or debt can affect its profitability. Hence, investors perceive that companies with high leverage might not be capable of providing high dividends to shareholders.

The Effect of Market Ratio on Stock Price

The results of the experiment show that the market ratio variable, which represents the EPS indicator, has a favourable influence on the stock price of mining companies listed on the IDX. This is shown by the significance criterion, which at 0.013 is less than 0.05. Therefore, it is possible to accept the theory that the market ratio has a favourable impact on the stock price of mining firms listed on the IDX. This statement aligns with the research conducted by Jayanti and Santoso (2019), which indicates that an increasing EPS leads to greater profits for investors compared to potential losses. EPS reflects higher stock prices and has a positive effect on the company (Verlian dan Mildawati, 2023).

Romadhon and Yuniningsih (2022) state that this variable can be used as a measure of the success that a company will achieve. A high market value provides an image to investors that the company has a promising financial prospect and vice versa.

The Signaling Theory states that when a corporation raises EPS, it sends a positive signal to shareholders and typically increases demand for shares and stock prices. A statistic called earnings per share is used to evaluate how well a firm performs in generating profits for investors. As a result, as a linked company's earnings per share increase, it will attract additional investment money.

Conclusions

Profitability and market ratios contribute to the increase in stock prices of mining companies listed on the IDX. However, leverage has a negative effect on the stock prices of mining companies. This indicates that a high burden carried by the company affects its profitability, leading investors to assume that the company may not be capable of providing substantial dividends. The value of leverage makes investors more cautious when considering investments in such companies.

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