The Effect of Return On Equity (ROE) and Net Profit Margin (NPM) on Stock Prices

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Abstract. This study aims, to determine the effect of Return On Equity (ROE) and Net Profit Margin (NPM) together on the Share Price at Pt. BFI Finance Tbk period 2011 - 2022 The research method used in this research is quantitative descriptive research, where in quantitative research researchers generally use measuring instruments for data collection. the research variables used in this study used statistical tests which include classical assumption tests and multiple linear regression. In classical assumptions, the test instruments used by researchers are normality, multicollinearity, heteroscedasticity and autocorrelation tests. Partially, researchers used the t test, while simultaneously using the F test, which was then continued using the coefficient of determination test. Based on the results of the F test calculation above, it shows F count 4.292> F table 4.10 with a significant level of Return On Equity (ROE) and Net Profit Margin (NPM) to the Share Price at Pt. BFI Finance Tbk so it can be concluded that H0 is rejected and H3 is accepted, which means it has an effect on the Share Price at PT. BFI Finance tbk.

Keywords: Return On Equity (ROE); Net Profit Margin (NPM); Stock Price; Pt. BFI Finance, Tbk.

A. INTRODUCTION

Companies are currently facing intense economic competition in the era of globalization. Both from local and foreign competitors, the company must compete with companies that have very large capital. PT BFI Finance Indonesia Tbk (BFI) is a finance company or non-bank financial institution that provides various financial products and services in the form of leasing to the public. Financial analysis is often used to properly understand the development of a company. Earnings information reported by company management will be used by investors for decision making in investing their funds or predicting future profits. The company's ability to repay debt and its relationship with other companies are also considerations for investors or shareholders, so they often focus on the profitability of the business.

The following is a table of Return On Equity (ROE) of PT. BFI Finance Tbk for the period 2011-2022 as follows.

Years	Net Profit	Total Equity	ROE	
2011	425,382	2,366,232	0.1798	17.98%
2012	490,272	2,861,854	0.1713	17.13%
2013	388,099	3,273,310	0.1186	11.86%
2014	597,091	3,614,270	0.1652	16.52%
2015	650,288	4,019,103	0.1618	16.18%
2016	798,365	4,254,684	0.1876	18.76%
2017	1,187,510	4,904,266	0.2421	24.21%
2018	1,467,794	6,203,796	0.2366	23.66%
2019	711,682	6,080,180	0.1170	11.70%
2020	701,592	6,606,154	0.1062	10.62%
2021	1,131,338	7,430,226	0.1523	15.23%
2022	1,806,679	8,755,909	0.2063	20.63%

Source: Financial Statements of PT BFI Finance Tbk in 2011 - 2022 (processed) (2023). 2022 (processed)(2023).

Based on the data, it can be seen that ROE has fluctuated significantly over the past 12 years, with some years experiencing an increase and some years experiencing a decrease. This shows the variation in the company's profitability performance over the period.

Data Net Profit Margin (NPM) Data of PT. BFI Finance Tbk Period 2011-2022

Years	Net Profit After Tax	Sales	NPM	
2011	425,382	1,248,346	0.3408	34.08%
2012	490,272	1,550,818	0.3161	31.61%
2013	388,099	1,385,411	0.2801	28.01%
2014	597,091	2,299,463	0.2597	25.97%
2015	650,288	2,830,617	0.2297	22.97%

2016	798,365	3,227,109	0.2474	24.74%
2017	1,187,510	4,042,317	0.2938	29.38%
2018	1,467,794	5,018,243	0.2925	29.25%
2019	711,682	5,240,729	0.1358	13.58%
2020	701,592	4,569,778	0.1535	15.35%
2021	1,131,338	4,122,555	0.2744	27.44%
2022	1,806,679	5,383,010	0.3356	33.56%

Source: Financial Statements of PT BFI Finance Tbk 2011-2022 (processed) 2022 (processed) (2023)

Based on this data, it can be seen that NPM has experienced considerable fluctuations over the past 12 years, with some years experiencing an increase and some years experiencing a decrease. These fluctuations show variations in the company's efficiency in generating net income from total revenue during the period. Then a graph can be made as follows.

Return On Equity (ROE) is a financial indicator used to assess the profitability of a company by comparing net income with shareholders' equity. ROE measures the efficiency of the company in using equity capital to generate profits for shareholders. Investors can use ROE as one of the benchmarks to evaluate company performance and assess whether company management is able to optimize financial resources properly to create good net income.

Net Profit Margin (NPM) is a ratio that shows how much net profit a company makes from its total revenue. Net Profit Margin (NPM) consists of 2 elements, namely net profit after tax and net income or sales. Net Profit Margin (NPM) shows the efficiency of the company with net profit compared to net sales. Net Profit Margin (NPM) is the basis for forecasting the company's future performance so that investors are interested in conducting stock transactions with the company, this will increase the stock price will increase.

Based on the above background, the researcher is interested in conducting research and discussing the problem by taking the title: "The Effect of Return On Equity (ROE) and Net Profit Margin (NPM) on Share Price at PT BFI Finance Tbk for the period 2011-2022".

B. LITERATURE REVIEW

According to Hery (2018: 194) in Hadi et al., (2021) Return On Equity (ROE) is a ratio that shows how much equity contributes to creating profits. Shareholders because this ratio has the ability for companies to manage capital in obtaining net income.   Return On Equity (ROE) is a ratio that can be used to measure the net profit that will be obtained from managing the capital invested by the company owner.

According to Sumarni et al. (2022), the greater the Net Profit Margin (NPM), the more productive the company's performance is considered, and this can increase the level of investor confidence to invest in the company. NPM is a ratio that measures the percentage of net profit earned from each sale. The higher this ratio, the better the company's ability to earn high profits. NPM also has importance for operational managers

because it reflects the sales pricing strategy implemented by the company and the company's ability to control operating expenses.

According to Husaini (2021: 46), "the share price is a reflection of the value of a company." When a company records good performance, the company's shares will be in demand by many investors. The good performance of the company can be seen through the financial statements published by the company (issuer). Financial reports provide important information for investors to assess the company's financial performance and health, and this can affect investor interest in buying the company's shares.
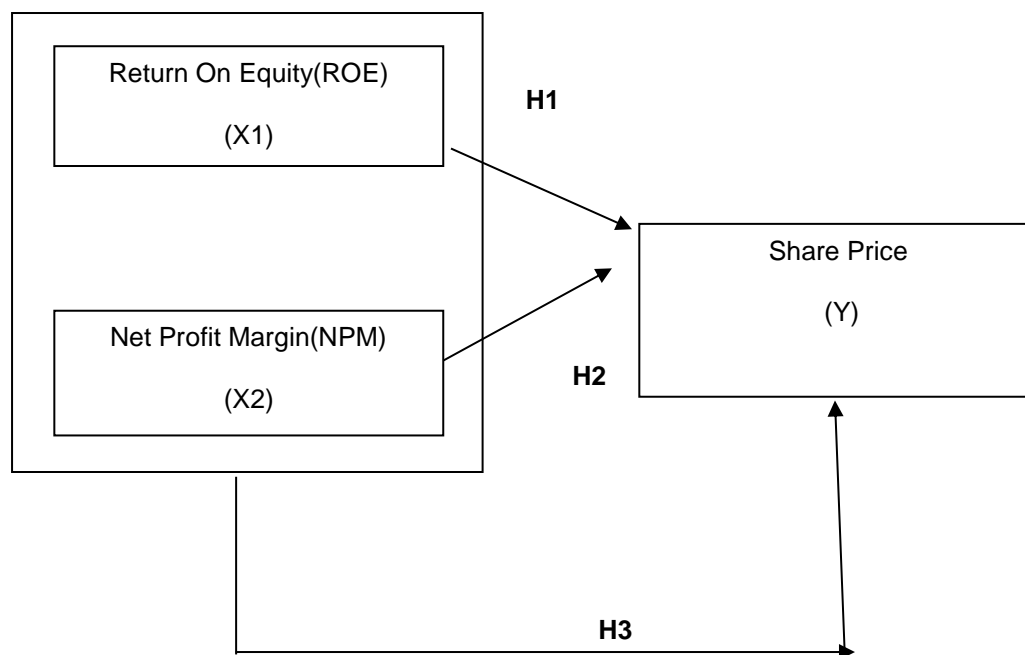
1. H1 : There is an effect of Return On Equity (ROE) on the share price of PT BFI Finance Tbk for the period 2011-2022.

2. H2 : There is an effect of Net Profit Margin (NPM) on the stock price of PT. BFI Finance Tbk Period 2011-2022.

3. H3 : There is an effect of Return On Equity (ROE) and Net Profit Margin (NPM) together on the share price of PT BFI Finance Tbk for the period 2011-2022. 2022.

C. RESEARCH METHODOLOGY

The type of research conducted in this study is associative research which aims to determine the relationship between two or more variables. (Laim, 2015). Then according to Sugiyono (2018:8) in Nurlia & Juwari (2019) "quantitative research methods can be interpreted as research methods based on the philosophy of positivism, used to research on populations and samples.

The nature used in the preparation of this thesis is descriptive research, namely research data in the form of numbers and analysis using research statistics, activities to find data to find facts, this thesis research data consists of financial statements in the form of balance sheets and income statements. The associative method is used to determine the effect of Return On Equilty (ROE), and Net Profit Margin on Share Price.

According to Sugiyono (2017: 80) in Nurlia & Juwari (2019) "population is a generalization area consisting of objects / subjects that have certain qualities and characteristics set by researchers to study and then draw conclusions." The population in this study are all financial reports on PT BFI Finance Tbk listed on the Indonesia Stock Exchange in 2011-2022 (www.idx.co.id).

According to Sugiyono (2017: 81) as cited in Nurlia & Juwari (2019), "the sample is part of the number and characteristics possessed by the population." In this study, researchers used purposive sampling method. So the sample of this research is the Balance Sheet and Income Statement of PT BFI Finance Tbk for the period 2011-2022.

This research relies on secondary data. The data was obtained from the Indonesia Stock Exchange and accessed through the official website www.idx.co.id. By using this secondary data, the author can analyze the information that is already available to support the research conducted.

The data analysis method that will be used in this research is multiple regression analysis using the SPSS program.

D. RESULTS AND DISCUSSION

1) Descriptive Statistics

Table 1 Descriptive Statistical Analysis
Statistics Stock Price

		RETURN ON EQUITY (ROE	NET PROFIT MARGIN (NPM)	STOCK PRICE
N	Valid	12	12	12
	Missing	0	0	0
Mean		1704.00	2632.83	525.67
Std. Deviation		439.857	646.084	324.178
Minimum		1062	1358	197
Maximum		2421	3408	1175

a. Multiple modes exist. The smallest value is shown
Source: Data processed using SPSS 25

Descriptive results in Table 1 obtained a total of 12 data with an average (mean) for Return On Equity (ROE) of 1704, Net Profit Margin (NPM) 2632.83 and stock price of 525.67, then Standard Deviation Return On Equity (ROE) of 439.85, Net Profit Margin (NPM) 646.08 and stock price of 324.17.
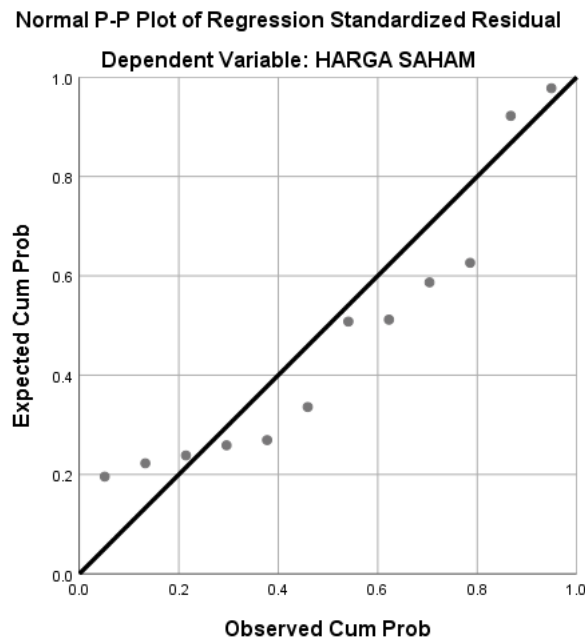
2) Classical Assumption Test Normality Test

Figure 2 Normality Test

Based on the graph above, it shows that the regression model fulfills the normality assumption because the data points spread around the normal line and follow the diagonal direction.

3). Multicollinearity Test

Table 3 Multicollinearity Test Results

Coefficients[a]

		Collinearity Statistics	
Model		Tolerance	VIF
1	RETURN ON EQUITY (ROE)	.578	1.731
	NET PROFIT MARGIN (NPM)	.578	1.731

a. Dependent Variable: Harga Saham

Based on the results of calculations using SPPS, the tolerance v is 0.578> 0.01 and the VIF value is 1.731 < 10, it can be concluded multicollinearity is not detected.

4). Heteroscedasticity Test
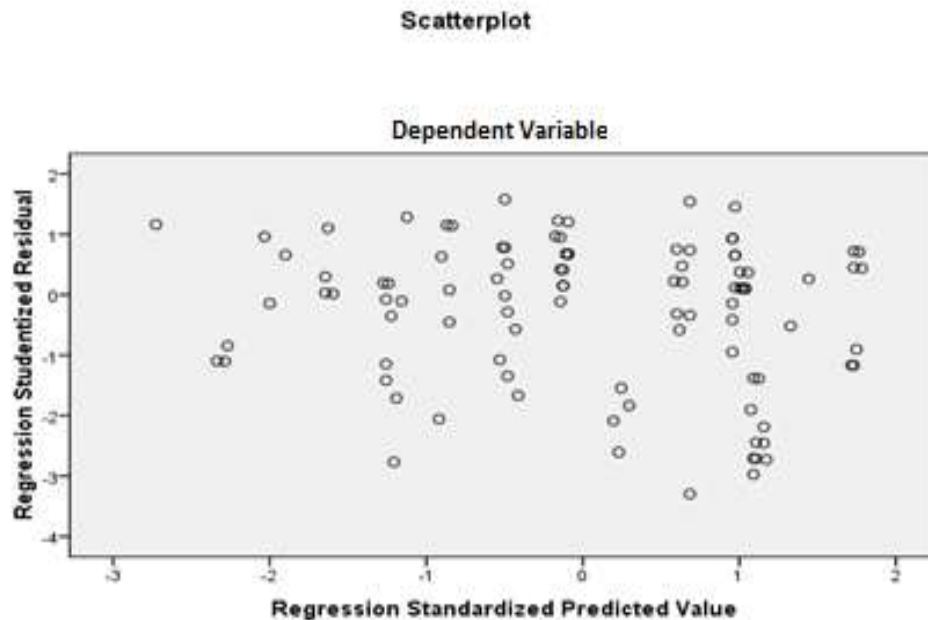
Figure 3 Heteroscedasticity Test
Source: SPSS.25 Output

Heteroscedasticity Test Results obtained from the output above, it can be seen that the points do not form a clear pattern, and the points spread above and below the number 0 on the Y axis. So it can be concluded that there is no heteroscedasticity problem in the regression model.

5). Autocorrelation Test

Table 4 Autocorrelation Test

Model	Durbin-Watson (DW)	Table of independent variables (K=2)	
		DU	DL
1	1.529	0.8122	1.5794

Source: SPSS 25 Output

The table above shows the Durbin Watson (DW) value of 1.529 when compared to the 5% significant table value with the number of data n = 12 and the number of independent K = 2. From the DW table, the number of DL values = 0.8122 and the DU value = 1.5794, which means that DW is greater than 0 and smaller than the DL value (0<d<DL), it can be concluded that there is no positive autocorrelation in the data tested.

6). Multiple Linear Regression Analysis

Table 5 Multiple Linear Regression Analysis

Model		Unstandardized Coefficients		Standardized Coefficients
		B	Std. Error	Beta
1	(Constant)	302.487	469.762	
	RETURN ON EQUITY (ROE)	.228	.313	.309
	NET PROFIT MARGIN (NPM)	-.063	.213	-.125

Source: SPSS 25 Output

Y = 302.487 + 0.228 (X1) - 0.063 (X2) + e

The regression equation has a meaning where :

The constant value of 302.487 states that PT BFI Finance Tbk by using the variables Return On Equity (X1), Net Profit Margin (X2) and Stock Price (Y) will be better by 302.487. The Return On Equity (X1) regression coefficient value of 0.228 means that every one increase in the Return On Equity (X1) value will increase the stock price (Y) by 0.288 units with the assumption that X2 remains. The value of the Net Profit Margin (X2) regression coefficient, namely -0.063, means that every one increase in the value of Net Profit Margin (X2) will increase Net Profit Margin (X2) by -0.063 units, assuming X1 remains constant.

7). T Test (Partially)

Table 6. T Test (Partially)

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	302.487	469.762		3.644	.001
	RETURN ON EQUITY (ROE)	.228	.313	.309	4.727	.002

NET PROFIT MARGIN (NPM)	-.063	.213	.325	3.294	.002

a. Dependent Variable: Harga Saham
Source: SPSS 25 Output

The t value for the effect of Return On Equity (ROE) is 4.727 when compared to the t table value of 2.262 (the t table value is obtained from Ttabel = t (α/2: n-k-l) = t (0.05/2: 12 -2-1) = 2.262. It can be concluded that the value of t count> t table = 4.727> 2.262 and the sig value of 0.002 <0.05 means that H1 is accepted and Ho is rejected, thus Return On Equity (ROE) has a significant effect on Stock Price. The calculated t value for Net Profit Margin (NPM) is 3.294 when compared to the t table value of 2.262 (the t table value is obtained from Ttabel = t (α/2: n-k-l) = t (0.05/2: 12-2-1) = 2.262. It can be concluded that the value of t count> t table = 3.294> 2.262 and the sig value of 0.002 <0.05 means that H1 is accepted and Ho is rejected, thus Net Profit Margin (NPM) has a significant effect on Stock Price.

8). F Test (Stimulant Test)

Table 7. F Test (Stimulant Test)
ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	70425.738	2	35212.869	4.292	.034
	Residual	1085578.928	9	120619.881		
	Total	1156004.667	11			

a. Dependent Variable: Harga Saham

b. Predictors: (Constant), Net Profit Margin (NPM), Return On Equity (ROE)
Source: SPSS 25 Output

The results of the F test using SPSS obtained an F value of 4.10, known as the F table value with a real level of 0.05 (5%), df 1 = n-k (12-2) = 10. Based on the results of the F test calculation above, it shows the value of F count 4.292> F table 4.10 with a significance level of 0.034 <0.05. Based on the above calculations, it can be concluded that there is a Significant Effect of Return On Equity (ROE) and Net Profit Margin on Share Price at PT. BFI Finance Tbl So it can be concluded that H0 is rejected and H3 is accepted, which means it has an effect on the Share Price at PT. BFI Finance Tbk.

9). Correlation Coefficient Analysis Test
Table 8 Correlation Coefficient Analysis Test

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.647[a]	.418	.348	347.304	.452

a. Predictors: (Constant), Net Profit Margin (NPM), Return On Equity (ROE)

b.   Dependent Variable: stock price

Source: SPSS 25 Output
Correlation The effect of Return On Equity (X1), Net Profit Margin (X2) together on and Stock Price (Y) of 0.647 or 64.7%, it can be concluded that the correlation coefficient with a strong relationship level is in the interval 0.60 - 0.799.

10). Coefficient of Determination Analysis Test

Table 9 Coefficient of Determination Analysis Test

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.647[a]	.418	.348	347.304	.452

a. Predictors: (Constant), Net Profit Margin (NPM), Return On Equity (ROE)

b. Dependent Variable: stock price

Based on the results of calculations using SPSS, the R square value is 0.418 or around 41.8%, it can be concluded that the effect of the Effect of Return On Equity (X1), Net Profit Margin (X2) together and the Share Price (Y) at PT. BFI Finance Tbk is 41.8% and the remaining 58.2% is obtained by other factors that affect the Share Price.

E. CONCLUSIONS AND SUGGESTIONS

Based on the results of research and discussion in Chapter IV, the following conclusions are obtained:
1. Based on research from the results of research on the effect of ROE on stock prices has a tcount of 4.727 and a significance value of 0.02 <0.05. So it can be concluded that H1 is accepted and Ho is rejected, thus Return On Equity (ROE) has a significant effect on Stock Price.

2. Based on the calculated t value for Net Profit Margin (NPM) of 3.294 when compared to the t table value of 2.262 (the t table value is obtained from Ttabel = t

(α/2: n-k-I) = t (0.05/2: 12-2-1) = 2.262. It can be concluded that the value of t count> t table = 3.294> 2.262 and the sig value of 0.002 <0.05 means that H1 is accepted and Ho is rejected, thus Net Profit Margin (NPM) has a significant effect on Stock Price.

3. Based on the results of the F test calculation above, it shows the value of F count 4.292> F table 4.10 with a significance level of 0.034 <0.05, it can be concluded that there is a Significant Effect of Return On Equity (ROE) and Net Profit Margin on Stock Prices at PT. BFI Finance Tbl So it can be concluded that H0 is rejected and H3 is accepted, which means that it has an effect on Stock Prices at PT. BFI Finance Tbk.

Research Limitations

1. Researchers processed data from the Financial Statements of PT BFI Finance, Tbk for the period 2011-2022 for only 12 years due to time constraints.

2. The processing time is quite long, because it is constrained by the Financial Statements that are so difficult to get the Financial Statements at the PT under study.

3. The variables used in this study that are used to predict Return On Equity (ROE) generated by the company are only limited to Net Profit Margin (NIM) and Stock Prices which can only be determined using financial reports. While there are still several other internal factors that are not included in this study.

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