Influence *Net Profit Margin (NPM) and Debt to Equity Ratio (DER) On Stock Prices* (Case Study at LQ 45 company listed on the Stock Exchange for the period 2012-2015).

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ABSTRACT

The phenomenon that Occurs in the company that is incorporated in the LQ 45 index period 2012 to 2015 is the decline in stock prices, where the Decrease in net profit margin (NPM) increases and debt to equity ratio (DER) has Decreased. The purpose of this research is to know Whether there is influence Net Profit Margin to stock price and influence of Debt to Equity Ratio to the stock price at company LQ 45 index at the Indonesia Stock Exchange

The method used in this research is descrivtive verification. The unit of analysis in this research is the company`s financial statments of income and balance sheet LQ 45, some 48 financial statments of income and balance sheet during the period. Testing the hypothesis in this study using multiple linear regression analysis through the testing phase classical assumption test, regression analysis, partial correlation analysis, coefficient of determination and hypothesis testing using SPSS v16 software for Windows.

The results of this study show that (1) Net Profit Margin (NPM) has a positive effect on the stock price of LQ 45 index companies in Indonesia Stock Exchange and (2) Debt to Equity Ratio (DER) effect on the stock price of LQ 45 index in Indonesia Stock Exchange.

Keywords: *Net Profit Margin, Debt to Equity Ratio, Price Stock*

PRELIMINARY

One of the instruments traded in the capital market is stock. As well as the prices of goods in the traditional markets can fluctuate, prices of shares traded in the capital markets also fluctuated. But unlike the prices of traded goods in traditional markets tend to be constant and only changes for certain conditions such as changes in seasonal prices, rising fuel prices, and so on, the prices of shares traded in the stock market can go up or down in a matter of minutes. (Herry Mardiyanto, 2013).

The stock price is a reflection of the general capital markets activity. The increase in stock prices indicate the condition of the stock market is bullish, on the contrary if the decline shows the condition of the stock market is bearish. Therefore, an investor has to understand the patterns of behavior of stock prices in the capital market. (Sugeng Raharjo, 2010).

Net Profit Margin(NPM) is a company's ability to generate profits compared with the sales achieved. This ratio interpret the level of efficiency of the company, namely the extent to which the company's ability to press its operational costs at a certain period (Rescyana, 2012: 105).Net profit margin that may indicate a good performance of the company because it can produce a large net profit through sales activities so that the company's stock attractive to investors and will boost the company's stock price (Ardin Sianipar, 2005: 37).

Not only Net Profit Margin (NPM) are likely to influence the stock price, the ratio of Debt to Equity Ratio (DER) also affects investors. Debt to Equity Ratio (DER) which is the ratio between the total liabilities (total debt) to total own capital (equity). This ratio indicates the extent to which capital alone guarantees all the debt. This ratio can also be read as the ratio between the outside party funds and funds owner of the company

that entered into the company (Freddy Rangkuti, 2011: 184). If the DER value decreases, meaning that the level of security of funds placed by the creditor in this business will be more secure, because the company has a level of financial risk, the better (Freddy Rangkuti, 2011: 185).

Research purposes

The purpose of this study is as follows:

1. To determine the effect of *Net Profit Margin (NPM)* of the stock price In LQ 45 index companies listed on the Stock Exchange the period 2012-2015.
2. To determine the effect of Debt to Equity Ratio (DER) of the stock price In LQ 45 index companies listed on the Stock Exchange the period 2012-2015.

LITERATURE, FRAMEWORK, AND HYPOTHESIS

Literature review

Stock price

Musdalifah Azis (2015: 80), states that the stock price is the price in the real market, and the price of the most easily determined because it is the price of a share on the ongoing market or if the market is closed, then the market price is the closing price. As according to the regulations of Bank Indonesia Based on the share price was assessed at closing.

Net Profit Margin (NPM)

According to Gitman Lowrence, Zutter and Chadj (2012: 80), states that the profit margin measures the The percentage of each sales dollar remaining after all cost and expense, Including interest, taxes, and preffered stock dividends, have been deducted. As according to Gitman, Michael and Randall (2014: 458), Net profit margin is one of the most Widely Followed measures of corporate performance. A key measure of profitability that relates a firm's net profits to its sales, shows the rate of return the company is earning on its sales.

Systematically net profit margin (NPM) is shown in the following formula:

$$Net\ Profit\ Margin = \frac{Net\ Profits\ after\ taxes}{Sales}\ x\ 100\%$$

Source: Gitman (2012: 80)

Debt to Equity Ratio (DER)

According to Bambang Wahyudiono (2014: 75), Debt to Equity Ratio (DER) is a ratio showing the ratio between total debt and own capital (equity). This ratio indicates the amount of debt equal to equity. The higher this ratio the higher the risk of bankruptcy of the company.

Systematically debt to equity ratio (DER) shown in the following formula:

$$Debt\ to\ Equity\ Ratio = \frac{Total\ Hutang\ (Debt)}{Ekuitas\ (Equity)}\ x\ 100\%$$

Source: Kashmir (2013: 157)

Framework

Effect of Net Profit Margin (NPM) On Stock Price

The linkage between the net profit margin and stock price advanced by Tandelilin (2008: 239), who proposed that NPM which may indicate a good performance of the company because it can produce a large net profit through sales activities so that the company's stock attractive to investors and will boost the company's stock price.

Effect of Debt to Equity Ratio (DER) On Stock Price

According to Bringham and Houston (2010: 140), the share price tends to decline with higher risk of the use of debt. It means that the ratio of debt to equty have an impact on stock prices. Therefore the higher the debt to equity ratio (DER) means the less equity than debt. Meanwhile, the smaller the debt to equity ratio (DER), the better for the company and will boost the stock price.

Hypothesis

H1: *Net Profit Margin* (NPM) effect on stock price

H2: *Debt to Equity Ratio* (DER) effect on stock price

RESEARCH METHODS

In this study, descriptive and verification method with quantitative approach was used to examine the influence of the Net Profit Margin (NPM) and Debt to Equity Ratio (DER) on stock price in

LQ 45 index of company listed on the Stock Exchange for the period 2012-201 test the theory by testing a hypothesis whether accepted or rejected.

Population and Sample

The population of this research is financial statement of income and balance sheets of 45 companies LQ 45 listed in Indonesia Stock Exchange during the years 2012- 2015 (4 years) as many as 180 financial statements. Of the 45 companies that are sampled according to the criteria that 12 companies the number of samples is 48 financial statements.

Analysis

Researchers performed an analysis of the data that has been described using a quantitative approach using multiple linear regression analysis, the classical assumption test, correlation, and test koefisiendeterminasi. Here is an explanation of each method is used:

1) Qualitative Analysis (Descriptive)

In this research, descriptive analysis was conducted to answer the purpose of research on the net profit margin (NPM) and the debt to equity ratio (DER) on stock price at LQ 45 index of companies listed on the Indonesia Stock Exchange.

2) Quantitative Analysis (verification)

In this case the authors conducted an analysis on the net profit margin (NPM) and *debt to equity ratio*(DER) on stock price at LQ 45 index of companies listed on the Indonesia Stock Exchange. Furthermore, quantitative methods are used to answer the research objectives, ie determine the effect of *net profit margin* (NPM) and *debt to equity ratio* (DER) on stock price at LQ 45 index of companies listed on the Indonesia Stock Exchange.

The steps of the quantitative analysis conducted above is as follows:

A. Multiple Linear Regression Analysis

In this study, multiple linear regression analysis is used to prove the extent to which relationships influence net profit margin (NPM) and debt to equity ratio (DER) on stock prices of the Company's at LQ 45 listed in the Indonesia Stock Exchange. Multiple linear regression analysis is used to predict how the situation (rise and fall) the dependent variable, when two or more independent variables as indicators. This analysis is used to involve two or more independent variables between the dependent variable Y and independent variables X1 and X2. The equation of multiple linear regression are:

$$Y = bo + b1x1 + b2x2 + e$$

Source: Danang Sunyoto (2013: 98)

Information:
Y: Stock Price
X1: Net Profit Margin (NPM)
X2: Debt to Equity Ratio (DER)
b0: Constants
b1, b2: Regression Coefficients
e : The error rate (error term)

B. Classic assumption test

According to Imam Ghozali (2011: 57) states that the classical assumption used to obtain a good regression model, independent of data storage that consists of a test for normality, multicoloniarity, heteroscedasticity, and autocorrelation.

C. Pearson Correlation Coefficient Analysis

Pearson correlation is used to determine whether there is a relationship between two variables, namely the independent variable and the dependent variable depending on the scale interval or ratio (parametric) which in SPSS-called scale, which in this case the influence of the Net Profit Margin (NPM) and Debt to Equity Ratio (DER) on stock price.

According to Umi Narimawati (2011: 49), testing the strong correlation is used to determine the relationship between variables X and Y, can use Pearson Correlation approach with the following formula:

$$r = \frac{n(\sum XiYi) - (\sum Xi)(\sum Y)}{\sqrt{\{ n (\sum Xi2) - (\sum Xi)2 \}\{ n (\sum Yi2) - (\sum Yi)2 \}}}$$

Source: Umm Narimawati (2010: 49)

Information:
r = Correlation Coefficient
n = number of data
X = Variables (Independent)
Y = Variable Bound (Dependent)

D. Analysis Coefficient of Determination

The amount of influence net profit margin (NPM) (X1) and debt to equity ratio (DER) (X2) on stock prices (Y) can be determined by using the coefficient of determination or in short Kd obtained by squaring the correlation coefficient, namely:

$$Kd = r^2 \times 100\%$$

Umi Narimawati (2010: 50)

In essence, the value of r ranges between -1 and 1, when r close to -1 or 1, it can be said that there is a close relationship between independent variables with the dependent variable. When r approaches 0, it can be said that the relationship between independent variables and the dependent variable is very weak or even non-existent.

Hypothesis Methods

The design of hypothesis testing is assessed by determination of the null hypothesis and the alternative hypothesis, research, statistical tests and calculation of statistical tests, calculations hypothesis, a significant level determination and conclusion.

The hypothesis to be tested in this study relates to the presence or absence of the influence of variable net profit margin (NPM) (X1) and debt to equity ratio (DER) (X2) on the Stock Price variable (Y).

RESEARCH RESULT

A. Classic Assumption Testing Results

Before testing the hypothesis using multiple linear regression analysis, there are some assumptions that must be met so that the conclusions of the regression is not biased. To corroborate results obtained regression assumptions of classical regression testing, where the results obtained are as follows:

1. Normality Test Results

Probability value in view of the value Asymp Sig. amounted to 0.319 and the value is greater than 0.05.

2. Multicollinearity Test Results

VIF output results calculated from both the variable that is equal to 1,482 smaller than 10 and all tolerance independent variable has a value of 0.675 = 67.5% greater than 10%, it can be concluded there is no multicollinearity among variables net profit margin (NPM) and debt to equity ratio (DER).

3. Heteroskidastity Test Results

It was concluded that there is no heteroskedasitas in regression models, so that decent regression model used to predict stock price based on independent variables net profit margin (NPM) and debt to equity ratio (DER).

4. Autocorrelation Testing Results

The results obtained by processing statistical value of Durbin-Watson (DW) of 2.072. While Table DW with a significant level (a = 5%), for a number of independent variables as much as two variables (k = 2), and the number of observations in the study were 48 samples (n = 48), the obtained lower limit value (dL) of 1,450 and the upper limit (dU) of 1.623. Because the value of the Durbin-Watson regression model on the processing results of 2.072 and greater than the upper limit (dU) and less than 4 1,623 - 1,623 (4 - dU), it is concluded that there is no regression model autocorrelation.

B. Results of Multiple Linear Regression Analysis

table 4.10
Results of Multiple Linear Regression Analysis

Coefficientsa

Model		Coefficients unstandardized		standardized Coefficients		
		B	Std. Error	beta	T	Sig.
1	Constant)	1722.714	6214.924		.277	.783
	NPM	610 716	194 158	.430	3,145	.003
	DER	-1643.658	724 200	-.310	-2270	.028

a. Dependent Variable: Harga_Saham

The equation that describes the relationship of the data X and Y are used is as follows:

Y = 1722.714 + 610.716 X1 - X2 1643.658

Information:

Y = Stock Price

X1 = Net Profit Margin (NPM)

X2 = Debt to Equity Ratio (DER)

Effect of Net Profit Margin (NPM) On Stock Price

1) **Correlation Analysis Net Profit Margin (NPM) On Stock Price**

The relationship between the net profit margin (NPM) with a stock price when the debt to equity ratio (DER) has not changed is equal to 0.607, meaning that the net profit margin (NPM) have a strong correlation with stock prices. This is evident from the correlation value is between 0.60 to 0.799 were classified in the strong category.

2) **Determination Analysis Net Profit Margin (NPM) On Stock Price**

Partial determination coefficient value of the variable Net Profit Margin (NPM) of the following:

Kd = (0.607) 2 x 100%

= 36.8%,

Based on the calculations above, it appears that the effect of variable net profit margin (NPM) to share price that is equal to 36.8%, while the remaining 63.2%the influence exerted by other factors not examined in this study such as supply and demand, the fundamental condition of the issuer, the interest rate, foreign exchange, foreign funds, the stock price index and rumors.

3) **Partial Hypothesis test (t test) Net Profit Margin (NPM) On Stock Price**

SPSS output obtained from tcount's net profit margin (NPM) (X1) of 3.145. With a significant level (α) of 5%,and degrees of freedom (df) = 45, the obtained value ttabel 2.014. It can be concluded tcount> t table (3.145> 2.014) and it can be concluded that H0 rejected and H1 accepted. These results also demonstrated by the significant value of the test statistic for variable net profit margin (NPM) of 0,003, meaning a mistake to say there is an influence on stock prices of just 0.3% or is smaller than the error rate that can be received by 5% so as to it was decided to reject H0.

Effect of Debt to Equity Ratio (DER) On Stock Price

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1) **Correlation Analysis of Debt to Equity Ratio (DER) On Stock Price**

The relationship between the debt to equity ratio (DER) with a stock price when the net profit margin (NPM) unchanged amounted to -0.555, meaning that the debt to equity ratio (DER) have a connection was with the stock price. This is evident from the correlation value is between 0.40 to 0.599 were classified in the category of being.

2) **Determination Analysis of Debt to Equity Ratio (DER) On Stock Price**

Partial determination coefficient value of the variable Net Profit Margin (NPM) of the following:

Kd = (0.555) 2 x 100%

= 30.8%,

Based on the calculations above, it appears that the effect of variable debt to equity ratio (DER) of the stock price that is equal to 30.8%, while the remaining 69.2% the influence exerted by other factors not examined in this study such as supply and demand, the fundamental condition of the issuer, the interest rate, foreign exchange, foreign funds, the stock price index and rumors.

3) **Partial Hypothesis test (t test) Debt to Equity Ratio (DER) On Stock Price**

SPSS output obtained from tcount for*debt to equity ratio* (DER)(X2) is -2.270. With a significant level (α) of 5%, and the degrees of freedom (df) = 45, the obtained value ttabel -2.014. It can be concluded tcount> t table (-2.270 <-2.014) and it can be concluded that H0 rejected and H1 accepted. These results also demonstrated by the significant value of the test statistic for variable *debt to equity ratio* (DER)of 0.028, meaning a mistake to say there is an influence on stock prices of only 2.8% or is smaller than the error rate that can be received by 5% so it can be decided to reject H0. In conclusion,*debt to equity ratio* (DER) affect the Company's stock price at LQ 45 Listed in Indonesia Stock Exchange Year 2012 to 2015.

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CONCLUSIONS AND RECOMMENDATIONS

Conclusion

Based on the results of research and discussion *Net Profit Margin* (NPM) and Debt to Equity Ratio (DER) on stock price, Then at the end of this study, the authors draw the following conclusion:

1. *Net Profit Margin* (NPM) effect on stock price. There is a strong relationship and positive meaning, any increase in the net profit margin (NPM) then it will boost stock prices and vice versa.
2. *Debt to Equity Ratio* (DER) effect on stock price. There is a relationship which is and negative meaning, any increase in the debt to equity ratio (DER) then it will lower stock prices and vice versa.

Suggestion

For Companies LQ 45 listed in the Indonesia Stock Exchange, especially for the management of the company, the company should be able to increase profits each year to perform various load efficiency and costs incurred to increase the ratio of net profit margin (NPM). In addition to increasing profits, there are several ways to increase the company's stock price, namely,

1. Companies can do a more effective marketing strategy to increase revenue, so that with the increase in revenue and the efficiency of the burden and cost, then the company can obtain the maximum profit. With an increase in profits to the maximum it can make investors interested in investing, so the company's stock price in the stock market will rise.
2. Companies need to reduce dependence on outside parties by avoiding the increasing debts of the company, and then optimize the level of sales that can generate high revenues in order to meet the burden of regulatory burdens owned company so as to produce a low debt to equity.

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ATTACHMENT

table 3.1
operationalization variable

variables	variable concept	Indicator	Size	Scale
Net Profit Margin (X1)	*Net Profit Margin*(NPM) is a company's ability to generate profits compared with the sales achieved. (Sutrisno, 2012: 222)	NPM $\frac{Net\ Profit\ after\ taxes}{\text{Sales}}\ x\ 100\%$ (Gitman, 2012: 80)	%	ratios
Debt to Equity Ratio (X2)	The ratio used to assess the debt for equity. The ratio of one indicates the amount of debt equal to equity. The higher this ratio the higher the risk of bankruptcy of the company (Kashmir, 2013: 157)	DER $= \frac{Total\ Hutang\ (Debt)}{Ekuitas\ (Equity)} x\ 100\%$ (Kashmir, 2013: 157)	%	ratios
Stock Price (Y)	Prices on the real market, and the price of the most easily determined because it is the price of a share on the ongoing market or if the market is closed, then the market price is the closing price. (Musdalifah Azis, 2015: 80)	Shown on the closing share price (closing price) (Widiatmojo, 2012: 91)	rp	ratios

table 3.5
autocorrelation

Null hypothesis	Decision	If
There is no positive autocorrelation	Reject	0 <d <dl
There is no positive autocorrelation	No Decision	dl ≤ d ≤ du
No negative autocorrelation	Reject	4 - dl <d <4
No negative autocorrelation	No Decision	4 - du ≤ d ≤ 4 - dl

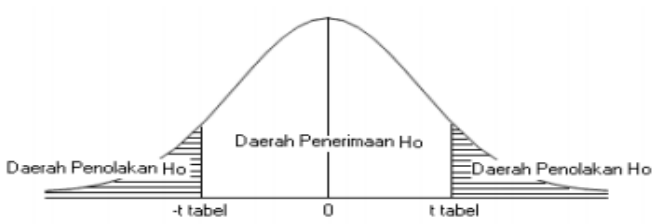
There is no positive or negative autocorrelation	not rejected	du <d <4 - du

Source: Gurajati (2003: 470)

table 3.6
Interpretation of Correlation Coefficient

interval coefficient	level Relationships
0.00 to 0.199	Very low
0.20 to 0.399	Low
0.40 to 0.599	moderate
From 0.60 to 0.799	Strong
0.80 to 1.000	Very strong

Source: Sugiono, 2011: 184)



Source: Sugiyono (2012: 161)
Figure 3.1 Regional Acceptance and Rejection of Hypotheses

table 4.7
Normality Assumption Testing Results
The slope of the curve (Skewnes) and curve kurtosis (kurtosis)

One-Sample Kolmogorov-Smirnov Test

		Residual unstandardized
N		48
normal Parametersa	mean	.0000000
	Std. deviation	.84339416
Most Extreme Differences	Absolute	.138
	positive	.078
	negative	-.138
Kolmogorov-Smirnov Z		.957
Asymp. Sig. (2-tailed)		.319

a. Test distribution is Normal.

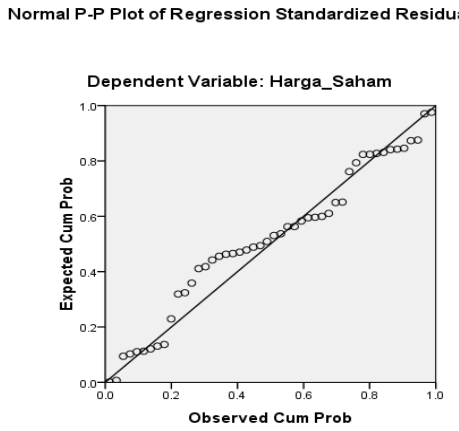


Figure 4.4

table 4.8
Assumption Testing Results Multicolinearity
Coefficientsa

Model		collinearity Statistics	
		tolerance	VIF
1	NPM	.675	1,482
	DER	.675	1,482

a. Dependent Variable: Harga_Saham

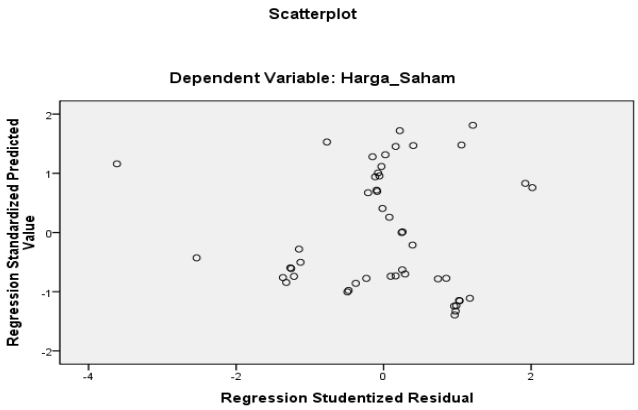


Figure 4.5
The scatterplot graph

table 4.9
Assumption Testing Results autocorrelation
Model Summaryb

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.658a	.433	.408	10990.333	2,072

a. Predictors: (Constant), DER, NPM

b. Dependent Variable: Harga_Saham

table 4.10
Results of Multiple Linear Regression Analysis
Coefficientsa

Model		Coefficients unstandardized		standardized Coefficients	t	Sig.
		B	Std. Error	beta		
1	(Constant)	1722.714	6214.924		.277	.783
	NPM	610 716	194 158	.430	3,145	.003
	DER	-1643.658	724 200	-.310	-2270	.028

a. Dependent Variable: Harga_Saham

table 4.11
Partial Correlation Results Net Profit Margin (NPM) Share Price
correlations

		NPM	Stock price
NPM	Pearson Correlation	1	.607 **
	Sig. (2-tailed)		.000
	N	48	48
Stock price	Pearson Correlation	.607 **	1
	Sig. (2-tailed)	.000	
	N	48	48

**. Correlation is significant at the 0:01 level (2-tailed).

table 4.12
Partial Effect Hypothesis Test Results Net Profit Margin (NPM)
On The Stock Market
Coefficientsa

Model		Coefficients unstandardized		standardized Coefficients	t	Sig.
		B	Std. Error	beta		
1	(Constant)	1722.714	6214.924		.277	.783
	NPM	610 716	194 158	.430	3,145	.003
	DER	-1643.658	724 200	-.310	-2270	.028

a. Dependent Variable: Harga_Saham