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Analysis of Factors Affecting Stock Prices on the Jakarta Stock Exchange Post-Economic Crisis

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Abstract: The aims of this study are to identify and analyze the influence of fundamental variables of firms and non-fundamental on stock price in Bursa Efek Jakarta (BEJ). Fundamental variables of this study consist of Return On Asset (ROA). Earning Per Share (EPS), and Net Asset Value (NAV), and the non-fundamental variables of this study consist of deposit interest rate, inflation, and exchange rate. The research studies the behaviour of 20 emitens from 45 emitens which are registered as the member of LQ 45 that is chosen by purposive sampling technic. Those emitens have the biggest market capitalization, and have been consistent since the beginning of 2000 until the middle of 2002. The estimation method is econometrica panel data, used fixed effect accounting technik with generelized least square (GLS) approach. The result from this research, indicates that variables which have significant influences on the stock price are ROA, EPS, NAV, deposit interest rate and inflation, and variable which have not significant influences on the stock price are exchange rate. ROA, EPS, NAV, deposit interest rate, inflation, and exchange rate have a big influence to the stock price Gudang Garam firms, but not to influences to the stock price Bimantara firms. This study provides valuable insights into the factors influencing stock prices of selected companies in the LQ 45 index. The findings highlight the importance of financial performance indicators such as ROA and EPS, as well as macroeconomic factors like deposit interest rates and inflation, in determining stock prices.

Keywords: Analysis, economic crisis, stock price, BEJ.

INTRODUCTION

In July 1997, the monetary crisis hit Asian countries, especially Thailand, the Philippines, Malaysia, and Indonesia. The rupiah depreciated 7% in just a few trading hours (Basri, 2000). The financial performance of business entities declined sharply, some even suffered losses. Investments in the form of shares are popular with investors because they have low risk (Suad, 1998). This condition will certainly affect investors to invest in the capital market, especially shares, and will have an impact on stock market prices on the stock exchange. In addition, the economic crisis also caused economic variables, such as interest rates, inflation, and exchange rates as well as economic growth to experience quite sharp changes. High inflation and bank interest rates will cause the company's operational burden to become heavier and will affect the financial performance of business entities which will ultimately have an impact on the capital market.

The economic crisis also caused the rupiah exchange rate to weaken against the US dollar. The weakening rupiah exchange rate allows the debt burden of business entities to increase when valued in rupiah and will ultimately result in a decrease in the profitability of business entities. In the condition of the weakening of the rupiah exchange rate against the US dollar, the government has issued a tightening policy in the monetary sector which began on August 19, 1997 by raising interest rates. The tightening carried out by the government resulted in interbank interest rates rising from 30% to 64%. By raising interest rates, it is hoped that it can prevent the decline in the rupiah exchange rate, because with the increasing interest rate conditions, assets in rupiah become attractive to investors. This is further expected to encourage changes in the composition of assets into rupiah, which causes the rupiah price to increase or appreciate.

To reduce the burden on the government, the IMF's advice, Indonesia released several goods according to market mechanisms and eliminated various subsidies, resulting in high inflation accompanying the increase in the exchange rate and interest rates (Basri, 2000). Changes in the world economic environment, shifts in economic power centers, integration in socialist countries, technological revolutions, communications and so on drag every national economy into the global economic arena. This inevitable process increases opportunities for each country to expand its market and sources of financing. But in turn, the greater the opportunity, the greater the risk borne. Every invested capital always contains two elements, namely return and risk. These two relationships have a positive relationship, the higher the risk, the greater the results obtained, the smaller the risk, the smaller the results obtained. Both elements are present in every investment, such as savings, time deposits, foreign exchange, gold, stocks, bonds, and other assets.

Basically, there is no investment that is completely free from risk. For example, investments in the

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form of savings or deposits that are relatively safe and some time ago had high interest rates, still have risks, namely the possibility of the bank being closed by the government. Although at this time public savings in commercial banks are fully guaranteed by the government, this guarantee does not apply forever. Investments in the form of gold also have the risk of loss or theft. However, deposits are usually considered risk-free investments.

To supervise activities or activities in the capital market, the government established Bapepam (Capital Market Supervisory Agency). Companies that will issue their securities must obtain permission from Bapepam, in order to improve and encourage the growth of an orderly, open and efficient market in order to provide reasonable protection to the public and investors. Shares mean buying the company's prospects. If the company's prospects improve, the price of the shares will also increase. Owning shares means owning a company. The advantages of investing in shares are capital gain, which is the positive difference between the selling and buying prices of the shares, and dividends. The disadvantages of investing in shares are capital loss, which is the selling price being lower than the buying price, and no dividends being distributed because the company is making a loss. Thus, in terms of certainty, the income of shareholders becomes more uncertain. This is because the payment of dividends itself will be influenced by the uncertain prospects of the company.

The issuer's stock price on the stock exchange is influenced by investor perception. Investor perception generally reflects the issuer's performance that can be seen through the issuer's financial statements and that cannot be seen or reflected by the issuer's financial statements, such as opportunity costs which are usually measured by the deposit interest rate, if the funds used to buy the shares are deposited. Investors also pay attention to market conditions on the stock exchange and changes that occur, both in politics, economics, and laws and regulations that occur at home and abroad. These changes will have a positive impact on investors with rising stock prices or a negative impact with falling stock prices.

Financial reports are considered the main means of communicating a company's financial information to parties inside or outside the company (Weygant and Kieso, 1995). The better the financial information included in a financial report, the better the issuer's performance will be considered and ultimately issuers who have good performance are considered profitable, and of course the assessment of the issuer will be better, which is usually reflected through the issuer's stock price level.

Financial reports are a means of information that is considered capable of describing the condition and financial performance of a company, which influences economic decision-making by business people and the government, financial report analysis is very much needed to understand financial report information. Investors can also look at other sources of information, for example non-fundamental information including the rupiah exchange rate against the dollar, the deposit interest rate issued by government banks, and inflation.

RESEARCH METHODS

A. Design and Data Sources

The data used in this study is secondary data, which means data obtained from reports containing various information about the problems studied as mentioned above, either by utilizing the results of other parties, such as scientific publications, scientific journals and so on, and literature studies by reading and studying various literature related to the research conducted. Data was obtained from various sources including:

a. www.jsx.co.id.
b. *Jsx Quarter Statistics* BEJ 2000.1-2002.2.
c. Bisnis Indonesia.
d. Bank Indonesia monthly report

The data used as variables in the research include:

a. Data on the development of the company's stock price for the period 2000.1-2002.2.
b. Data on the company's Return On Asset (ROA) for the period 2000.1-2002.2.
c. Data on the company's Earning Per Share (EPS) for the period 2000.1-2002.2.
d. Data on the company's Net Asset Value (NAV) for the period 2000.1-2002.2.
e. Data on the interest rate of 3-month term deposits for the period 2000.1-2002.2
f. Data on the development of inflation for the period 2000.1-2002.2.
g. Data on the development of the Exchange Rate for the period 2000.1-2002.2

B. Data Collection Method

In this study, data and information collection was carried out through the following:

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a) Field Research
This is data collection to obtain data from the object being studied through:
1. Observation, observation at the research location related to the data needed.
2. Data collection in the form of writings and literature related to this research at the research location, namely by examining the financial reports and quarterly trading data of issuers published to the public, namely financial reports and trading data recorded in the JSX Quartil Statistics in the period from the first quarter in 2000 to the second quarter in 2002.

b) Library Research
This is data collection carried out by reading and studying books, journals, magazines, lecture notes and research by other parties that have a close relationship with the research object being analyzed to obtain secondary data.

C. Sampling Selection Method
The process of selecting samples that can be considered representative of the population is one of the things that is very important in assessing the good or bad of research aimed at testing the validity of a model. In this case, the author tries to direct the research to be in line with this. The sample selection technique used by the researcher is the purposive sampling technique. The population used in this study were all issuers listed on the Jakarta Stock Exchange. Then from this population, 45 issuers were taken that were members of the LQ 45 listed in the JSX Monthly Statistics, August 2002 edition as the target population. In order to be eligible for the LQ 45 member selection, a stock must meet certain criteria and pass the main selection, as follows:
1. Ranked in the 60 largest of the total stock transactions in the regular market (average transaction value in the last 12 months).
2. Ranked based on market capitalization (average market capitalization for the last 12 months).
3. Has been listed on the Jakarta Stock Exchange for a minimum of 3 months.
4. The company's financial condition and growth prospects, frequency and amount of trading results in regular companies.

The reason for taking samples that are members of LQ 45 that have the largest market capitalization value (The Biggest Market Capitalization) on the stock exchange, because it often greatly influences the development of the average stock price on the stock exchange which is reflected through the IHSG. In addition, stocks included in this group are the largest contributors to the turnover of money and the number of shares circulating on the stock exchange, so they can encourage or even reduce the rate of IHSG on the stock exchange. Investors often invest their funds in leading stocks, most of which have the largest market capitalization value on the stock exchange.

It turns out that of the 45 issuers, only 20 issuers meet the criteria in this study. Furthermore, additional criteria are given to the 45 LQ 45 stocks, namely:
1. Issuers are included in the LQ 45 members who have consistently existed since early 2000 to mid-2002.
2. Issuers have the largest capitalization.
3. Issuer data in the form of Return On Asset, Earning Per Share, Net Asset Value, Interest Rate, Inflation, and Exchange Rate during the observation period is available in full at the Jakarta Stock Exchange.

RESULTS

A. Economic Analysis of Fundamental and Non-Fundamental Factors on Stock Prices
1. Return On Asset (ROA)
$\beta 1$ = -4.773126 is the ROA regression coefficient. ROA is positive, meaning that if the ROA variable increases by one percent, the stock price will increase by 4.773126 points, assuming the other variables are constant. The results of the study show that the ROA value has a positive effect. So the higher the ROA value, the higher the stock price. So that many investors will buy shares of the issuer. So the results of this study are in accordance with the theory put forward by Samuelson that when profits increase, stock prices tend to increase.

2. Interest Rate
$\beta 2$ = -993.1845 is the interest rate regression coefficient. The interest rate is negative, meaning that if the interest rate variable falls by one percent, the stock price will increase by 993.1845 points, assuming the other variables are constant.

The theory in financial management theoretically states that the interest rate is inversely proportional to the stock price. This means that if the interest rate is high, people tend to invest their funds in the form of savings or deposits to get a risk-free rate of return. Conversely, if the interest rate falls, people tend to invest their funds in the real sector or securities in the hope of getting a higher rate of return than the existing interest rate.

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The results of this study turned out to provide the same results as the theory. In other words, this variable affects the stock price. This may be due to the state of our banking which was starting to be healthy during the research period, which resulted in the level of public trust in banks as a place to invest also increasing.

3. Inflation
β3 = -1265.789 is the inflation regression coefficient. Inflation is negative, meaning that if the inflation variable falls by one percent, the stock price will increase by 1265.789 points, assuming the other variables are constant.

The results of the study show that the inflation variable has a significant effect on stock prices. This is indicated by the t-statistic test value. The inflation variable has a negative relationship with stock prices that reject the null hypothesis and accept the alternative hypothesis significantly at a significance level of 95%.

The inflation rate is considered a cost of production, where the higher the inflation rate, the higher the prices of input goods for production factors, so that production costs increase. In addition, a high inflation rate can reduce people's purchasing power, so that the higher the inflation rate will reduce investors' interest and expectations to invest their capital.

4. Exchange Rate
B4 = -143.0046 is the exchange rate regression coefficient. The exchange rate is negative, meaning that if the exchange rate variable falls by one percent, the stock price will increase by 143.0046 points, assuming the other variables are constant

If we examine the results of this study, the exchange rate variable has a negative effect, this means that every appreciation of the rupiah exchange rate can increase the stock price. This condition is certainly a good opportunity for investors to invest in Indonesia because the expected profits can be realized.

The insignificance in the results of the study indicates that the conditions mentioned above are not a definite measure for investors to want to buy shares of issuers because investors are likely to make other more important considerations such as excessive exchange rate depreciation will cause inflation which will certainly increase production costs, and high production costs will certainly burden investors because they will have difficulty obtaining maximum profits. Depreciation of the exchange rate that causes inflation will be able to reduce people's purchasing power so that demand for the products produced will also decrease, this condition will reduce investor interest in buying issuer shares and many other possibilities that are considered by investors so that this exchange rate does not have a strong significance in influencing stock prices.

5. Earning Per Share (EPS)
β5 = 1.538666 is the EPS regression coefficient. EPS is positive, meaning that if the EPS variable increases by one percent, the stock price will increase by 1.538666 points, assuming the other variables are constant. As explained in chapter II, theoretically it is stated that the EPS value is directly proportional to the stock price. This means that the higher the EPS value, the higher the investor's interest in investing in the stock, because the profit he will get will also be higher. The results of this study indicate that the EPS value has a positive and quite large effect, in other words, this variable has an influence on stock price movements. This means that the theory that says that the EPS value will have a major effect on stock prices also applies to the stocks of issuers in this study where the existing correlation is a positive correlation.

6. Net Asset Value (NAV)
β6 = 0.039220 is the NAV regression coefficient. NAV is positive, meaning that if the NAV variable increases by one percent, the stock price will increase by 0.039220 points, assuming the other variables are constant. The theory says that the NAV value shows the amount of income that investors will receive from processing assets for each share they own. The higher the NAV value, the higher the management's ability to manage the assets they own in generating profits so that the profits that shareholders will receive will also be higher.

B. Economic Analysis of Fundamental and Non-Fundamental Factors on Company Shares

To achieve the third objective based on the identification of problems to find out which stocks are most influenced by fundamental and non-fundamental factors, the study is based on the results of existing tests, namely by looking at the constants of each company. By looking at the constant values of each company, the company's stock that is most influenced by the independent variables is Gudang Garam Tbk with a stock value of R, 9784,828. This is because Gudang Garam

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Tbk has quite good company management and is able to survive problems in the economy. The EPS value obtained by Gudang Garam Tbk during the study period remained stable and positive, as well as the profitability (ROA) obtained by Gudang Garam Tbk which had a positive value. So this shows that Gudang Garam Tbk makes a profit, because the higher the EPS value, the higher the interest of investors to invest their capital in the company's shares because the profits obtained are also higher.

Likewise, the ROA value which is positive and stable will provide benefits for the company. And this shows that the independent variables are closely related to the dependent variable. While the smallest constant value of the company is Bimantara Tbk with a stock value of minus Rp 33,47762, the ROA and EPS values obtained by Bimantara Tbk have decreased, so that the constant value is negative. This shows that Bimantara Tbk is experiencing losses, and the company is unstable in managing its management.

DISCUSSION

The results of this study demonstrate that several key factors significantly influenced stock prices on the Jakarta Stock Exchange in the period following the economic crisis. Among these, interest rates, inflation, and company performance indicators (such as earnings per share and return on equity) emerged as the most prominent variables. The findings align with financial theory, which suggests that macroeconomic indicators and firm-specific fundamentals jointly drive stock price movements. Investors appear to react cautiously to changes in these variables as they reassess risks and returns in the post-crisis environment.

Interest rates showed a strong inverse relationship with stock prices, confirming the classic theory that rising interest rates increase the cost of capital and reduce future cash flows, making stocks less attractive. In the context of the post-crisis recovery, this relationship became more pronounced as the central bank adjusted rates to stabilize the economy. Investors viewed these policy shifts as key signals, reflecting broader economic trends and monetary control efforts. This is consistent with prior studies that highlight interest rates as a primary tool influencing investor behavior and capital markets in the aftermath of financial disruptions.

Inflation also had a statistically significant negative impact on stock prices, albeit to a slightly lesser extent. High inflation erodes purchasing power and introduces uncertainty into the market, leading to reduced investor confidence. In the post-crisis phase, although inflation was under control compared to the crisis period, lingering volatility created caution among investors. The study's findings suggest that inflationary pressure remained a critical consideration for both institutional and retail investors, influencing long-term investment strategies on the exchange.

In contrast, company-specific financial performance indicators—particularly earnings per share (EPS) and return on equity (ROE)—had a positive and significant effect on stock prices. These findings underscore the importance of fundamental analysis in stock valuation, even in uncertain economic times. Investors favored companies that demonstrated resilience and consistent profitability during the recovery phase. This supports the argument that, post-crisis, the market increasingly rewarded transparency, sound management, and financial stability.

Overall, the study confirms that both macroeconomic factors and firm-level performance play integral roles in shaping stock price movements after a crisis. It highlights the need for investors and policymakers to consider a balanced approach that incorporates both sets of indicators. Furthermore, the findings emphasize the importance of maintaining macroeconomic stability while encouraging corporate governance and financial disclosure, to build a more robust and trustworthy capital market in Indonesia.

This research contributes to the field of financial economics by providing a focused analysis of the key factors influencing stock prices in a post-crisis context, specifically within the Jakarta Stock Exchange. By examining both macroeconomic indicators (such as interest rates and inflation) and firm-specific variables (like earnings per share and return on equity), the study offers a comprehensive framework for understanding investor behavior and market dynamics in a recovering economy. This dual-perspective approach helps bridge the gap between theoretical models and real-world market reactions, making the findings valuable for academics, analysts, and students studying capital markets in emerging economies.

Practically, the study provides actionable insights for investors, financial analysts, and policymakers. For investors, the findings highlight which indicators to monitor when making informed

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investment decisions in post-crisis periods. For policymakers and regulators, the study underscores the importance of maintaining macroeconomic stability and promoting transparent corporate practices to restore and sustain investor confidence. The research also serves as a reference for future studies exploring financial market behavior during economic recovery phases, especially in Southeast Asia or other developing market contexts.

CONCLUSION

From the results of the research conducted based on the objectives and main problems that have been identified previously, the author can draw a conclusion regarding the relationship between factors that influence stock prices on the Jakarta Stock Exchange for the period 2000.1 - 2002.2, including the following:

1. Independent variables consisting of ROA, EPS, NAV, interest rates, and inflation partially affect stock prices, while the independent variable exchange rate does not partially affect stock prices.
2. Six independent variables consisting of Return On Asset (ROA), Earning Per Share (EPS), Net Asset Value (NAV), interest rates, inflation, and the Rupiah exchange rate against the US Dollar jointly affect stock prices. This shows that investors or prospective investors need to pay attention to the above variables as considerations in making investments, so as not to experience losses.
3. The stock that is most influenced by fundamental and non-fundamental factors is Gudang Garam Tbk stock of Rp. 9,784,828, and the stock price that has the lowest influence is Bimantara Tbk stock price of minus Rp. 33 47762.

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