

The Effects of Inflation, Profitability, and Sales Growth on Stock Prices in Retail Trade Sub-Sector Companies (2014-2019 Period)

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Abstract. The purpose of the research is to determine the effect of Inflation, Profitability, Sales Growth partially or simultaneously on stock prices, and the development of each variable for the 2014-2019 period. The research method used are descriptive and verification analysis with quantitative approaches. The research data used is secondary data which includes data for each variables. Purposive-sampling technique is used for the sampling process. Six Retail Trade sub-sector companies were selected as research samples based on predetermined criteria. Correlation and determination analysis were used in this study, while hypothesis testing was carried out using the T-test and F-test methods. The results of the research indicate that inflation partially has a significant effect on stock prices, while profitability and sales growth have no significant positive effect on stock prices. Thus, it can be concluded that Inflation, Profitability and Sales Growth show their influences on Stock Prices simultaneously.

1. Introduction

In this case, economic development is closely related to the capital market related to the function of funding and investment.[1]. The development of the business world, especially in the investment sector, is currently very fast. Supported by economic developments and technological advances that underwent a revolution, information about the development of the investment world was conveyed to the wider community. This raises public reaction to curiosity about investment, especially the capital market [2]. The capital market is a meeting place for several people who have excess assets or who are more often referred to as investors or distributors of funds with parties who want capital [3]. The company acts as the party who wants the capital. The interactions that occur in the capital market are selling and buying various futures financial instruments, one of which is stocks [4].

Stock prices are the recording of prices on the stock market during a certain period determined by the owners of funds on the stock exchange [5]. The movement of stock prices in the stock exchange market can be determined by investors according to price requests and price offers [6]. Stock prices are a reflection of capital market activities in general [7]. An increase in stock prices indicates that the capital market is bullish, on the other hand, if it decreases, it indicates that the capital market is bearish [8]. For this reason, an investor must understand the pattern of stock price behavior in the capital market. There are several theories that can be used to predict changes in stock prices with foreign exchange rates, interest rates and inflation [9][10][11]. Inflation is an increase in the price of goods and services that has a broad influence as well as on stock prices in the capital market. With inflation, there will be ups and downs in stock prices [12].

Another factor in determining stock prices is profitability, where investors will judge the company from the company's financial performance indicators, so that the better the company's financial performance can result in higher stock prices on the stock market [13]. Apart from the level of company profitability, investors also consider sales growth to be one of the things that can affect changes in stock prices. Sales growth is an important factor of market acceptance of the company's products and/or services. Thus the increase in the company's performance from the level of profits derived from sales growth. Therefore, growth sales are considered as a basic reference for investors in making decisions to invest, because an increase in product volume is considered a breath of fresh air for companies to develop their business [14]. Currently there have been several studies conducted related to this research [16][16][17]. However, those studies do not specifically discuss the effect of inflation, profitability, and sales growth on stock prices in retail trade.

Previous research has been conducted that it is known that there is a significant effect of inflation on stock prices. Increased inflation causes goods and services to be more expensive so that more money must be spent to buy these goods and services. Impact on the decrease in the amount of money that can be saved or invested, including in the form of shares. The decrease in public investment interest will result in higher supply than demand so that the stock price will change. [18]. The other previous about profitability has been conducted examined the relationship between profitability to stock price with yield significant effect. [19][20][21]

The effect of sales growth, asset security, and firm size on dividend policy in the consumer goods industry sector, the results of research using multiple linear regression test reveal that sales growth has no significant effect on dividend policy. Asset guarantees have a positive and significant effect on dividend policy. Firm size has no significant effect on dividend policy. [22]

Based on the description of the background of the problem above, the problems to be discussed in this study are formulated as follows: Does the inflation affect the stock prices? Does the profitability affect the stock prices? And Does the sales growth affect the stock prices.

Related to the above problems, the objectives of this research are as follows: to determine the effect of inflation to stock prices, to determine the effect of profitability to stock prices, to determine the effect of sales growth to stock prices.

2. Method

The method used in this research is descriptive and verification research methods. Descriptive method describes the clarity of the development between the independent and dependent variables [23]. The verification method is carried out using quantitative data which is data in the form of numbers used to find the magnitude of the influence between the independent and dependent variables so as to obtain the results of the established hypothesis test and a detailed description of the object being studied [24]. The object in this study consists of the independent variables, namely Inflation (X1), Profitability (X2), Sales Growth (X3) and the dependent variable is Stock Price (Y) in Retail Trade Sub-Sector Companies (2014-2019 Period). The data used is secondary data derived from annual reports consisting of 6 companies in the 2014 to 2019 period. Pooled data of 30 research samples was obtained with criteria using the Sampling-Purposive Technique.

3. Results and Discussion

To prove that the effect of Inflation, Profitability, and Sales Growth on Stock Prices is carried out a series of tests by looking at the coefficient of variation (R²) and T Test. The empirical model of the estimation of Inflation, Profitability, and Sales Growth on Stock Prices can be seen in the table 1 as table coefficient of determination of In Inflation (X1), Profitability (ROA) (X2) and Sales Growth (GS) (X3) to Stock Prices:

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.612 ^a	.375	.303	418.440	2.117

a. Predictors: (Constant), GS, DPR, ROA

b. Dependent Variable: HARGA_SAHAM

Based on the results of the analysis in table 3.1, information is obtained that shows the value of the coefficient of determination or R Square is 0.375 or the effect is 37.5%. This informs that Inflation (X1), Profitability (ROA) and Sales Growth (GS) (X3) have an influence on the Stock Price with a value of 37.5%. T Test about Inflation to Stock Prices, $t_{hitung} 2,546 > t_{tabel} 2,055$ and the level of significance value is $0,017 < 0,05$. Thus, H_0 is rejected and H_a is accepted. That means that there is a significant partial effect between Inflation on Stock Prices. partially inflation factor have an effect on increasing stock prices so that inflation increases include the price of a company's stock also increases. If the inflation rate is not more than 10%, the stock price will increase company. This is due to the increase in inflation that occurred during the five years in Indonesia This research is between 4% to 6% only and has no impact on income generation company, because people who have a fixed income or more do not reduce amount of consumption. These results are in line with research conducted which states inflation factor have an effect on increasing stock prices. [25]

T Test about Profitability to Stock Prices $t_{hitung} 0,569 < t_{tabel} 2,055$ and the level of significance value is $0,574 > 0,05$. Thus, H_0 is accepted and H_a rejected. That means profitability has no significant effect on stock prices. In the results of the study, it is known that the profitability variable has a t-test value of 0.569 and has no significance value of 2.055. It can be said that profitability has no significant effect on stock prices. Based on observational data, most of the profitability values have a small value so that they are not very meaningful to stock prices. These results are in line with research which states that profitability (ROA) has a positive and insignificant effect on stock prices [26], when profitability increases, stock prices will follow the increase, but it is different from research conducted which states that profitability has a negative effect on stock prices [27].

T Test about sales growth to Stock Prices $t_{hitung} 1,516 < t_{tabel} 2,055$ and the level of significance value is $0,142 > 0,05$. Thus, H_0 is accepted and H_a is rejected. That means that sales growth has no significant effect on stock prices. This is because sales growth is not the main consideration for investors in investing because sales growth does not become a high rate of return. These results are in line with the research which states that the sales growth variable has a positive and insignificant effect on stock prices [28]. Where when sales growth increases, the stock price will follow to increase, in contrast to research conducted which states that sales growth has a negative effect on stock prices [29].

4. Conclusion

Inflation has a significant effect on stock prices. This is because when inflation increases, the share price of income usually decreases. Profitability has an insignificant effect on stock prices. Based on observational data, most of them have a small profitability value so that they do not have a significant impact on stock price movements. Sales growth has no significant effect on stock prices. This is because the value of sales growth is not only the main decision of investors in investing.

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