CHAPTER V

CONCLUSIONS AND SUGGESTIONS

5.1. Conclusions

According to discussion that analyzes the liquidity, solvency, and profitability that are represented by current ratio (CR), debt to equity ratio (DER), return on assets (ROA), return on equity (ROE), and net profit margin (NPM) as independent variable and stock price at LQ45 in period of 2009-2011 as dependent variable with 19 companies representing the LQ45 company in period of 2009-2011 as sample of this research, there are some conclusion that can be taken from these research which comprise:

1. The discussions explain that current ratio (CR), debt to equity ratio (DER), return on assets (ROA), return on equity (ROE), and net profit margin (NPM) simultaniously and significantly influence the stock price at LQ45 in period 2009-2011. It means that liquidity, solvency and profitability ratio are still useful for consideration of investor to make decision before investing their money in certain companies stock.
2. Based on this research, having several independent variables that influence partially and significantly towards stock price. From five independent variables, three of them influence significantly. Three of independent variables are current ratio (CR), return on assets (ROA), and return on equity (ROE). Return on equity is one of the variables that are significant and negative for the stock price. It is because return on equity will increase

if the owner equity decreases. When owner equity decreases, the company will finance its asset with the debt. It will be risky for the company because the debt interest has to be paid by company. Return on assets are also significant and have a positive influence towards stock price. It is because when the company increases its income, the total assets has to decrease. Too much total asset is not good for the company because the asset cannot make the profit if the asset is still on hand. It will occur with the current ratio. Decreasing for the current ratio is a positive concern for the investor to make decision.

3. Having two variables insignificantly influence towards stock price. Those are debt to equity ratio (DER) and net profit margin (NPM). It happened because the trend of global economic forces the company to finance their asset with the owner equity or investor. It is because high risk of company to pay their debt is too high. The company is afraid it cannot be paid. The alternative is finance the asset to the equity. That's why debt to equity ratio is not significant to the stock price. Net profit margin also cannot increase the stock price significantly. It is because the investor wants to look at the future of the company to generate its income. It will be useless if the company has net profit but the debt is too high in short-term period.

5.2 Limitations

The limitations of this research presented as follows:

1. The independent variables used in this research are limited only to accounting information. There might be also other accounting information

that is not identified by this research. It is one of reason of why the impact of the independent variables are only 32,2% to predict the stock price.

2. The sample period in this research is limited to a three-year covering period. Thus, only 19 firms are fulfilling the criteria as samples during three years period, while having 45 populations in LQ45 that has to be selected to get more reliable information result.
3. The author ignore the method that company used to provide the financial statement, consequently the truth of this result cannot classified the method that company used.

5.3 Suggestions

The suggestions of this research presented as follows:

1. For the next researcher, it will be expected to make a wider category of sample and number of independent variables not only financial report ratio, but also book value ratio and the others to make better conclusion and research.
2. For the company, it will be expected to provide financial report better and fair. It is because financial report is one of the most valuable information that investor has to get the truth regarding of company conditions through financial ratio and others.
3. For the investor, it will be expected to get much information to make some decision. Not only financial report of company, but also external information that influence toward stock price. If the company wants to

predict the future with the financial report, the author suggests that profitability is one of the important factors that influences stock price.