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The Effect Of Return On Assets And Inflation On Stock Prices In The Banking Sub-Sector On The Indonesian Stock Exchange In 2017 – 2022

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Abstract

Purpose – This study aims to examine the impact of Return on Asset (ROA) and inflation on stock prices in the banking sub-sector companies listed on the Indonesia Stock Exchange from 2017 to 2022.

Design/methodology/approach – The study employs a quantitative research method. A sample of 25 banking companies listed on the Indonesia Stock Exchange was selected. The analysis was conducted using multiple regression techniques, and the data was analyzed using Eviews9 software to test the hypotheses.

Findings – The findings reveal that both Return on Asset and inflation variables have a positive, but statistically insignificant, effect on stock prices.

Research limitations/implications – This study is limited to banking sub-sector companies listed on the Indonesia Stock Exchange during the 2017-2022 period, which may limit the generalizability of the findings. Future research could expand the sample to other sectors or time periods to gain more comprehensive insights. The results provide useful information for decision-makers and can serve as reference material for future research.

INTRODUCTION

The Indonesia Stock Exchange was present since the Dutch colonial era and precisely in 1912 in Batavia. The capital market at that time was established by the Dutch East Indies government for the benefit of the colonial government or VOC. At this time the condition of share prices in the business world began to increase, so economic actors should start making strategies that can be done to maintain the share price. Competition in the business world, especially in banking companies, makes companies improve performance to achieve all planned goals. From a financial management point of view, an increase in the share price is the welfare of the owner (shareholder), if the share price increases, the owner can sell shares at a high price in the capital market.

In a company that has gone public, it is very important for the owner to know the movement of shares that occurs regardless of the size of the movement, because the more the value of a company increases, the more attractive it will be for investors to invest in the company. One way that is widely used by financiers or investors to invest capital is by owning shares of a company listed on the capital market. In Law Number 10 of 1998 concerning Banking, Banks are mentioned as business entities that collect funds from the public in the form of deposits and channel them to the public in the form of credit and or other forms in order to improve people's lives.

This research examines the banking sub-sector companies, banking includes banks, business activities and institutions to improve people's lives. The banking sub-sector is in the Financial sector, which consists of 5 sub-sectors, namely, Banks, Financing Services, Investment Services, Insurance, and Holding & Investment. Banking has a strategic role in moving the wheels of the national economy. The main function of banking in the economy is to collect public funds and channel these funds to finance production activities and to support the economy and consumption activities so as to encourage national economic growth. (OJK.co.id, 2023).

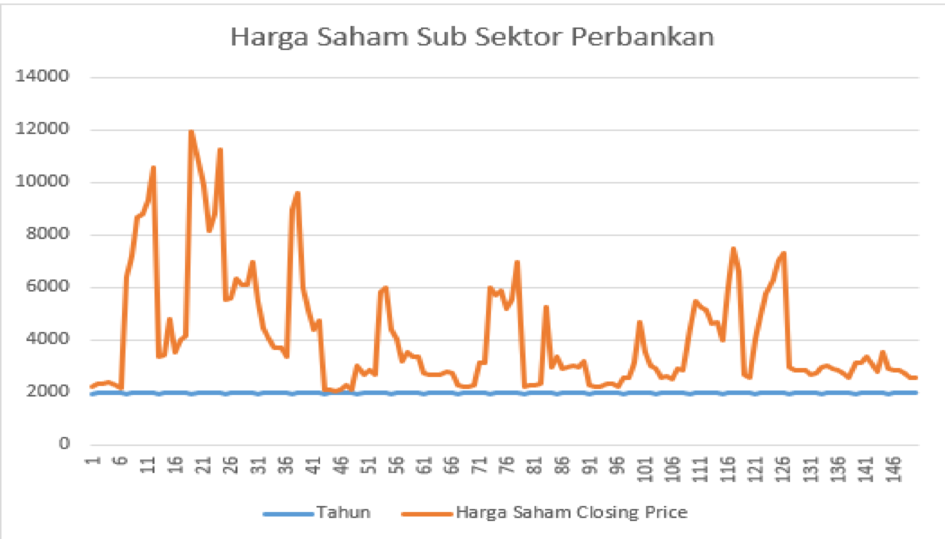
The banking industry is a very important sector in a country's economy because it plays an important role as an intermediary between parties who have excess funds (customers) and parties who need funds (debtors). Banking companies strive to increase their company value in order to gain the trust of shareholders and the public and strengthen their position in the market. This study uses the Banking Sector because it is one of the sectors that is expected to have bright prospects in the future, because currently the daily activities of the Indonesian people cannot be separated from the services of banking companies and banking companies are companies that have a significant contribution to state revenue.

An example of a stock price case that has occurred in a banking company is that the World Bank or World Bank estimates that the world economy is in a critical condition in the 2023-2024 period. This is indicated by the low projection of economic growth in 2023 of 2.1% and 2024 of only 2.4%, far below the 2022 growth estimate of 3.1%. The reason is the continued impact of the trend of rising central bank benchmark interest rates in various countries, especially developed countries, which have risen high since the last one and a half years. The policy is in response to high inflationary pressures after being affected by trade wars and the Russia-Ukraine war. Developing countries will be affected as global lending becomes more constrained due to the collapse of major banks and these countries will lose access to the international bond market. This could lead to rising non-performing loans, asset write-downs that disrupt balance sheets, property price corrections, or losses from the real estate sector, which is particularly affected.

The second scenario is that a banking crisis is inevitable and spreads more widely to vulnerable developing countries. Among them are those whose banking capital is not strong, and whose public and private debt levels are high. As a result, trade activity also weakens due to a lack of credit and demand globally. In this scenario the World Bank expects global economic growth to be around 1.8% in 2023 and 0.3% in 2024. This scenario would entail a contraction in global GDP per capita next year, implying a global recession and oil prices would fall sharply to an average of US$47 per barrel. Therefore, the solution offered by the World Bank is that policymakers should prepare for the worst by making policies to counteract the contagion of financial stress together and reduce their own domestic vulnerabilities in the short term.

This issue is one of the risks that the World Bank sees will affect the economy in 2023-2024. Among them are the high chance of a systemic banking crisis and long-term losses to the economy. **(Cnbcindonesia.com, 2023).** An example of a stock price case that has occurred in a banking company, namely Bank Indonesia, which has positive sentiment towards the banking sector, the growth of bank lending in May 2023 is getting higher by growing 9.39% on an annual basis, higher than the previous month, which was 8.08%. Credit growth was driven by rising demand, in line with high-growth corporate performance as well as the availability of liquidity and loose financing credit standards by banks. When detailed, Islamic banking posted higher financing growth than the industry, namely 19.5%. One driver was the MSME segment, which rose 7.61% with the realization of people's business credit (KUR) worth Rp 80.25 trillion. BI reported that banking liquidity conditions are very supportive for credit expansion. As of May 2023, the ratio of liquid assets per third party funds (AL / DPK) was 27.52%. For information, the lower limit of AL/DPK is 10%. The bank also recorded a capital adequacy ratio (CAR) of 25.54%. This figure is well above the lower limit set by the regulator of 10%. In May 2023, third-party funds (DPK) grew by 6.55%. When compared to the achievement in April 2023, the growth of deposits slowed down, where in that month it grew 7.0%. BI stress test results also show strong banking resilience going forward, BI continues to strengthen synergies with KSSK in mitigating various domestic and global economic risks that could disrupt financial system resilience. (Cnbcindonesia.com 2023)

The following is graphical data obtained from stock prices obtained for 6 (six) years by banking companies listed on the Indonesia Stock Exchange:



Source: idx.co.id (Data Processed)

Picture 1.1 Banking Sub Sector Stock Price Chart

The data taken in the graph above shows that every year in several banking companies there are increases and decreases, but the graph above shows that there is instability in the combined stock price in the banking sub-sector which shows that the last year has decreased considerably due to factors, such as the covid 19 period which made many investors withdraw their capital from each company.

There are several factors that affect stock prices, namely Current Ratio, Debt to Equity Ratio, Return on Asset, Inflasi, Return on Equity, Earning Per Share, Net Profit Margin, Ukuran Perusahaan, Price Earning Ratio, Price to Book Value, Dividen Payout Ratio, Volume Perdagangan, Struktur Modal, BI Rate, Suku Bunga, Nilai Tukar, Suku Bunga dan Kurs. Seperti penelitian yang dilakukan oleh penelitian terdahulu (Adityo, Muhammad Fadhil; Widowati, Indah; Utami, 2022; Agustin et al., 2023; Akbar & Djawoto, 2021; A. M. Anwar, 2021; Arison, 2019; Arista & Musadad, 2020; Aristiya et al., 2022; Desmon et al., 2022; Firmansyah & Maharani, 2021; Fitriyani & Prijati, 2021; Hasanah & Ainni, 2019; I'niswatin et al., 2020; Juliansyah, 2021; Kartikasari, 2019; Kurniawan & Yuniati, 2019; Lestari, Sindhi Yulia Indah; Ifa, Khoirul; Paramita, 2019; Lombogia et al., 2020; Novalddin, Muhammad Rizky Novalddin; Nurrasyidin, Muhammad; Larasati, 2020; Nurasila et al., 2019; Nurdesmeri; Wijayanto, 2021; Nurismalatri & Artika, 2022; Pramesti, I Gusti Ayu Dita; Ekayani, Ni Nengah Seri; Jayanti, 2020; Pratiwi et al., 2020; Putri et al., 2022; Rahim, Dea Rizka Fadillah; Monoarfa, Rio; Pakaya, 2023; Rahman et al., 2023; Rizal, 2022; Saputro, 2019; Sari, 2020; Saroinsong et al., 2018; Siregar, Qahfi Romula; Farisi, 2018; Suhendri et al., 2019; Sunarsi et al., 2021; Suryani et al., 2022; Ulfah, Evaniatun; Andini, Rita; Oemar, 2018; Wicaksana et al., 2022; Zakaria, 2021)

The next factor that affects the stock price is Return on Asset. Because the higher the company's profit generated by the company from each rupiah invested in the company's assets. This research is in line with research (Akbar & Djawoto, 2021; Desmon et al., 2022; Rahman et al., 2023; Saputro, 2019; Siregar, Qahfi Romula; Farisi, 2018; Suhendri et al., 2019; Ulfah, Evaniatun; Andini, Rita; Oemar, 2018) states that Return on Asset has a positive effect on stock prices. But this research is not in line with research (Lestari, Sindhi Yulia Indah; Ifa, Khoirul; Paramita, 2019; Putri et al., 2022; Saroinsong et al., 2018).

The next factor that affects stock prices is inflation, because a high increase in inflation will affect other economic activities such as investment and stock prices, the higher the inflation rate, the lower the share price of a company. The results of this study are supported by (Adityo, Muhammad Fadhil; Widowati, Indah; Utami, 2022; Aristiya et al., 2022; Ayusafitri, 2023; Fitriyani & Prijati, 2021; Iradilah & Tanjung, 2022; Pramesti, I Gusti Ayu Dita; Ekayani, Ni Nengah Seri; Jayanti, 2020) states that inflation has a negative effect on stock prices. This disagrees with the research results (Agustin et al., 2023; Amanberga & Abdi, 2022; Kurniawan & Yuniati, 2019; Nurasila et al., 2019). This study aims to provide evidence and analyze how Return on Asset and Inflation affect stock prices. There are 2 possibilities regarding the research results that occur on Return on Asset and Inflation on stock prices, namely a positive effect and a negative effect. From the above results, this research is interesting to research.

LITERATUR REVIEW

Signaling Teori

(Spence, 2007) said to create a signaling system to strengthen decision-making in hiring workers in the company. This signaling system includes education, work experience, race, gender, and personality(Faisal & Sari, 2020). The existence of these criteria depends on uncertainty about the productivity capabilities of employees This signal theory is used to see whether the stock price of the company continues to fluctuate or not so that it can provide signals from management to investors. Signaling theory is important, because company management uses financial reports to signal to investors about the company's prospects. Therefore, information provided by the company openly can reduce asymmetric information between internal and external parties of the company. And investors will respond to the signals provided by the company to make decisions. (Spence, 2007) stated that there was asymmetric information in the labor market, so Spence came up with a signal criterion as additional information in decision making. The company's impetus to provide information is because there is asymmetric information between the company and outsiders because management knows more about the company and its future prospects than outsiders.

Upper echelons theory

The definition of Return on Assets (ROA) is the ratio of return on assets (Return on Assets / ROA) also called earning power (earning power ratio), describes the Company's ability to generate profits from available resources (assets) (Sirait;2017) in the book (Neldi, Mondra; Hady, 2023). Return on Assets, which shows the company's ability to use all assets owned to generate profit after tax and a measure of the company's ability to generate profits with all the assets owned by the company and this ratio shows how much the contribution of assets in creating net income. (Gunardi, Ardi; Alghifari, Erik Syawal;Suteja & Aja, 2023). Return on Assets (ROA) shows the company's ability to generate net income on its assets. The greater this number, the more profitable the company is, and conversely the smaller this ratio number, the less profitable the company is. (M. Anwar, 2019). Return on Assets is the company's ability to generate profits using its total assets in accordance with the costs of funding these assets. (Hutabarat, 2021). Inflation is a condition where there is an increase in the price of a good or commodity in a certain unit of time (Alamsyahbana, 2022). Inflation in the broadest sense is a generalized and continuous rise in prices due to the market mechanism (Rapii, Muhammad; Jailani, Huzain; Utomo, 2022). Inflation is a generalized and persistent rise in prices over a period of time (Anita, Siska Yuli; Wahyuni, Hari; Hanum, Nurlaila; Putra, Trimardi Jaya;Levany, Yuanita; Utami, Miranti pradipta; suhardi; utama, imam arrywibowo satrya; sufriadi, dedi; rizka; prasetyo, yenni agustina iwan; zakaria; mutia, ratna; sampe, ferdinandus; soso, 2022) Inflation is an event in the economy where there is a tendency for the prices of all goods to rise continuously. (Murad, 2022). Inflation is a tendency for prices to rise generally and continuously. When the price of one or a few goods rises, it cannot be called inflation. However, if the price of goods rises widely and causes a large proportion of other goods to rise, then it can be said to be inflation. According to (Boediono;2005) in the book (Rapii, Muhammad; Jailani, Huzain; Utomo, 2022).

Stock prices are the prices that occur on the stock exchange at any given time. Stock prices can go up or down in a very short period of time. Stock prices can change in minutes and can even change in seconds. This is possible because it depends on the demand and supply between stock buyers and stock sellers. According to Darmadji and Fakhruddin. (2012: 102) in the book (Siregar, 2021). The share price determines shareholder wealth. Shareholder wealth maximization translates into maximizing the company's share price. The share price at any given time will depend on the cash flows that investors expect to receive in the future. According to Brigham and Houston (2010: 7) in the book (Siregar, 2021). Stock price is the price of a stock that occurs in the stock market at a certain time determined by market participants and determined by the demand and supply of the relevant shares in the capital market.. Menurut (Jogiyanto ;2008; 167) in the book (Suryani, Ade Irma; Ermaini; Harly, 2023). Stock price is the price that occurs in the stock exchange market at a certain time determined by market participants, namely market demand and supply. (Mulyadi, Olandari;Suryadi & Sari, Desi Permata ; Sari, 2022). Stock prices are prices that occur on the stock exchange market at a certain time determined by market participants, namely market demand and supply. Stock prices are influenced by 4 aspects, namely: earnings, dividends, cash flow, and growth. (Mulyadi, Olandari;Suryadi & Sari, Desi Permata ; Sari, 2022).

Hypotheses development

In this study, an investor will be interested in companies that can manage their profits well, in this theory which is also related to this study, an investor wants high profits and the company wants a good company financial report. Return on Assets (ROA) shows the company's ability to generate net income on its assets. The greater this number, the more profitable the company is, and conversely the smaller this ratio number, the less profitable the company is. (Mokhamad Anwar, Ph.D.;2019; 177). Return on Assets High profits indicate that the company can manage its assets well and can generate high profits, high profits will make the demand for shares high which will make the share price go up(Patminingsih et al., 2023).

H_1: Return on Assets has a positive effect on stock prices.

In this study, the signaling theory states that companies that can manage the company and can see the macro situation in the world and can create stability in prices will attract an investor to buy the company's shares. Inflation is a condition where there is an increase in the price of a good or commodity in a certain unit of time. (Muhammad Isa Alamsyahbana; 2022; 64). High inflation will attract investors to buy shares because if inflation is high, the share price of the company will be relatively high, which makes investors interested and see that the company's performance is good. Meanwhile, if inflation decreases, the share price will decrease, this makes investors lose confidence in buying shares because the share price is relatively low and makes investors less confident in the company.

H_2: Inflasi has a positive effect on stock prices

RESEARCH METHOD

Based on the determination of the population that has been determined, there is a determination of the criteria that will be included as a sample in this study. Some of the criteria set by researchers in determining the sample are as follows.

Table 1. Sample Determination Process based on Criteria

	Number of Indonesian Commercial Bank sector companies listed on the Indonesia Stock Exchange 2017 -2022	47 Company
criteria		
	Commercial Bank sector that does not register its company on the Indonesia Stock Exchange 2017 - 2022	(4 Company)
criteria 1	Commercial Bank Sector that listed its company on the Indonesia Stock Exchange 2017 - 2022	43 Company
	Commercial Bank sector that does not publish financial statements 2017 - 2022	(3 Company)
criteria 2	Commercial Bank sector that publishes financial statements 2017 - 2022	40 Company
	Islamic Commercial Bank Sector listed on the Indonesia Stock Exchange 2017 - 2022	2 Company
criteria 3	Sector of Convertible Commercial Banks listed on the Indonesia Stock Exchange 2017 - 2022	38 Company
criteria 4	Sector of Convertible Commercial Banks listed on the Indonesia Stock Exchange 2017 - 2022	25 Company

Based on the above criteria, there are 25 banking companies that meet the requirements in this study for 6 years.

Operationalization of research variables

This study aims to examine, analyze and obtain evidence of the effect of the independent variable Return on Asset, inflation on the dependent variable stock price. This research uses a quantitative approach. The paradigm used in this research is positivism using a deductive logic approach from the start of hypothesis formulation. Based on the above definition, this study uses the following measurements.

Table 2. Variable Measurement

No	Variable	Measurement	Research Source

1	Profitabilitas	$ROA = \frac{\text{Net Profi}}{\text{Total aset}}$	(Akbar & Djawoto, 2021; Desmon et al., 2022; Lestari, Sindhi Yulia Indah; Ifa, Khoirul; Paramita, 2019; Putri et al., 2022; Rahman et al., 2023; Saputro, 2019; Saroinsong et al., 2018; Siregar, Qahfi Romula; Farisi, 2018; Suhendri et al., 2019; Ulfah, Evaniatun; Andini, Rita; Oemar, 2018)
2	Inflation	$\frac{\text{Total Value Trading}}{\text{Total Volume}}$	(Adityo, Muhammad Fadhil; Widowati, Indah; Utami, 2022; Agustin et al., 2023; Amanberga & Abdi, 2022; Aristiya et al., 2022; Ayusafitri, 2023; Fitriyani & Prijati, 2021; Iradilah & Tanjung, 2022; Nurasila et al., 2019; Pramesti, I Gusti Ayu Dita; Ekayani, Ni Nengah Seri; Jayanti, 2020; Rosada, Ayu amelia; Hapsari, 2022)
5	Share price	Closing Price	(Agustin et al., 2023; Arison, 2019; Aristiya et al., 2022; Putri et al., 2022; Rosada, Ayu amelia; Hapsari, 2022; Sari, Laynita; Esparesya, Wini; Septiano, 2022; Sari, 2020; Sunarsi et al., 2021; Ulfah, Evaniatun; Andini, Rita; Oemar, 2018)

RESULTS

Descriptive statistics

Statistical analysis of variables explains the independent variables and dependent variables used in this study. The variables in question are current ratio, debt to equity ratio, Return on Asset, and inflation and the dependent variable is stock price. From the research results, the minimum, maximum, average and standard deviation values of each variable used in the observation period 2017 - 2022 will be known. The following is a table of descriptive statistical results:

Table 3. Descriptive Table

	HS	ROA	INF
Mean	2302.629	0.016303	0.005100
Median	1350.000	0.012700	0.002800
Maximum	9900.000	0.068100	0.018330
Minimum	63.00000	0.000200	0.001670
Std. Dev.	2269.149	0.014281	0.005958
Skewness	1.321730	1.535910	1.745601
Kurtosis	4.176411	5.431205	4.122944
Jarque-Bera	46.04501	84.40759	73.97223
Probability	0.000000	0.000000	0.000000
Sum	303947.0	2.152000	0.673210
Sum Sq. Dev.	6.75E+08	0.026719	0.004651
Observations	132	132	132

HS = Stock Price, ROA = Return on Asset, INF = Inflation

Source: Processed data (2023)

The share price has a value range between the lowest 63.00 to the highest 9900.00 with an average value of 1350.00. The banking company with the highest share price value is PT Bank Negara Indonesia (Persero) Tbk in 2017. Return on Asset has a range of values between the lowest 0.0002 to the highest 0.0681 with an average value of 0.0127. The banking company with the highest Return on Asset value is PT Bank Pan Indonesia Tbk in 2019. Inflation has a range of values between the lowest 0.0017 to the highest 0.01833 with an average value of 0.0028. Banking companies with the highest inflation value in 2022.

Uji Chow

Table 4. Uji Chow

Effects Test	Statistic	d.f.	Prob.
Cross-section F	17.555883	(21,108)	0.0000
Cross-section Chi-square	195.980483	21	0.0000

Source: Processed data (2023)

Based on the results of the Chow Test using Eviews9 states that the probability value of Cross Section F is 0.00 which is less than the significance level value (α = 0.05). This means that the best model used is the Fixed Effect Model (FEM). Then the Hausman Test is needed in order to choose the best model between the Fixed Effect Model and the Random Effect Model.

Uji Hausman

Table 5. Uji Hausman

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	6.605532	2	0.0368

Source: Processed data (2023)

Based on the results of the Hausman Test, the probability value is 0.0368 where this result is less than the significance level value (α = 0.05). In this case, it means that the best model used is the Random Effect Model (FEM). Then the Lagrange Multiplier Test is needed in order to choose the best model between the Common Effect Model and the Random Effect Model.

Uji Lagrange Multiplier

Table 6. Uji Lagrange Multiplier

	Test Hypothesis		
	Cross-section	Time	Both
Breusch-Pagan	145.6735	283.0124	428.6859
	(0.0000)	(0.0000)	(0.0000)
Honda	12.06953	16.82297	20.43008
	(0.0000)	(0.0000)	(0.0000)
King-Wu	12.06953	16.82297	20.41193
	(0.0000)	(0.0000)	(0.0000)
Standardized Honda	12.75748	20.16575	19.13417
	(0.0000)	(0.0000)	
			(0.0000)
Standardized King-Wu	12.75748	20.16575	20.55825

	(0.0000)	(0.0000)	(0.0000)
Gourierioux, et al.*	--	--	428.6859 (< 0.01)
*Mixed chi-square asymptotic critical values:			
1%	7.289		
5%	4.321		
10%	2.952		

Source: Processed data (2023)

Based on the results of the Lagrange Multiplier Test, the significance value of Both is 0.00 where this result is less than the significance level value (α = 0.05). In this case it means that the best model used is the Random Effect Model (REM).

Regression results

Multiple Regression Analysis

The panel data regression estimation results using the Random Effect Model (REM) show the test results with panel data regression, then from this value the model equation is obtained as follows. HS = 1652.468 + 37246.90*ROA + 8416.245*INF

Based on the derivative equation model above, it can be explained that:

The constant of 1652.468 indicates if Return on Asset and Inflation are zero, then the stock price is 1652.468 units. The Return on Asset coefficient of 37246.90 indicates that if Retrun on Asset increases by 1 point, the stock price will increase by 37246.90 points with the alleged constant variable. The inflation coefficient of 8416.245 indicates that if inflation increases by 1 point, the stock price will increase by 8416.245 points with the alleged constant variable.

Koefisien Determinasi (R Square)

Table 7. R Square

R-squared	0.048543	Mean dependent var	427.6495
Adjusted R-squared	0.033792	S.D. dependent var	998.3558
S.E. of regression	981.3426	Sum squared resid	1.24E+08
F-statistic	3.290790	Durbin-Watson stat	0.928413
Prob(F-statistic)	0.040373		

Source:Processed data (2023)

Based on the R Squared table, it shows a value of 0.048543, which means that 4.85% of the Return on Asset and Inflation variables can explain the Share Price variable.

Uji t statistic

Table 8. Uji t

Variable	Coefficient	Std. Error	t-Statistic	Prob.
HS	1652.468	527.3527	3.133516	0.0021
ROA	37246.90	15671.63	2.376708	0.0189
INF	8416.245	14603.10	0.576333	0.5654

Source:Processed data (2023)

The test results using the Random Effect Model (REM) can be concluded as follows: The independent variable Return on Asset with a probability value of 0.0189/2 = 0.00945 is significant at the level of a = 5% (0.05) and seen from the T count T table, namely 2.15914> 1.725 which means that the hypothesis is accepted, namely Return on Asset has a positive effect on Stock Price. And statistically it is found that return on assets has a significant effect on Stock Prices. The independent variable Inflation with a probability value of 0.5654/2 = 0.2827 is not significant at the level of a = 5% (0.05), and seen from T count < T table, namely 0.643641 < 1.725 which means that the hypothesis is not accepted, namely Inflation has a positive effect on Stock Prices. And statistically Inflation has an insignificant effect.

DISCUSSIONS

Return On Asset on Share Price

Based on partial testing (t test) using the Random Effect Model (REM) test because this study uses a one tail hypothesis, the probability value divided by 2 (two) is greater than the significant level at the α = 5% level. And it was found that Thitung> Ttabel. Thus it can be stated that the hypothesis is accepted. The increase in Return on Asset is that the use of assets carried out by the company is used properly so that the company can receive increasing profits every year like that, making investors confident that they will invest in the company and have confidence in the company to manage the invested capital properly. This research is also reinforced by the existence of concurrent research, namely (Saputro, 2019) as well as (Rahman et al., 2023) about PT. Mayaro Indah tbk, the same thing with (Ulfah, Evaniatun; Andini, Rita; Oemar, 2018), as well as the research (Suhendri et al., 2019), as well as (Desendri et al., 2019), 2019), the same as (Desmon et al., 2022) manufacturing companies, the same as (Akbar & Djawoto, 2021) in real estate companies, the same as (Siregar, Qahfi Romula; Farisi, 2018) in textile and garment companies. Previous research that is not in accordance with the results of this study, namely (Putri et al., 2022) on "The Effect of Return on Assets, Equity and Earning Per Share on the Share Price of the Banking Sector on the Indonesia Stock Exchange", as well as (Saroinsong et al., 2018) on "The Effect of Capital Structure and ROA on Stock Prices in the food and Beverages industry listed on the IDX (2014-2016)" as well as (Lestari, Sindhi Yulia Indah; Ifa, Khoirul; Paramita, 2019) on "The Effect of Earning Per Share, Return On Equity and Return On Assets on the Stock Price of Food and Beverage Companies Listed on the IDX in 2014 - 2017".

The Effect of Inflation on Stock Prices

Based on partial testing (t test) using the Random Effect Model (REM) test because this study uses a one tail hypothesis, the probability value divided by 2 (two) is greater than the significant level at the α = 5% level. And it was found that Thitung < Ttabel. Thus it can be stated that the hypothesis is not accepted. The increase in inflation is tolerated if the inflation rate is still below 10 percent, but if the inflation rate is above 10 percent the capital market will be disrupted. The covid 19 period which has an inflation rate that occurred during the study period is not so high, Indonesia's inflation is also seen from the amount of money circulating not much in the middle of society. The impact of decreased demand and money circulation stemming from decreased economic activity due to increased layoffs during the covid -19 pandemic. As for previous research that supports the results of this study, namely (Kurniawan & Yuniati, 2019) "The effect of inflation, interest rates, and exchange rates on the stock price of banking companies", as well as (Agustin et al., 2023) "the effect of inflation, interest rates, and exchange rates on the company's stock price during the covid-19 pandemic" as well as (Nurasila et al, 2019) on "the effect of inflation and interest rates on stock prices in the consumer goods industry sector", as well as (Amanberga & Abdi, 2022) on "the effect of inflation, exchange rates, and interest rates on the stock prices of property companies for the period 2018-2021". This research is not supported by the existence of research that disagrees, namely (Iradilah & Tanjung, 2022) the company PT. Bank Mandiri, the same thing with (Ayusafitri, 2023) in the property and real estate sub-sector company, the same as (Fitriyani & Prijati, 2021), the same as (Aristiya et al., 2022) in manufacturing companies in the consumer industry sector, as well as (Pramesti, I Gusti Ayu Dita; Ekayani, Ni Nengah Seri; Jayanti, 2020) as well as (Adityo, Muhammad Fadhil; Widowati, Indah; Utami, 2022) in oil palm plantation companies.

CONCLUSIONS

Based on the results of research conducted on the test of the effect of Current Ratio, Debt to Equity Ratio, Return on Asset and Inflation on Stock Prices, it can be concluded that the research is Return on Asset has a positive and statistically significant effect on Stock Prices. This can be seen from the positive sign on the coefficient in the Random Effect Model table as well as the significance value at a probability below 0.05. From this study it was also found that H_a was accepted or the hypothesis was accepted seen from Thitung> from Ttabel. Which means that the greater the Return on Asset shows that the company's performance is getting better, because the rate of return is getting bigger. Return on Asset is the ratio between net profit after tax to average total assets. Inflation has a positive and statistically insignificant effect on Stock Prices. This can be seen from the positive sign on the coefficient in the Random Effect Model table as well as the insignificant value at a probability above 0.05. From this study it was also found that H_0 was rejected or the hypothesis was rejected seen from Thitung < than Ttabel. Which means that the higher the inflation rate, the stock price will go up.

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