Financial Performance Causes Palm Oil Stock Prices In Indonesia To Rise?

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Abstract: The study aimed to analyse Palm Oil companies' financial performance on the Indonesia Stock Exchange 2018 to 2022. The independent variables were proxied in return on equity (ROE), return on assets (ROA), earnings per share (EPS) and their effect on stock prices. The population of the study was public Palm Oil companies. The sampling technique was purposive; the selected sample was 13 companies, and the total sample was 65. Data was obtained from published annual reports. Data processing used panel data regression with Eviews statistical software. The study's results showed that return on equity (ROE) and return on assets (ROA) positively and significantly affected stock prices. In contrast, earnings per share (EPS) did not affect stock prices; simultaneously, the study's results significantly affected stock prices.
Keywords: Return On Equity (ROE); Return On Asset (ROA); Earning Per Share (EPS); Stock Price.

Abstrak: Tujuan penelitian menganalisis kinerja keuangan perusahaan Kelapa Sawit terdaftar di Bursa Efek Indonesia 2018 to 2022. Variabel independen diproksikan dalam *return on equity* (ROE), *return on asset* (ROA), *earning per share* (EPS) dan pengaruhnya terhadap harga saham. Populasi penelitian perusahaan Kelapa Sawit *go public*. Teknik penarikan sampel *purposive sampling,* sampel terpilih 13 perusahaan, total sampel 65 perusahaan. Data diperoleh dari laporan tahunan (*annual report*) dipublikasikan . Pengolahan data menggunakan regresi data panel dengan *software* statistik Eviews. Hasil penelitian secara parsial *return on equity* (ROE) dan *return on asset* (ROA) berpengaruh positif dan signifikan terhadap harga saham, sedangkan *earning per share* (EPS) tidak berpengaruh terhadap harga saham dan secara simultan hasil penelitian berpengaruh terhadap signifikan terhadap harga saham
Kata Kunci: *Return On Equity* (ROE); *Return On Asset* (ROA); *Earning Per Share* (EPS); Harga Saham.

INTRODUCTION

The competition in the free-market economy in the business world is now increasingly tight due to the increasing number of companies that are established and developing by the increasing number of business units or increasing economic activities marked by increasing market needs. The government has provided various facilities to increase further economic activities, such as providing capital assistance and granting permits for businesses. Capital is very much needed for business continuity and is an obstacle often faced by companies. The capital market is an effective means to accelerate company growth. This is possible because the capital market is an important financial instrument in an economy that mobilises funds from the community to the productive

sector (companies). The role of financial intermediation from the community to the business unit is intended to achieve prosperity (Budi Santoso, 2023).

Indonesia has abundant natural resources; Indonesia is known as an agricultural country because most of its people's livelihoods are farming or gardening, almost half of which are supported by agricultural or plantation activities. One of the growing plantation commodities is palm oil. Palm oil commodities are experiencing a dilemma; on the one hand, palm oil is a superior commodity; on the other hand, palm oil is the cause of environmental destruction due to the shift in forest conservation to palm oil plantations.

The development of such a point of view requires a standard measure to assess the existence of palm oil commodities by assessing the financial performance of companies engaged in this field. Some measures that can be used to assess financial performance include Return On Equity (ROE), Return On Asset (ROA), and Earnings Per Share (EPS). This standard is a measure to see the development of stock prices; for investors, it can be used as a vehicle to invest in palm oil plantations.

The capital market is one of the alternative funding sources for developing Indonesian plantation company land because funds can be obtained in large amounts through it. The capital market is a sign of participation or ownership of a person or body in a company or limited liability company. Shares state that the paper's owner owns the company that issued the securities. The portion of ownership is determined by how much participation is invested in the company (Sommer, 2024).

Obtaining additional capital can be done through public participation in investing. This can be done by selling some shares as securities to the broader community—the process of public offering (going public) through the capital market. Companies going public can trade shares widely in the secondary market. The price of shares in the secondary market is determined by demand and supply between sellers and buyers.

Figure 1. Palm Oil Price Development
Source: Tradingeconomics.com:2024

Figure 1 shows of the development of palm oil prices, it can be explained that the price of palm oil in January 2020 was IDR 2,604; in January 2021, the price of palm oil became IDR 3,490; and in January 2022, the price of palm oil continued to increase, namely IDR 5,592. However, in January 2023, the price of palm oil decreased to IDR 3,815; in January 2024, it was IDR 3,795. It can also be seen that the lowest price of palm oil was in April 2020, for IDR 2,088 and the highest price in April 2022 at IDR 7,104 (Rachmawati, 2023).

The opposite phenomenon occurred: the reference price of crude palm oil (CPO) from 16 to 31 December 2023 decreased by US$ 27.630 to US$ 767.510 per ton. The reference price for CPO for 16 to 31 December 2021 decreased by 3.470 per cent compared to the 1 to 15 December 2023 price of US$ 795.140 per ton. (Budi Santoso, 2023). Furthermore, Budi Santoso (2023) stated that several factors caused the CPO price to fall at the end of the year. He said there was a decrease in demand for CPO from India, China and the European Union. On the other hand, CPO production is expected to increase, which is not balanced by increased demand. This condition causes the price of CPO to fall (Rachmawati, 2023).

The decline in the price of other vegetable oils, such as soybean and world crude oil, has also pushed the price of CPO down. He explained that the reference price for determining the reference price for Indonesian CPO this time was obtained from the average consumer price index (CPI) price on the Indonesian CPO Exchange from November 25, 2023, to December 9, 2023 of US$747.400 per ton; the CPO Exchange in Malaysia of US$787.630 per ton; and the Rotterdam CPO Auction Market of US$887.830 per ton (Rachmawati, 2023).

The company functions as a data or information provider, and investors as data or information recipients. By the signal theory, data providers can sort out what and how data will be displayed, and data recipients can sort out how to interpret the data received. The company provides good information, which is a good signal for investors to make decisions. The company provides data or information that is not good; this is also a bad signal for investors. Thus, investors always need information signals to decide whether to buy or sell company shares (Mahardika et al., 2021).

The decision to buy or sell shares is triggered by information the company provides through financial reports. Financial reports are information that describes the financial condition of a company, and this information can be used as a picture of a company's financial performance. Financial reports are an essential tool for obtaining information regarding the financial position and results achieved by the company concerned. Financial reports are expected to help users make financial and economic decisions (Revsine, 2021).

Published financial reports are important in assessing a company because their information can be analysed to determine whether it suits those concerned. In every company, the finance department plays an important role in determining the direction of company planning. Therefore, the finance department must function adequately so that the parties in need can obtain the financial report and assist it in the decision-making process as expected (Revsine, 2021).

Business activities must be analysed in depth by both management and stakeholders of the company concerned. Based on the concept of finance, financial reports are essential to measure business results and company development from time to time and to determine the extent to which the company has achieved its goals. Financial reports result from an accounting process that can be used to communicate between financial data and

stakeholders. Hence, financial reports play a broad role and have a position that influences decision-making (Hasanaj & Kuqi, 2019).

Financial reports are very much needed by parties who invest their capital. Hence, they need information about the extent to which the company's activities and profitability are running smoothly and potential dividends because, with this information, shareholders can decide to maintain their shares, sell or even buy them. Financial reports provide information to parties who need it about the company's condition from the perspective of figures in monetary units. When discussing the company's financial report, I noticed that the company has an activity called the capital market. The capital market is a means of funding for companies and governments and as a means of investment activities for fund owners. Thus, the capital market facilitates various facilities and infrastructure for stock trading and other related activities (Hasanaj & Kuqi, 2019).

Stocks are among the investments investors choose because they provide a high-profit level. They are also easy to buy and sell so that they can be sold anytime. Investors who invest their funds in company stocks are very interested in current profits and expected profits in the future, as well as profit stability. Before investing their funds, investors analyse the company's ability to generate profits (Mahardika et al., 2021).

Investors are interested in information related to financial conditions that affect the company's ability to pay dividends to avoid bankruptcy. Therefore, investors will only invest their funds in companies with good reputations. A company with a good reputation is a company that can provide dividends consistently to shareholders. To analyse the company's financial performance, researchers use return on equity (ROE), return on assets (ROA), and earnings per share (EPS) (Mahardika et al., 2021).

The reason for choosing the profitability ratio is because the profitability ratio will be able to measure the extent to which the company's ability to generate profits. Apart from being the company's primary goal, profit is an indicator. Profit is the main factor in measuring the level of effectiveness and efficiency of a company with all the funds and resources available in the company. Return on equity (ROE), according to Farhan (2022), is the comparison between net profit and the company's capital (core capital). This ratio shows the percentage level that can be generated. ROE is essential for shareholders and potential investors because a high ROE means that shareholders will also receive high dividends, and an increase in ROE will cause an increase in shares.

Return on assets (ROA) is a ratio that measures a company's ability to generate net income based on a certain level of assets. The higher this ratio, the better the productivity of assets in obtaining net profit. This will further increase the company's attractiveness to investors. Increasing the company's attractiveness makes the company more attractive to investors because the rate of return will be greater. This will also impact the company's stock price in the Capital Market, which will also increase so that ROA will affect the company's stock price (Fatmasari et al., 2021). Earning per share (EPS) is a ratio showing the profit portion for each share. EPS describes the company's profitability as reflected in each share of stock. The higher the EPS value, the greater the profit provided to shareholders and the possibility of increasing the dividends received by shareholders (Sommer, 2024).

EPS shows the measure used to show the amount of money generated from each share of common stock. A company's EPS information shows the amount of the company's net profit that is ready to be distributed to all shareholders. If investors consider a company's EPS high, this will cause an increase in stock prices. Research on the analysis

of the financial performance of public palm oil companies on stock prices has been conducted by (Shahida & Fuad, 2018), which shows financial performance predicted by the quick ratio (liquidity) (Sommer, 2024).

Based on public palm oil companies ' financial ratios analysis, (Lusiana, 2020) research, PT Astra Agro Lestari Tbk and PT PP London Sumatera Indonesia Tbk have the best financial performance. At the same time, other companies have poor financial performance due to high debt and poor company sales. Based on the analysis of Economic Value Added, the financial performance of public palm oil companies during the three-year observation period showed declining and negative performance in 2012. PT Sinar Mas Agro Resources and Technology Tbk performed best during the three-year observation period.

Research by (Alam et al., 2020) shows that the financial performance of public plantation companies deteriorated during the analysis period, and the trend of financial performance declined. The decline in financial ratios resulted in a decline in the company's stock price due to significant financial performance measured by thirteen financial ratios used as independent variables in this study that influence the company's stock price and the thirteen financial ratios that influence the company's stock price, which have a significant positive effect on the stock price are only the total asset turnover ratio and ROA.

THEORETICAL REVIEW

Signalling Theory is related to quality and uncertainty. In his research, Akerlof showed asymmetric information between sellers and buyers, where sellers have more information than buyers. To avoid adverse selection, sellers of quality goods provide signals regarding the information on the quality of the goods sold so that they can be accessed by buyers (Burze et al., 2020). Signalling theory explains how a company should provide signals to users of financial statements (Drover et al., 2018). This signal is in the form of information about what management has done to realise the owner's wishes and in the form of promotions or other information stating that the company is better than others (Connelly et al., 2024).

Good companies can differentiate themselves from bad companies by sending credible signals about their quality to the capital market (Bafera & Kleiner, 2023). Signalling Theory is information signals investors need to consider and determine whether or not investors will invest their shares in the company concerned. The purpose of giving signals is to reduce information asymmetry for both the company and external parties (investors). Not only that, but relevant, accurate, and timely information is very much needed by investors because it is used as an analysis tool in making investment decisions.

The company's annual financial report is the information used as a signal by management to external parties. Signal theory is used because the company's stock price continues to fluctuate, which can be a signal by management to investors. Based on the explanation above, it can be concluded that the general understanding of Signaling Theory is the information signals investors need to consider and determine whether they will invest their shares in the company concerned (Connelly et al., 2024).

Stock Price is the stock price that occurs on the stock exchange at a particular time carried out by market players and is determined by the demand and supply of shares related to the capital market (Sukesti et al., 2021). Stock price means the value of the stock

itself. Shareholders will get a return on their capital through dividends and capital gains. According to (Hartanto, 2018), the stock price is a value or bookkeeping with various financial instruments centred on a company's ownership portion or a form of company ownership in the capital market. According to (Habib et al., 2018), the stock price is significant. It needs to be considered by every investor because the stock price can show the issuer's achievements, which are one of the benchmarks of the success of a company as a whole.

The stock price is the price per share that applies in the capital market and is a reflection of a company that is related to good management by management so that it can create profits and fulfil its responsibilities to owners, employees, society and government (stakeholders). Stock price is the current price where the stock is traded according to the demand and supply mechanism between buyers and sellers of shares in the capital market.

Stock Price Analysis: Stock price analysis is a way to observe or monitor the movement of stock price values. Stock price analysis consists of two types, namely fundamental analysis and technical analysis. Fundamental analysis is an analysis used to determine the condition of a company by looking at its financial factors. Fundamental analysis is an analysis that assesses a financial report (Xiao et al., 2019). The function of fundamental analysis is to determine a company's basic properties and operational characteristics. In essence, the principle of fundamental analysis is used to determine whether the price of an item is expensive (overvalued) or conversely cheap (undervalued).

Technical analysis is a technique for studying the stock market's movement by looking at price changes and trading volume or buying and selling. It is a technique for analysing price fluctuations over a certain period or whose relationship is related to other factors, such as transaction volume. Therefore, technical analysis uses many graphs (Xiao et al., 2019).

Types of Stock Prices. In stock valuation, investors will be faced with three values that have been mentioned previously, namely book value, market value and intrinsic value, which must be very well understood because all are related and connected in order to measure the price feasibility of each existing stock (Harel & Harpaz, 2021). The feasibility of the stock price indicates that the stock price is at the best price level, the right price or the most appropriate price level. Thus, investors who own the shares in question will feel comfortable. They own the shares by the company's current conditions. (Hidajat, 2021) distinguishes stock prices into Nominal price, Initial price, Market price, Opening price, Closing price, Highest price, and Lowest price.

The nominal price is listed on the issuer's stock certificate to assess each share to be issued. The nominal price is important because dividends paid on shares are usually determined based on the nominal value. The initial price is when the shares are listed on the Stock Exchange in the context of the initial public offering of shares called an IPO (Initial Public Offering). The underwriter and the issuer usually determine the price of shares on the primary market. Thus, it will be known at what price the issuer's shares will be sold to the public later (Hidajat, 2021).

The market price is the selling price from one investor to another investor. This price occurs after the shares are listed on the stock exchange. Transactions here no longer involve the issuer of the underwriter; this price is called the secondary market price, which genuinely represents the price of the issuing company because, in transactions in the secondary market, there is little possibility of price negotiations between investors and the issuing company. The price is announced daily in newspapers or other media, While the

Opening Price is the price requested by the seller or buyer when the stock exchange opens. It could happen when the stock exchange starts, there has been a transaction on a stock, and the seller and buyer request the price. At that time, the opening price can become the market price, and vice versa; the market price may also become the opening price. However, this does not always happen (Hidajat, 2021).

Closing Price is the price the seller or buyer requests at the end of the trading day. At that time, it is also possible that a share transaction suddenly occurs at the end of the trading day due to an agreement between the seller and the buyer. If this happens, then the closing price has become the market price. However, the price remains the closing price on that trading day. The Highest Price is the highest price that can occur on a stock exchange day. This price can occur because a stock transaction is not at the same price more than once, and the lowest price occurs on a stock exchange day. This price can occur if a stock transaction occurs more than once and not at the same price. In other words, the lowest price forgets the opposite of the highest price (Hidajat, 2021).

Stock Price Indicators: Stock price indicators can be seen from the stock price value, according to (Beyaz et al., 2018), consisting of Book Value, Market Value, and Intrinsic Value. (Harel & Harpaz, 2021) said that investor stock assessments will be faced with three values that have been previously mentioned, namely book value, market value and intrinsic value, which must be very well understood because all are related and connected in order to measure the price feasibility of each existing stock. The feasibility of the stock price indicates that the stock price is at the best price level, the right price or the most appropriate price level.

Investors who own the shares in question will feel comfortable. They own the shares based on the company's current condition. Market reaction to financial reports whose information is published affects the share price and volume of share transactions of the company in question. If the publication contains positive information, investors are expected to react positively when the market receives the information. Conversely, if the publication contains negative information, investors will also react negatively. Market reaction will be reflected in changes in the price and volume of share transactions of the company in question and is measured using the closing price of each company obtained from the share price at the end of the year (Sukesti et al., 2021).

Financial Performance. Financial Performance is an analysis used to see the extent to which a company has carried out or implemented its duties using financial implementation rules properly and correctly. According to (Budiyanti. et al., 2018), financial performance is a tool to assess a company's achievements and financial conditions, where a financial analyst requires specific measurements. The measurements often used are ratios or indexes showing the relationship between two or more financial data. According to (Rudianto, 2021), financial performance is the result that has been achieved by company management in carrying out its function to manage company assets effectively during a specific period.

Financial Statement Analysis. A company's financial statements aim to summarise the activities and results of those activities for a certain period. Financial statements are important because they provide input (information) that can be used for decision-making. Many parties are interested in financial statements, ranging from investors or potential investors, funding providers or potential funding providers to the company's management (Surono et al., 2023). In addition, financial statements themselves are made by companies to see their financial performance and how the advantages and disadvantages of the

company's performance are compared to other companies. To determine the company's financial performance, the company conducts a financial performance analysis, and one way is to use financial ratio analysis.

Financial ratio analysis is a calculation using financial statements that function as a measuring tool in assessing a company's financial condition and performance. According to (Kasmir, 2020), financial ratio is comparing the numbers in the financial statements by dividing one number by another. Comparisons can be made between one component and another in one financial statement or between components in the financial statements. In this study, to measure the company's financial performance, it is proxied using return on equity (ROE), return on assets (ROA), and earnings per share (EPS).

Return on equity (ROE). It is a ratio used to examine how much a company uses its resources to provide a return on equity. The return on equity value will directly affect the company's stock price. Return On equity is also an important measuring tool for investors and potential investors to assess the extent of the company's capability to generate profits and show the extent to which the company's capability can manage its capital effectively and measure the level of profit from investments that the owner has made of its capital. Return On Equity (ROE) can be measured by the percentage of the company's net profit compared to the company's capital in the financial statements of (Wahyuningrum et al., 2020)

Return On Asset (ROA). It is one of the profitability ratios used to measure net profit obtained from using assets. So, the higher this ratio, the better the productivity of assets is in obtaining net profitability. Therefore, this will increase the company's attractiveness to investors (Nindi & Reza, 2018). Return On Asset (ROA) is a ratio used to measure the level of effectiveness of a company in obtaining profits by utilising its assets. So, the higher the ROA, the better the company's condition. ROA shows the company's ability to generate profits on the assets used. Return On Asset (ROA) can be measured by the percentage of the company's net profit compared to the company's total assets in the financial statements.

Earnings Per Share (EPS), commonly called profit per share, is the net profit level for each share that can or cannot be achieved when running its operations. Earnings Per Share functions to provide information to external parties on how far the company's ability to generate profit for each share circulating in the market. Earnings per share, also called EPS, is obtained from the profit available to common shareholders divided by the average number of common shares outstanding. According to (Rahmawati & Hadian, 2022), earnings per share (EPS) is the amount of income received by shareholders from each common share outstanding in a certain period or a ratio that describes the amount of rupiah obtained by each share and measures the success of management in achieving profits for shareholders. Earnings Per Share (EPS) can be measured by comparing net profit after tax or earning after tax (EAT) with the number of shares outstanding in the financial statements. The following are measurements or indicators of EPS.

Research Hypothesis

H1: Financial performance proxied by return on equity (ROE) affects stock prices in publicly traded palm oil companies on the Indonesia Stock Exchange.

H2: Financial performance is proxied through return on assets (ROA), and earnings affect stock prices in publicly traded palm oil companies listed on the Indonesia Stock Exchange.

H3: Financial performance proxied through earnings per share (EPS) affects stock prices in publicly traded palm oil companies on the Indonesia Stock Exchange.

H4: Financial Performance Proxied by ROE. ROA and EPS simultaneously affect the Stock Price of Publicly Listed Palm Oil Companies on the Indonesia Stock Exchange
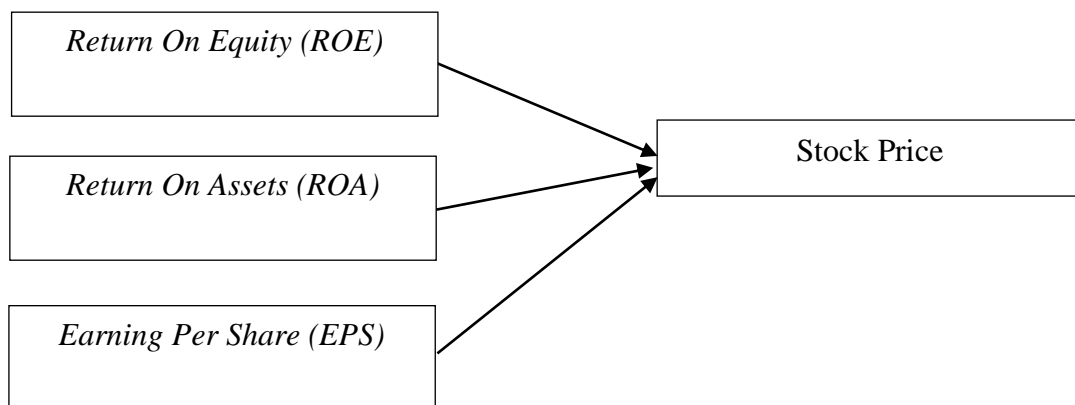

Figure 2. Research Model

METHODS

According to (Sugiyono, 2022), a population is a generalised area consisting of objects/subjects with specific qualities and characteristics determined by researchers to be studied and then conclusions drawn. The population used in this study is the 13 Public Palm Oil Companies listed on the Indonesia Stock Exchange. The observation period is data from 2018 to 2022.

(Sugiyono, 2022) states that a sample is a part of the population to be studied and is considered to be able to describe the population. In this study, the purposive sampling method was used. According to (Sugiyono, 2022), purposive sampling aims to obtain a representative sample according to the criteria determined by the researcher. The type of data used in the research conducted by the author is secondary data. According to (Sugiyono, 2022), Secondary data is a source that does not directly provide data for data collection, for example, through other people or documents. The secondary data is obtained from the company directly to obtain complete and concrete data by collecting quantitative data and information from the company related to the research title. The data in question includes the financial statements of the Palm Oil Company going public.

Data were obtained from the financial reports of Public Palm Oil companies published on the Indonesia Stock Exchange (IDX) website: www.idx.ac.id. The data were then analysed to describe the data collected to make conclusions that apply to generalisations (Sugiyono, 2022). This test is used to describe the profile of sample data, which includes, among others, mean, median, maximum, minimum, and standard deviation to provide an overview of data seen from the average, standard deviation, variance, maximum, minimum, kurtosis, and skewness (distribution deviation) (Sekaran & Bougie, 2019).

Panel data regression is tested with three models, namely the common effect model (CEM), fixed effect model (FEM) and random effect model (REM). The common effect

model (CEM) aims to consider individual and time dimensions so that it is assumed that individual behaviour is the same in various periods. This model only combines time series and cross-section data in the form of a pool, estimating it using the least squares approach or pooled least squares. The fixed effect model (FEM) aims to assume differences that occur between individuals. Each unknown parameter in this model will be estimated using the dummy variable technique. The random effect model (FEM) aims to estimate that there is a difference in intercept for each individual, and the intercept is a random variable. Panel data is a type of combined data between time series data and cross-section data. Panel data can technically overcome the problems of multicollinearity and heteroscedasticity by combining time series data and cross-section data so that panel data testing does not require classical assumption tests (Bhattarai 2019).

Panel data is tested using three tests: the Chow test, the Hausman test, and the Lagrange multiplier test. The Chow test is a test that allows one to choose between the common effect model and the right fixed effect model. The Chow test is a test that looks at the results of the F statistic greater than the significance level (α more than 0.050). Then, H0 is rejected, and the selected model is the common effect. However, if the results of the F statistic are smaller than the significance level (α less than 0.050), then the selected model has a fixed effect, and H0 is accepted. H0 states that the fixed effect model is better used in estimating panel data, and H1 states that the common effect model is better (Bhattarai, 2019). The hypotheses tested are as follows.

H_0: CEM model is better than FEM model
H_1: FEM model is better than CEM model

Decision making on the hypothesis as if the cross-section probability value of Chi-square is less than 0.050, then H0 is rejected and H1 is accepted. However, if the cross-section probability value of Chi-square more than 0.050, then H0 is accepted and H1 is rejected.

The Hausman test aims to compare or choose the best model between fixed and random effects. Determining the model must consider the probability value for random cross-section. The Hausman test in determining the best model uses chi-square statistics with a degree of freedom of k, where k is the number of independent variables; if the chi-square statistic value is greater than the significance level α more than 0.050, then H0 is rejected, which means that the better model is the random effect model if the chi-square statistic value is smaller than the significance level α less than 0.050 then H0 is accepted which means that the better model is the fixed effect model (Bhattarai, 2019). The hypotheses tested are as follows.

H_0: The REM model is better than the FEM model
H_1: The FEM model is better than the REM model

Decision-making rules for hypotheses: If the random cross-section probability value is less than 0.050, H0 is rejected, and H1 is accepted. However, if the random cross-section probability value is more than 0.050, H0 is accepted, and H1 is rejected.

The Lagrange multiplier test compares the most appropriate model between common and random effects. Determination of the model: If the Breusch-Pagan probability value is less than 0.050, then the selected model is a random effect. Moreover,

the selected model has a common effect if the Breusch-Pagan probability is more than 0.050. The LM test is not used if the Chow and Hausman tests show that the most appropriate model is a fixed effect. The LM test is used if the Chow test shows that the model used is a common effect, while the Hausman test shows that the most appropriate model is a random effect. Therefore, the Lagrange multiplier test is needed as the final stage to determine the most appropriate common effect or random effect model to use (Sekaran & Bougie, 2019).

Before hypothesis testing is carried out, a classical assumption test is first carried out. According to (Sekaran & Bougie, 2019), the classical assumption test is a statistical requirement that must be met in multiple linear regression analysis based on ordinary least square (OLS) so that the estimation results can be BLUE (Best, Linear, Unbias, Estimator). There are at least four classical assumption tests that must be carried out on a multiple linear regression model before hypothesis testing is carried out, so the classical assumption test consists of normality, autocorrelation, multicollinearity, and heteroscedasticity tests (Ghozali, 2018).

The data normality test aims to test whether or not the dependent and independent variables have a normal distribution in the regression model. A good regression model has a normal or near-normal distribution (Ghozali, 2018). In this study, the normality test can be carried out with the histogram test and the Kolmogorov - Smirnov test to determine the normality of the data. If the Kolmogorov - Smirnov (K - S) results show a significant value above 0.050, then the residual data is usually distributed, while if below 0.05, then the residual data is not standard.

The autocorrelation test is conducted to determine whether there is a correlation between the disturbance error in period t and period t-1 (previously) in the linear regression model. It is only conducted on time series data. It does not need to be conducted on cross-section data, such as in questionnaires, where measurements of all variables are conducted simultaneously (Ghozali, 2018). The autocorrelation test is conducted by calculating the Runt Test (RT) value.

A multicollinearity test is conducted to test for correlation between independent variables. A good regression model should not correlate with independent variables. If the independent variables are correlated with each other, then these variables are not orthogonal. The multicollinearity test calculates the variance inflation factor (VIF) value of each independent (free) variable. There is no multicollinearity if the tolerance value is more than 0.01 and the VIF is less than 10 (Ghozali, 2018).

Heteroscedasticity is a condition where the disturbance factors do not have the same variance. A good regression model requires no heteroscedasticity problems. The purpose of this test is to test whether, in the regression model, there is an inequality of variation from the residuals of one observation to another (Ghozali, 2018). This study uses the Glejser test to test for heteroscedasticity. The Glejser test is carried out to regress the absolute residual value against other independent variables. If the significance value between the independent variable and the absolute residual is greater than 0.050, there is no heteroscedasticity problem.

Regression is used to test the strength of the relationship between 3 or more variables and to show the direction of the relationship between these variables. The regression model used in this study is a panel data regression model using Eviews software version 10. This panel data regression analysis determines the influence between independent and dependent variables (Ghozali, 2018). The equation formula is:

$$SP = \alpha + b1ROA + b2ROE + b3EPS + \varepsilon \dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots \text{(1)}$$

The t-statistic test (t-value test) shows how much an explanatory/independent variable's influence individually explains the dependent variable's variation (Ghozali, 2018). The t-value test partially tests the independent variable's influence on the dependent variable.

The coefficient of determination (R^2) aims to measure how far the ability of independent variables (return on equity, return on assets and earnings per share) in explaining the variation of the Dependent variable (stock price). The value of the coefficient of determination is between zero and one. A value close to one means that the independent variable provides almost all the information needed to predict the dependent variable (Ghozali, 2018).

The closeness or attachment between the dependent and independent variables can be seen from the coefficient of determination value (Adjusted Squared). The coefficient of determination values are 0 and 1. A small R^2 value means that the ability of the independent variables to explain the dependent variable is very limited. A value that detects one means that the independent variables provide almost all the information needed to predict the variance of the independent variable (Ghozali, 2018).

RESULTS

Descriptive statistical analysis provides an overview of the research objects used as samples. In descriptive statistics, the average value (mean), the highest value (maximum), the lowest value (minimum) and the standard deviation (std. Dev) of the data used in this study can be seen. The results of the descriptive analysis in this study are presented in **Table 1**.

Table 1. Results of Descriptive Statistical Analysis

	LOG_Y	ROE	ROA	EPS
Mean	2.933	0.093	0.024	180.593
Median	2.984	0.078	0.035	95.446
Maximum	4.163	1.288	0.132	1916.638
Minimum	1.812	-0.557	-0.582	-1957.128
Std. Dev.	0.629	0.224	0.094	466.649
Observations	65	65	65	65

Source: Eviews 10 Output Results (2024)

Table 1 shows the data from the descriptive statistical analysis results presented in **Table 1** above, which have been processed using statistical tools. The depiction of the mean, median, maximum, minimum, and standard deviation values of the variables used in this study, with a total of 65 observations in Palm Oil companies listed on the Indonesia Stock Exchange for the period 2018 to 2022, can be explained by the use of statistical tools.

Determination of Panel Data Estimation There are three estimation models, namely, common effect model (CEM), fixed effect model (FEM) and random effect model (REM), which will be tested which is the best to use in this study. The test is carried out by testing the f-restricted test (Chow test), Hausman test, and Lagrange multiplier test (LM test). The Chow test is conducted to test which model is selected between the common effect model

(CEM) and the fixed effect model (FEM). To see which model is the best of the two models can be seen from the cross-section probability value F. If the cross-section probability value F is more than 0.050. The selected model is the standard effect model; conversely, if the cross-section probability value F is less than 0.050, the selected model is the fixed effect model. Based on the results of the Chow test, the cross-section probability value F is more than 0.050 and 0.000, which is obtained from the fixed effect model regression. The results show that the value of the cross-section probability F is less than 0.050, so the selected regression model is the fixed effect model (FEM), so the determination of the estimate must be continued to the Hausman test.

The Hausman test obtained a random cross-section probability value of more than 0.050 of 0.000 from the random effect model regression. The results above indicate that the value of the random cross-section probability is less than 0.050, so the regression model selected in this study is the fixed effect model (FEM) so that the determination of the estimate does not need to be continued to the Lagrange multiplier (LM) test because the previous Chow and Hausman tests showed that the most appropriate model is the fixed effect model.

This study uses the classical assumption test because the results of the selection of panel data estimation and the selected model are fixed effect models (FEM). So, it must be continued to the classical assumption test, namely, the normality test, multicollinearity test and heteroscedasticity test.

The normality test of the residuals in this study used the Jarque – Bera test, with a significance level of α is 0.050. The test results can be seen in **Figure 3.**
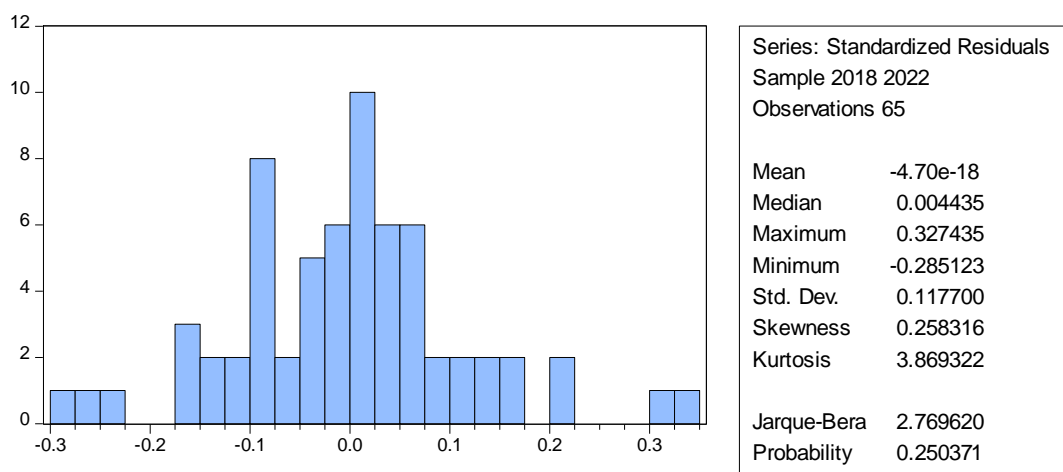

Figure 3. Normality Test Results
Source: Eviews 10 Output Results (2024)

Figure 3 shows that the probability value in the normality test on the fixed effect model obtained the result that the probability value was 0.250, where the results showed that the probability value was above the error tolerance value of 0.050. These results indicate that the data in this study were normally distributed.

The Multicollinearity Test determines whether multicollinearity occurs in the independent variables. This test helps determine whether the regression model finds a correlation between the independent variables. If the correlation coefficient between the independent variables is more than 0.800, then the model has a multicollinearity problem.

Conversely, if the correlation coefficient is less than 0.8, the model is free or passes the multicollinearity test.

Table 2. Multicollinearity Test Results

	ROE	**ROA**	**EPS**
ROE	1.000	-0.305	-0.239
ROA	-0.305	1.000	0.744
EPS	-0.239	0.744	1.000

Source: Eviews 10 Output Results (2024)

Table 2 shows that the correlation coefficient of ROE and ROA is 0.605 less than 0.800, 0.514 less than 0.800, and 0.395 less than 0.800. Thus, the data in this study do not have a multicollinearity problem or pass the multicollinearity test.

Heteroscedasticity is a condition where the disturbance factors do not have the same variance. A good regression model requires that there is no heteroscedasticity problem. This test aims to test whether there is an inequality of variation in the regression from the residuals of one observation to another, the Glejser test to test heteroscedasticity. The Glejser test is carried out to regress the absolute value of the residual against other independent variables. If the significance value between the independent variable and the absolute residual does not exceed the limit (500 and -500), there is no heteroscedasticity problem.
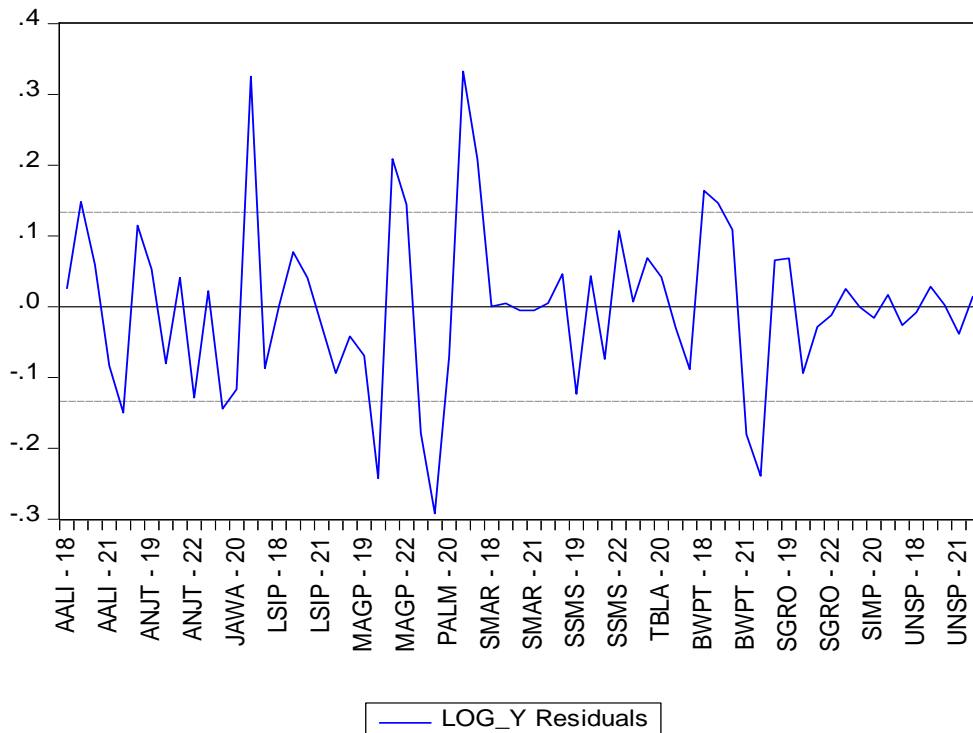

Figure 4. Heteroscedasticity Test Results
Source: Eviews 10 Output Results (2024)

Figure 4 shows the condition of the heteroscedasticity test results, which can be seen from the residual graph (blue colour). The residual value does not cross the limit (500 and -500), meaning the residual variance is the same. Based on the residual value, it can

be concluded that there is no heteroscedasticity symptom or that the heteroscedasticity test passes from the classical assumption results.

The model selected in this study is the fixed effect model (FEM) model; this can be seen from the results of the panel data estimation determination test. The following are the regression results of the fixed effect model (CEM) selected in this study.

Table 3. Panel Data Regression Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
Const	2.918	0.022	128.867	0.000
ROE	0.051	0.100	2.516	0.002
ROA	0.046	0.413	2.113	0.010
EPS	4.827	9.285	0.519	0.605
Effects Specification				
Cross-section fixed (dummy variables)				
R-squared	0.965	Mean dependent var		2.933
Adjusted R-squared	0.954	S.D. dependent var		0.629
S.E. of regression	0.134	Akaike info criterion		-0.964
Sum squared resid	0.886	Schwarz criterion		-0.429
Log-likelihood	47.347	Hannan-Quinn criteria.		-0.753
F-statistic	90.149	Durbin-Watson stat		1.709
Prob(F-statistic)	0.000			

Source: Eviews 10 Output Results (2024)

Table 3 shows the calculation results of the panel data regression test obtained. The regression model's constant value (α) is 2.918, and the regression coefficient regression (b) of each independent variable obtained ROE is 0.051, ROA is 0.046, and EPS is 4.827. Based on the constant value and regression coefficient, the relationship between the independent variables and the dependent variables in the regression model can be formulated as follows:

$$SP = 2.918 + 0.051\ (ROE) + 0.046\ (ROA) + 4.827\ (EPS) \dots\dots\dots (2)$$

A partial Significance Test (t-test) is conducted to test the influence of independent variables on dependent variables partially; acceptance or rejection of the hypothesis is conducted based on the calculation results from the partial test results table, the influence of each variable is known, financial Performance variable proxied by Return On Equity (ROE) on Stock Price with t count 2.516 more than 1.670 t table with a significant value of 0.002 less than 0.050. It can be concluded that H_1 is accepted. This means that Return On Equity positively and significantly affects Stock Price. The financial performance variable is proxied by return on asset (ROA) on stock price with a t count of 2.113 more than 1.670 t table with a significant value of 0.010 less than 0.050. It can be concluded that H_2 is accepted. This means that return on assets has a positive and significant effect on stock price. Financial Performance variable proxied by Earning Per Share (EPS) on Stock Price with t count 0.519 less than 1.670 t table with a significant value of 0.605 more than 0.050. So, H1 is rejected. This means that Earning Per Share does not significantly affect Stock Price.

The coefficient of determination (R^2) aims to measure the extent to which the independent variables (return on equity, return on assets and earnings per share) can

explain the variation in the dependent variable (share price). This study aims to test the level of closeness or attachment between the dependent and independent variables, which can be seen from the coefficient of determination (adjusted squared). The value of the coefficient of determination is 0 and 1. A small R^2 value means that the ability of the independent variables to explain the dependent variable is very limited. A value that detects one means that the independent variables provide almost all the information needed to predict the variance of the independent variable. In general, the coefficient of determination for time series data usually has a high coefficient of determination value.

The test conducted to determine the adjusted r-squared value was 0.954 (95.430 per cent), which only indicates that the dependent variable (Stock Price) can be explained by three independent variables (Financial Performance proxied by Return On Equity, Return On Asset and Earning Per Share) amounting to 95.430 per cent. In comparison, 4.570 per cent is explained by other factors outside the research model; this means that simultaneously, the ROE, ROA and EPS variables significantly affect Stock Price.

DISCUSSION

The Effect of Return on Equity (ROE) on Stock Prices: The results of the partial significance test hypothesis test (t-test) using Eviews show that return on equity significantly affects stock prices. This study is in line with research conducted by (Lusiana, 2020), (Putri, 2024), (Juwita & Diana, 2020), (Lubis & Alfiyah, 2021), and (Fathihani, 2020), but the study is contrary to the research of (Al-qudah, 2020). This study is in line with the signalling theory, which states that if the ROE value increases, the company's profits will be higher so that the company's performance will be better; this will cause the stock price to increase and give a signal to investors to invest their capital in the company.

This shows that return on equity (ROE) is a ratio to measure net profit with equity/capital. Companies with high return on equity (ROE) values will indicate good company prospects in the future. High profits will trigger investor interest to increase demand for shares, and high demand for shares can increase share prices.

The Effect of Return on Asset (ROA) on Stock Prices: The results of the partial significance test hypothesis test (t-test) using Eviews show that return on assets significantly affects stock prices. This study is in line with research conducted by (Bustami, 2020) and (Kamruzzaman, 2019); this study is in contrast to research conducted by (Yunior et al., 2024), (Hamid et al., 2020). This study has proved that Return On Asset (ROA) positively and significantly affects the stock prices of public Palm Oil companies listed on the Indonesia Stock Exchange.

ROA describes the company's ability to profit (return on assets) using available assets. Therefore, this ratio is no less important in predicting changes in stock prices. It compares the net profit obtained by the company to its total assets. Investors can determine the company's ability to earn profit from the ROA ratio.

The Effect of Earning Per Share (EPS) on Stock Prices: The results of the partial significance test hypothesis test (t-test) using Eviews show that earnings per share does not significantly affect stock prices. The results of this study are in line with (Lusiana, 2020), (Gharaibeh et al., 2022), and (Chandra, Al-Judah, 2020). The results of this study are not in line with the research of (Hanifah, 2019), (Ardiyanto et al., 2020), (Mahardika et al., 2021). These results show that earnings per share (EPS) does not always affect stock

prices, meaning that stock prices in public palm oil companies are influenced by factors other than EPS. Earnings per share (EPS) does not indicate the quality of profit the company generates because the profit generated can come from other income, not from operating profit. Besides that, EPS also does not indicate whether the profit generated comes from sales, meaning that in public palm oil companies, other factors are considered for increasing stock prices.

Simultaneous Influence on Stock Prices: The results of the simultaneous significant test hypothesis test (F test) using Eviews show that financial performance can be indicated that the dependent variable (Stock Price) can be explained by three independent variables (Financial Performance proxied by Return On Equity, Return On Asset and Earning Per Share), this means that simultaneously the three variables affect stock prices in addition to other factors that were not studied. The results of this study are the results of research by (Marlina et al., 2020), (Al-Judah, 2020), (Bayhaqiy et al., 2022) and (Putri et al., 2024).

The test proves that ROE, ROA, and EPS simultaneously affect stock prices, but this is not the same if tested partially. That is the novelty of the study: the existence of the EPS component in the palm oil plantation industry does not affect stock prices in this industry.

CONCLUSION

Based on the results of the research and discussion that have been described previously, using descriptive statistical analysis, panel data regression analysis, and hypothesis testing (t-test) with Eviews software version 10 to analyse the financial performance of publicly traded Palm Oil companies listed on the Indonesia Stock Exchange 2018 to 2022, the conclusion is that the financial performance variable proxied by return on equity (ROE) partially has a positive and significant effect on stock prices. This shows that financial performance proxied by ROE using the percentage value of net profit compared to equity can positively and significantly affect stock prices.

The financial performance variable proxied by return on assets (ROA) partially has a positive and significant effect on stock prices. This shows that financial performance proxied by ROA using a comparison of net profit after tax and total assets positively and significantly affects stock prices. The financial performance variable proxied by earnings per share (EPS) partially does not affect stock prices. This shows that financial performance proxied by EPS using a comparison of the net profit value after tax and the number of shares outstanding does not affect share prices.

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