Factors Affecting Islamic Stock Price in the Indonesian Capital Market

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The development of Islamic economics in Indonesia supported through the Jakarta Islamic Index (JII) is a means for establishing investor confidence and provides benefits for investors in carrying out Islamic sharia. JII is used as a benchmark for performance in choosing a stock portfolio. Investors can make a determination on shares through the most fundamental approach, namely, the primary approach. This study aims to examine the value relevance of accounting information in explaining Islamic Stock Price. This study uses Volume Capital, Market Book Ratio, Total Asset Turn Over and Institutional Ownership, as influences of Islamic Stock price. The sample of this study is all companies listed in JII that survived through the period 2013 to 2017. This research is an explanatory study, which explains the influence between the dependent variable and the independent variable through testing the hypothesis. The results show that Volume Capital had a significant negative effect on Islamic Stock Price, and Total Asset Turn Over. Institutional Ownership had a significant positive effect on Islamic Stock Price while Market Book Ratio had no significant effect on Islamic Stock Price listed in the Jakarta Islamic Index (JII) 2013-2017.

Key words: *Volume Capital (VC), Market of Book Ratio (MBR), Total Asset Turn over (TATO), Institutional Ownership (IO), Islamic Stock Prices (ISP).*

Introduction

Developments in the financial sector as seen through various financial instruments have become one of the key signs that countries are advancing in the world. In certain countries, development was supported by the emergence of the Islamic Economy, which was automatically influential in the world of the Islamic capital market. The Jakarta Islamic Index (JII) shows developments from the Indonesia Stock Exchange (IDX) on the existence of

Islamic Stock. JII is one of the stock indices in Indonesia that calculates the average stock price index for the types of stocks that meet the criteria or Islamic sharia principles.

The purpose of the establishment of JII is to increase investor confidence and provide benefits for investors in carrying out Islamic law to invest in the stock exchange. Investors who invest in the capital market require careful consideration in making decisions, so information that is relevant to the conditions of the capital market is something that capital market players always seek when making investment decisions. JII is the basis for investors to invest their funds in sharia without any influence by means of ribawi funds. In addition, JII is a performance benchmark in choosing a halal portfolio, because it is in accordance with Islamic principles in Islam. (Senjani and Wibantoro, 2018; Sinaga et al., 2019).

According to Zulfikar (2016), determination of shares can be done by investors through the fundamental approach that reveals the actual condition of the company through financial statement data. Islamic investment products in the capital market continued to grow with the presence of Islamic bond instruments (Sukuk), Islamic mutual funds, and List of Sharia Securities (DES) which later transformed into the Indonesian Sharia Stock Index (ISSI). In fact, the number of Islamic shares listed on the stock exchange has continued to experience a significant increase, almost doubling from 2007 to 2012. According to Kinasih and Topowijono (2017), some researchers demonstrate the existence of greater benefits than only modification in the form of Sharia such as more conventional benefits. Various studies that have analyzed the influence of the fundamental factors of stock prices have been carried out, but still, produce various conclusions from several diverse factors.

Against the background of the problems presented above, the author of this study wants to do an analysis of the link between fundamental factors (financial ratios) with stock prices namely Volume Capital, Market To Book Ratio, Institutional Ownership, Turnover Asset in influencing dominant to Islamic Stock Prices on JII 30 Index Company 2013 to 2017.

Research Hypotheses
Volume Capital (VC) and Islamic Stock Price (ISP)

The cost of equity capital in investment decisions is used to determine the level of return expected by investors (Van Horne, 2005). In the research conducted by Utami (2005), it was found that there was an effect on the Volume Capital variable, namely the high cost of equity capital, which showed that the level of earnings management in Indonesia was relatively high which tended to affect investors in the Indonesia Stock Exchange. The relationship of shareholder value to stock market prices is high above the book value is reflective of a positive response and is a reflection of investor confidence in trading companies on the JSX, which shows that the influence of ownership concentration on shareholder value differs

between ownership of companies whose shares are majority owned by institutions and ownership where the majority of shares are owned by individuals or managerial ownership (Tarjo, 2008). Based on the theory and research above, the hypothesis that can be proposed is:

H1: Volume Capital (VC) has a positive effect on Islamic Stock Prices (ISP).

Market To Book Ratio (MBR) and Islamic Stock Price (ISP)

According to Fama and French (1992), market to book ratio is a comparison between the book value of a company's stock and its market value in the capital market (Saudi et al., 2019). According to Gitman (2009), Market to Book Ratio (MBR) is a comparison ratio between market prices per share compared to the book value of a company. Market to Book Ratio (MBR) is a reflection of investor appreciation or assessment of the book value of a company through stock prices. MBR originating from the balance sheet provides information about the net value of company resources. The higher the MBR, the better the investor's assessment of the company's book value. MBR is the ratio of the price of shares in the market to the book value of shares described in the Balance Sheet (Harahap, 2002). Research conducted by Wulantika, Hariyanto and Safitri (2018) conducted in the Property, Real Estate and Building Construction sectors, said that MBR is a reflection of investor appreciation or valuation of the company's book value through stock prices and the number of shares outstanding. The higher the MBR, the better the investor's assessment of the company's book value which is evidenced by the results of his research that show that there is a positive (unidirectional) relationship between the MBR and the stock price. These results indicate that the higher the level of MBR owned by companies in the Property, Real Estate, and Building Construction sectors, the higher the share price of the company (Hussain et al., 2018). Based on the theory and research above, the hypothesis that can be proposed is:

H2: Market Book Ratio (MBR) has a positive effect on Islamic Stock Prices (ISP).

Total Asset Turn over (TATO) and Islamic Stock Price (ISP)

Total Asset Turn over (TATO) is used to measure the effectiveness of a company's fixed assets in generating sales that can be measured by the average sales rate divided by the average fixed assets (Hery, 2015). The TATO value shows whether the company has, or has not, used assets effectively to increase net sales. Such effectiveness will cause the company's operations to run well (Gursida, 2017). This ratio is calculated by dividing sales by total assets according to Darsono and Ashari (2005). This research was also supported by Putra, Cahya, and Hidayat (2013) and Puspitasari (2011), who demonstrated that there is a relationship between TATO and stock prices. The assessment of TATO's relationship with a company is also influential in the application of the Stock Exchange in Indonesia (Mulyono,

Suprapto and Prihandoko, 2018.) From the theory and research the hypothesis that can be proposed is:

> H3: Total Asset Turn Over (TATO) has a positive effect on Islamic Stock Prices (ISP).

Institutional Ownership (IO) and Islamic Stock Price (ISP)

According to Nuraeni (2012), Institutional Ownership is one indication that can cause a rise and fall in stock prices. The shareholding structure can directly affect a company, with large institutional ownership in a company's structure indicating its ability to monitor management. The greater the institutional ownership, the more efficient the utilization of company assets is and the higher the expectation is of effective organizational waste management strategies. A high level of institutional ownership will lead to greater oversight efforts by institutional investors so that it can hinder a manager's opportunistic behaviour. According to Shleifer and Vishny, in his research Barnae and Rubin (2005), that institutional ownership combined with large share ownership, generates incentives to monitor corporate decision making. Similarly, Wening's research (2009) shows that the larger the ownership share held by financial institutions, the greater the power of their voice is and the higher the drive is to optimize the value of the company. This is in line with the results of Kusumawardani's research (2011), which proves that shareholding structure being variable also affects stock prices. Based on the theory and research above, the hypothesis that can be proposed is:

> H4: Institutional Ownership (IO) has a positive effect on Islamic Stock Prices (ISP).

Method

The population in this study uses companies listed in the Jakarta Islamic Index (JII) in the period 2013 to 2017 consisting of 30 companies. Samples were taken from 18 components of the company using purposive sampling technique.

The dependent variable used is Islamic Stock Price (ISP) using a close price in the 2013 to 2017 period. Independent Variables are:

1. Volume Capital (VC) using total equity,
2. Market to Book Ratio (MBR), According to Gitman (2009), MBR is a ratio between the market price of a share compared to the book value of a company. Before calculating the MBR ratio, it is necessary to calculate the book value of a share (book value)
3. Total Asset Turn Over (TATO), according to Widayanti (2009), this ratio measures the efficiency of the use of assets to generate sales. TATO is formulated by sales being divided by total net assets.
4. Institutional ownership (IO) is the ownership of company shares owned by institutions or institutions such as insurance companies, banks, investment companies and ownership of

other institutions (Tarjo, 2008). Institutional Ownership (IO) is formulated by the percentage of Institutional ownership being divided by the number of shares.

Data analysis method

The data analysis technique used in this study is multiple linear regression. The regression analysis equation model in this study is as follows:

$$ISP= \alpha + \beta1VC + \beta2MBR+ \beta3TATO+ \beta4IO+e$$

Test of Research Model

The test of research model used is the classic assumption test where to assess whether there is bias over the results of the regression analysis that has been carried out. Using the classical assumption test it can be determined to what extent the results of the regression analysis can be relied upon for accuracy. Widarjono (2007), in his book entitled Econometrics Theory and Applications for Economics and Business, states that the classic assumption test that must be done on panel data regression is only multicollinearity test and heteroscedasticity test.

Hypothesis Testing

Hypothesis testing carried out in this study include the Determination coefficient (R^2), Next Simultaneous Significant Test (Test F Statistic), and Significant Individual Parameter Test (Test Statistic t).

Result

From Table 1 it can be seen that the correlation coefficient between the independent variables is below 0.80, so the data in this study has no problems with the multicollinearity test.

Table 1: Multicollinearity Test Results

	ISP	VC	MBR	TATO	IO
ISP	1.000000	-0.525426	0.441595	0.532932	0.514338
VC	-0.525426	1.000000	-0.349651	-0.328621	-0.400784
MBR	0.441595	-0.349651	1.000000	0.727720	0.474612
TATO	0.532932	-0.328621	0.727720	1.000000	0.564820
IO	0.514338	-0.400784	0.474612	0.564820	1.000000

The Heteroscedasticity test is carried out to test whether there is a regression model where there is an inequality of residual variance from one observation to another. To detect

symptoms of heteroscedasticity, a comparison is done of the probability value of Obs R-Square with a specified level of significance ($\alpha = 5\%$).

Table 2: Heteroscedasticity Test Results

Obs*R-squared	7.266614	Prob. Chi-Square(4)	0.1225
Scaled explained SS	5.840409	Prob. Chi-Square(4)	0.2114

Based on the results of the Harvey heteroscedasticity test above it is shown that the Prob.Obs value * R> 0.05 is equal to 0.1225. Meaning that there is no heteroscedasticity problem in this study.

The influence of simultaneous independent variables on the dependent variable was analyzed using the F test, namely by paying attention to the significance of the value of F level α (alpha) of five percent and comparing the value of F calculated with F table at the output calculation with the level of α (alpha) of 5%.

Table 3: F Test Results

R-squared	0.447978
Adjusted R-squared	0.422000
F-statistic	17.24484
Prob(F-statistic)	0.000000

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The table above shows that the F test value of 17,245 with a significance value of 0,000, where the regression results above, the value of F table 2.48 <F counts 17,245 and the significance of F of 0,000 is smaller than the level of α (alpha) = 0.05 (5%). Thus it can be concluded that all the independent variables in this study, namely VC, MBR, TATO and IO simultaneously influence the Islamic Stock Price in the 2013-2017 JII Index Company.

The magnitude of the determination coefficient (R^2) is 0.422 or 42.2%, so it can be said that 42.2% of the dependent variable is the Islamic Stock Price variable (ISP) in companies listed in the Jakarta Islamic Index (JII). The 2013 model can be explained by independent variables, these being: Volume Capital (VC), Market to Book Ratio (MBR), Total Asset Turn Over (TATO) and Institutional Ownership (IO) variables while the remaining 57.8% is influenced by other variables outside the model.

Table 4 below shows the results of hypothesis testing (Test t) that the VC variable has a negative influence on ISP because it has a t-count value of -3.81 and probability values below the level of $\alpha = 0.05$ which is equal to 0.00 The TATO and IO variables have the positive effect on ISP as evidenced by the t-count value of 2.38 and 2.01 and the probability value

below the level of α = 0.05, respectively 0.02 and 0.04 while the MBR variable does not affect the stock price because the probability value above level α = 0.05 which is equal to 0.95.

Table 4: Hypothesis Test Results (t test)

Variables	t-Calculated	α-calculated	t-table	α-table
VC	-3.817931	0.0003	1. 9883	0.05
MBR	0.051744	0.9589	1. 9883	0.05
TATO	2.381369	0.0195	1. 9883	0.05
IO	2.007207	0.0479	1. 9883	0.05

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Discussion
The Effect of Volume Capital (VC) on Islamic Stock Price (ISP)

Statistical test results show that throughout 2013 to 2017 the VC variable had a significantly negative effect on the ISP listing on the JII with a significance value of 0.00 <0.05 and a t-count value of -3.82 indicating that if the VC increased, then the ISP decreased and vice versa. This is different from the results of a study conducted by Utami (2005) and Tarjo (2008) which stated that there is a unidirectional relationship between the volume of Capital and the stock price, which means that the H1 hypothesis is rejected.

The Effect of Market to Book Ratio (MBR) on Islamic Stock Price (ISP)

The results of statistical tests show that throughout the years 2013 to 2017 the MBR variable did not have a significant effect on the ISP listing on the JII with a significance value of 0.96> 0.05 with a calculated t-value of 0.052. This indicates that the increase and decrease in Market to Book Ratio does not affect the increase or decrease in Islamic Stock Price so H2 hypothesis is rejected.

The Effect of Total Asset Turn Over (TATO) on Islamic Stock Price (ISP)

Statistical test results show that throughout 2013 to 2017 the TATO variable had a significantly positive effect on the ISP on the JII with a significance value of 0.02 <0.05 with a t-count value of 2.38, indicating that if TATO increases, then ISP also increases and vice versa. This is in line with the results of research conducted by Putra, Cahya and Hidayat (2013) and Puspitasari (2014). There is a direct correlation between TATO and ISP and H3 hypothesis is accepted.

The Effect of Institutional Ownership (IO) on Islamic Stock Price (ISP)

Statistical test results show that throughout 2013 to 2017 IO variables had a significantly positive effect on ISP listing on the JII with a significance value of 0.04 <0.05 with a t-count value of 2.00, indicating that if IO increases, then ISP also increases and vice versa. This is in line with the results of research conducted by Wening (2009) and Kusumawardani (2011), which prove that Institutional Ownership variables also affect stock prices. H4 hypothesis is accepted.

Conclusions and Recommendations

Based on the results of this study, it can be concluded that there is a negative influence between VC as measured by the total equity of companies with ISP, which means that the increase in volume capital is not followed by an increase in Islamic stock price, the next variable is TATO and IO variables and the two variables positively influence on change in the Islamic stock price while the Market book ratio variable does not have an effect on changes in Islamic stock price.

After testing, based on the results obtained there are several limitations in this study, including that this study is limited to companies listed on the JII in the period 2013 to 2017. Additionally, the independent variables used to see the effect on stock prices, especially Islamic stock prices in this study are limited to Volume Capital (VC), Market to Book Ratio (MBR), Total Asset Turn Over (TATO) and Institutional Ownership (IO). The variables used only give 42.2% of the Islamic Stock Price (ISP), the remainder is influenced by other factors outside of this study so that further researchers can use other factors that may have a greater influence.

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