INVESTOR DECISION MAKING BASED ON FUNDAMENTAL ANALYSES ON SHARE MARKET

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Abstract
The purpose of the study is to provide financial performance information of two Indonesia's largest cement producer companies in making investment decisions. Data used is secondary data which is financial report in 2007, 2008 and 2009. Data was used to calculate financial performance and then proceed to statistics test to measure influence. Statistics tests used in this study are Normality Test, and t test. The results showed that the financial performance of PT Semen Gresik (Persero) Tbk better than the PT Indocement Tunggal Prakasa Tbk. Therefore, the best choice for investors is to buy shares of PT Semen Gresik. Further result demonstrated that the effect of total assets on ROA is significant, Average total activities didn’t show significant effect on ROI, neither the average total capital on ROE.

Keywords: Fundamental Analysis, Financial Statement, investor decisions, performance

BACKGROUND
Economic development is a process of increase in total income (economic growth) in a country with a population growth into account, a fundamental change in economic structure and income distribution. National economy in crisis during the period 1997-1998 that caused Indonesia's economic performance declined sharply. Stock prices also declined sharply, causing significant losses to investors (Sipayung, 2011). This is certainly a big problem, since it is known that the capital markets have an important role for the economy of a country.

Capital market provides a significant role for the economy of a country which has two main functions as a function of economic and financial functions. The capital market is said to have a functioning economy, as it provides facilities that meets the interests of two parties that have excess funds (investors) and those who need funds (issuer). With the capital market is a public company can obtain fresh funds community through the sale of shares through an IPO or the effect of the procedure debt (bonds). While the capital market is said to have financial functions, because it gives the possibility and the opportunity to earn rewards (return) to the owner of the funds, according to the characteristic of the selected investment (Hamzah, 2006).

Capital market in Indonesia has been progressing very rapidly within a relatively short time since the government had measures in the area of deregulation of capital markets at the end of 1987. The development of capital markets provides an investment vehicle for investors while allowing diversification and acquisition opportunities to further optimize revenue from its own funds (Nazwirman, 2008).

Through capital markets firms can acquire either their own capital funds and loan capital. Capital markets have an important role for the economy of a country which has the function as a means for financing a business or as a means for companies to obtain funds from public investors (Permana, 2009). If you want to acquire their own capital, then the relevant company may issue shares and then sold to raise capital themselves. To obtain capital...
through share sales, the company must record the effect on capital markets through the process of going public. Given that companies have gone public are the property of the public who have invested, then the company must inform the results achieved are presented in the form of financial statements of the company.

There are several methods to evaluate stocks performance. But in broad outline these methods can be grouped into two categories, namely technical and fundamental analyses. Technical analysis uses data on past price changes as an attempt to estimate the price of the securities in the future, while fundamental analysis related to the company's performance appraisal of the effectiveness and efficiency of the company to achieve the target. To analyze stock performance someone perhaps deploy financial ratios that are divided into four groups. They are liquidity, leverage, profitability and activity ratios. Those ratios are deployed to predict stock prices in the future by estimating the value of the fundamental factors that affect stock prices in the future and apply the relationship of these factors in order to obtain the estimated share price (Wulandari, 2009).

Financial ratios used as instruments of corporate performance analysis that explains the various relationships and financial indicators, to reflect changes in financial condition or operational performance in the past and helps illustrate the trend pattern of these changes, and then show the risks and opportunities inherent in the company concerned. This suggests that financial ratio analysis, although based on data and past conditions but are intended to assess the risks and opportunities in the future (Nasution, 2011). Hence, the purpose of the study is to provide financial performance information of two largest cement producer companies in Indonesia for investors to use in making decisions.

RESEARCH METHODS

Research Methodology

The study was conducted to determine and analyze the financial performance of PT Indocement Tunggal Prakasa Tbk and PT Semen Gresik Tbk, when viewed by means of financial ratios of liquidity ratios, leverage, and profitability which is then used as a comparative tool.

The data used in this study are categorized as secondary data which are financial statements in 2007, 2008 and 2009 of two cement companies. In this research, secondary data obtained from the data in the form of documentation issued by the competent parties who regularly published annually via Internet download. Data needed on this research is financial statement that describes the information each company.

Data Analysis Techniques

The tools of analysis used was the statistical program SPSS software applications (Statistics for Products and Services Solution) for windows ver 16.0. Prior to analyzing the data of testing is also done to keep the data obtained as expected.

Prior to data processing, normality test was performed. Normal data further used to measure the effect of independent variables toward dependent variable by using the t and the f tests. The hypotheses tested in this study are:

\[ H_0 = \text{No significant effect of firm size on profitability} \]
\[ H_1 = \text{There is a significant influence of the size of the company to profitability} \]

RESULTS & DISCUSSION

Table 1 shows the measure of the financial ratios for both companies. Each of these financial ratios will be discussed below.

Liquidity Ratio Analysis

Current Ratio for 2008 both companies declined from the previous year, which was caused by the high increase in debt in 2008. In contrary, current ratio in 2009 raised even higher than in 2007. Raising current ratio in 2009 indicates the increase in the company's ability to pay the debt with the company's current assets. Current ratio in 2007 and 2009 in general has been very good, because above the industry average which is about 120%. This illustrates the company's ability to pay it’s debt with liquid assets. The evidence of fluctuations for those 3 working years are caused by the increase in debt in the form of venture and tax debts.
Quick Ratio for both companies for the year 2008 decreased from the previous year, and the quick ratio in 2009 increased from the previous year. Regardless decreasing or increasing, the company's quick ratio is quite good. The increase was due to higher cash and receivables that current assets are more liquid. Quick ratio 2009 period above 100%, which means that the company is able to meet the company's current debt with more liquid assets (quick assets) owned by the company.

Another ratio on liquidity is cash ratio. Cash Ratio at PT. Indocement Tunggal Tbk. for the year 2007 - 2009 experienced an increase which was caused by the increasing of cash every year. Cash ratio year by year during the period 2007-2009 always increased. Cash ratio during the period presents the company to be very good. Based on standard, cash ratio less than the industry average of 100%, is very good. This shows cash availability is enough to guarantee the company's debt.

Different pattern on PT. Semen Gresik (Persero) Tbk. Was found. Cash Ratio in 2008 declined from the previous year, and the cash ratio in 2009 increase from the year 2008.

### Leverage Ratio Analysis

Debt Ratio at PT. Indocement Tunggal Tbk. year 2007 - 2009 decreased continuously. The decrease identifies the decline in the company's ability to use debt to fund some activities. Nevertheless Debt ratio in the period 2007-2009 is still classified in the category of very good because the ratio is generally below 100%.

In contrary the debt ratio at PT. Semen Gresik (Persero) Tbk. in 2008 increases from the previous year, but decreased in the following year. The decline happening indicates a decline in the company's ability to fund some activities with debt. Regardless Debt Ratio 2007-2009 period is still classified in the category of very good because the ratio is still below 100%.

Debt to Equity Ratio at PT. Indocement Tunggal Tbk. year 2007 - 2009 continuously decline which indicates an increase in the company's ability to guarantee a portion of the debt by using their own capital. Debt to equity ratio the period 2007 - 2009 is very good as they are below 100%.

### Table 1. Financial ratio (in percentage)

<table>
<thead>
<tr>
<th>Ratio</th>
<th>PT. Indocement Tunggal Prakarsa Tbk.</th>
<th>PT. Semen Gresik (Persero) Tbk.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Liquidity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>a. Current Ratio</td>
<td>240</td>
<td>124</td>
</tr>
<tr>
<td>b. Quick Ratio</td>
<td>90</td>
<td>60</td>
</tr>
<tr>
<td>c. Cash Ratio</td>
<td>13</td>
<td>26</td>
</tr>
<tr>
<td>2. Leverage</td>
<td></td>
<td></td>
</tr>
<tr>
<td>a. Debt Ratio</td>
<td>36</td>
<td>29</td>
</tr>
<tr>
<td>b. Debt to Equity Ratio</td>
<td>56</td>
<td>43</td>
</tr>
<tr>
<td>c. Solvability</td>
<td>28</td>
<td>33</td>
</tr>
<tr>
<td>3. Profitability</td>
<td></td>
<td></td>
</tr>
<tr>
<td>a. Rate of Return on Total Asset</td>
<td>2</td>
<td>5</td>
</tr>
<tr>
<td>b. Rate of Return on Investment</td>
<td>1</td>
<td>6</td>
</tr>
<tr>
<td>c. Return on Equity</td>
<td>2</td>
<td>5.6</td>
</tr>
</tbody>
</table>
In contrary the debt ratio at PT. Semen Gresik (Persero) Tbk. in 2008 increases from the previous year, but decreased in the following year. The decline happening indicates a decline in the company's ability to fund some activities with debt. Regardless Debt Ratio 2007-2009 period is still classified in the category of very good because the ratio is still below 100%.

Debt to Equity Ratio at PT. Indocement Tunggal Tbk. year 2007 - 2009 continuously decline which indicates an increase in the company's ability to guarantee a portion of the debt by using their own capital. Debt to equity ratio the period 2007 - 2009 is very good as they are below 100%.

Different evidence was found on Debt to equity ratio at PT. Semen Gresik (Persero) Tbk. PT. Semen Gresik (Persero) Tbk. in 2008 showed the increase of Debt to equity ratio, but decreased in the following year. The decrease indicates an increase in the company's ability to guarantee a portion of the debt by using their own capital. Regardless, Debt to equity ratio of the period 2007 - 2009 is very good since they are below 100%.

Solvency at the PT. Indocement Tunggal Tbk. year 2007 - 2009 increased constantly. The increase that occurs indicates an increase in the company's ability to meet all financial obligations if the company should be liquidated. Although each year has increased but still below 100%, so the company is said to be very good in paying all his debts both long-term and short-term debts.

Instead solvency at PT. Semen Gresik (Persero) Tbk. in 2008 decreased. But different pattern found in 2009 which increased. Same interpretation to the conditions on the PT. Indocement Tunggal Tbk., an increase that occurs indicates an increase in the company's ability to meet all financial obligations if the company had liquidated. The company is said to be very good in paying all his debts both long-term and short-term debts because the ratio is still below 100%.

Profitability Ratio Analysis

Rate of Return on Total Assets at PT. Indocement Tunggal Tbk. year 2007 thorough 2009 increased year by year. This gives an indication that the company's ability to implement the rate of profit to the amount of invested assets increased. Rate of return on total assets of the period 2007 - 2009 is very good because the fluctuations are below 15%. This ratio indicates the ability of the assets are invested to produce a very good net profit.

Rate of Return on Total Assets at PT. Semen Gresik (Persero) Tbk. in 2008 increased compare to year 2007. This gives an indication that the company's ability to implement the rate of profit to the amount of invested assets increased. However, in the year 2009 Rate of Return on Total Assets decreased. It is categorized as very good indicator as it is below 15%.

Rate of Return on Investment in PT. Indocement Tunggal Tbk. During the year 2007 thorough 2009 increased year by year. This gives an indication that the company's capability to carry out investments to earn a net profit increasing. Rate of return on investment period 2007 - 2009 is categorized as very good because the fluctuations are below 15%. This ratio shows the ability of the entire capital invested in assets to generate net profits are very good.

Rate of Return on Investment in PT. Semen Gresik (Persero) Tbk. in 2008 increased compare to year 2007. This gives an indication that the company's capability to carry out investments to earn a net profit increasing. Rate of return on investment period of 2009 could be categorized as very good because the fluctuations are below 15%. This ratio shows the ability of the entire capital invested in assets to generate net profits is very good.

Different evident found on PT. Indocement Tunggal Tbk. It has Return on Equity increased year by year during the

Profitability Ratio Analysis

Return on Equity of PT. Semen Gresik (Persero) Tbk. in 2008 increased compare to year 2007. This gives an indication that the company's ability to implement the rate of profit to the total amount of own capital. Return on equity period of 2009 is said to be very good because the fluctuation is below 15%. This ratio shows the ability of the total own capital to generate net profits is very good.

Different evident found on PT. Indocement Tunggal Tbk.
period 2007 thorough 2009. This gives an indication the company's ability to deploy the rate of profit to the total amount of own capital. Return on equity the period 2007 - 2009 is very good because the fluctuation is below 15%. This ratio shows that the ability of the total own capital to generate net profits is very good.

The effect of firm size on profitability

Firm size is measured using total assets and total capital whether profitability is measured using ROA, ROI, and ROE. Prior to hypothesis testing, normality test was performed. Normality test using the test of Kolmogorov Smirnov One Sample Test. Data processing result showed that the asymp sig value is less 0.05, so it is acceptable that the data are normally distributed. Having testing normality of data, it was proceed to measure the relationship of firm size and profitability. The relationship of the two variables was tested using the t distribution test. The effect of Total Assets on ROA is significant with regression coefficients of -0.81 and P-value for 0.463. It shows that total asset influences ROA. Increasing total asset will decreasing ROA.

Analysis of effect of average total assets on ROI showed the coefficient of -0.324 and P-value for 0.762. The value of P which is 0.762 is bigger than 0.50, indicates the acceptance of null hypothesis. It proof that total assets doesn’t influence ROI significantly. Regardless total assets relates to ROI conversely. Increasing total assets will decreasing ROI.

The effect of average total capital on ROE is 0.273 and P-value for 0.799. Since 0.799 is greater than 0.50, the null hypothesis is accepted. It means there is no significant influence of average total capital on ROE. Statistically says there’s no enough evidence to reject the null hypothesis.

The results of this study support the results of research conducted by Setiawan (2006), which concluded that over a period of four years the performance of the cement industry recovered after it was experiencing a crisis caused by the negligence of the company in its funding activities. The best performance is shown by PT Semen Gresik based on financial measurement. PT Semen Gresik management shows the capability in managing operational activities better than PT. Indocement Tunggal Tbk.

CONCLUSION AND SUGGESTION

Conclusion

Judging from Liquidity Ratio we can conclude that both companies are liquid as the company is able to meet its financial obligations despite decreased. Based on the ratio of leverage both companies can be said solvable because the company is able to guarantee the debts, either by using total assets or equity capital. From the point of view of ratio of profitability, both companies can be said to be very good in generating profits, either by using the assets or their own capital.

Overall financial performance of PT Semen Gresik Tbk better compared to the financial performance of PT Indocement Tunggal Prakasa Tbk. Total assets influence ROA, but Total assets doesn’t influence ROI. Total average capital had no influence on ROE.

Suggestion

From the above conclusion, the author can suggest to the company that PT Semen Gresik Tbk. To reduce its debt even if the company can guarantee the entire debt to earnings, capital and assets, so the company can achieve a more satisfying goal again from year to year. PT Semen Gresik Tbk should further improve its financial performance, although again in the year 2007 - 2009 produces good financial performance.

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