

CHAPTER I

INTRODUCTION

1.1 BACKGROUND OF THE STUDY

The usage of accounting information such as financial statement is crucial for investors as informations to determine the credibility of a company. Financial statement is being used for various needs by various parties as well. Preparation of financial statement in its development is the main product of financial accounting based on Financial Accounting Standards. An information of financial statement is considered informative if the information is capable to change the confidence of decision makers.

Investors in the capital market concerned with company performance information especially for financial statement. The use of financial information is to see whether outsiders can make investment decisions so they can place resources to be invested.

Actually, the financial statement is designed for knowing the capability of the solvency and profitability of the company. The financial statement are also a key foothold in determining investment choice, although in daily stock transactions not a few investors can conducted the transaction by issue in accordance with current market conditions.

By referring to the financial statements, investors are not vacillated by issues because they have strong guidelines for their investments. Uncertainty of information often occurs when stock trading is happening. Issues and rumors will always affect the stock price movement.

On this condition, the financial statements is an indisputable guideline, because despite of that, financial statement can show a final result performance within a certain period and also able to deliver expectation to stock investors.

For some investors, the existence of reports is needed to measure the extent to which the company's performance run as expected, either

individually or in sync with other similar industries. Financial statements that do not provide that level of disclosure adequate by some investors is seen as financial statement that full of risks. Disclosure as well have so many ways to do and to know. But the easier way to know the disclosure is from the total asset turnover. Disclosure is not only important in the present, but will become increasingly important in the future. Disclosure in financial statement is something that must be done by the company in preparing financial statements, this disclosure involves the entire reporting process.

The growth of management performance on profit can give a satisfaction to investors in determining dividend policy and stock prices, because when dividend and stock prices increase means that the company's profits have grown permanently.

Presentation of profit information through financial statements is the focus of the company's performance that is important compared to performance measurements that are based on increasing or decreasing company capital. The focus of the performance can measures that the business is success or failure in achieving profitable operations.

It is known that when interest rates rises, the cost that company should issued will also increase, thus the profit of the company will reduce as well. The changes in the exchange rate will also affect the competitive rate and cost of fund structure, then it will affect to the stock price of company as well.

Tandelilin (2001) suggests that some variables are includes: the rates of inflation, the interest rates on the deposit and the amount of money outstanding. Economic analysis is built on the assumption of variables that affect systematically on the achievement of company profit. The changes in profits will be the same with the changes on the return on investment of shares that is reflected by stock trading ratio.

This research is a development of several research conducted by Juniadhi Fajar (2009) which examine about the influence of the disclosure

in financial statement, accounting profit, interest rate of SBI and money supply on the stock prices in the manufacture company listed in Indonesia Stock Exchange. It concluded that disclosure in financial statement, accounting profit, interest rate of SBI and money supply have significant influence in simultaneously to stock price. In partial effect, only accounting profit and interest rates of SBI that have significant influence on stock price.

Otherwise, Prasetio and Sutoyo (2013) analyzes the effect of accounting profit interactions with cash flow on stock price and stock trading volume. It concludes that accounting profit variable does not significantly influence on stock price.

The difference between both of the research was there is an inconsistent result from both of the research. So in this research, writer decides to do the research in finance company listed in Indonesia Stock Exchange to analyze whether the independent variable will affect the dependent variable in finance company.

Based on the OJK (*Otoritas Jasa Keuangan*) result of companies assets, industrial financing institutions consist of finance companies, venture capital companies, and infrastructure finance companies, which carry out activities based on conventional and *syariah* principles. Based on audited annual financial reports, the total assets of financial institutions in 2017 amounted to Rp555.87 trillion which consisting of finance company assets is 85.64%, assets of venture capital companies is 2.06%, and assets of infrastructure finance companies is 12.30%.

Based on the 2017 financial statements that has been audited, the net income and the source of funding of the financing company also keep increasing from year to year, means that finance company keep on progressing until 2017. It can be seen from the table of phenomenon below:

Table 1.1 Table of Phenomenon of Finance Company

	2015 (in trillion rupiah)	2016 (in trillion rupiah)	2017 (in trillion rupiah)
Net Income	10.67	11.98	12.69
Source of Funding	306.27	312.74	330.63

Source: Prepared by the writer (2019)

From the description above, the writer conducts research in the form of a thesis titled: **“The Influence of Disclosure in Financial Statement, Accounting Profit, Interest Rate of SBI and Money Supply on Stock Price”**.

1.2 PROBLEM LIMITATION

Due to the limitation of time and resources, the problem limitations of this research study are as follows:

1. This research will focus on four independent variable that affecting the stock price, which is disclosure in financial statement, accounting profit, interest rate of SBI (*Sertifikat Bank Indonesia*), money supply as independent variable and stock price as dependent variable.
2. This research is limited to finance companies listed in Indonesia Stock Exchange.
3. The research period is restricted to 2015-2017.

The decision to limit the research object to finance company is based on the consideration that the finance company is the very important part of our economy. The economic development of any country depends on the growth of the finance business sector.

1.3 PROBLEM FORMULATION

Based on the background of the study describe above, this research is conducted to analyze some factors that influence on the stock price. The problem identified by the writer are:

1. Does the disclosure in financial statement has a significant partially effect on the stock price?
2. Does the accounting profit has a significant partially effect on the stock price?
3. Does the interest rates of SBI (*Sertifikat Bank Indonesia*) has a significant partially effect on the stock price?
4. Does the money supply has a significant partially effect on the stock price?
5. Do the level of disclosure in financial statement, accounting profit, interest rates of SBI and money supply have a significant simultaneously effect on the stock price?

1.4 OBJECTIVE OF THE RESEARCH

The objectives of this research are as follow:

1. To analyze whether the disclosure in financial statement has a partially effect on the stock price
2. To analyze whether accounting profit has a partially effect on the stock price
3. To analyze whether interest rate of SBI (*Sertifikat Bank Indonesia*) has a partially effect on the stock price
4. To analyze whether money supply has a partially effect on the stock price
5. To analyze the significant effect of disclosure in financial statement, accounting profit, interest rates of SBI and money supply can effect simultaneously on the stock price

1.5 BENEFIT OF THE RESEARCH

The research provides benefits for the related and unrelated parties. Some of the most important benefits are:

1. Investors

The results of this study can be used as information material to determine the financial condition of the company so that it can be used by investors to make a decision making of investors from the capital market.

2. Issuer

In order to be taken into a consideration in making financial statements. This study can help company to make a better financial statement.

3. Author

It can be applied in Economics majoring in Accounting, especially in Management Accounting that has been obtained during the lecture.

4. Academic

This study provides empirical evidence about how the effect of the level of disclosure of financial statements, accounting profit, interest rates of SBI and money supply on stock prices. In addition, it can also enrich the material of studies or references in the financial and capital markets for future research. It also will help in academic development for gaining more information about the economy system.

5. Student and Society

This study can be useful reading material to increase knowledge.

1.6 SYSTEMS OF WRITING

This research study comprises of five chapters with each chapter relating to the other. The purpose of systems of writing is to make it easier for readers to understand the content of this research.

The systematic outline of writing in this research study is as follows:

Chapter I: Introduction

This chapter represent the introduction to the research. It contains the description about the background of the study, the problem limitation, the problem formulation, objective of the research study, benefits of the research study and the systems of writing.

Chapter II: Literature Review and Hypothesis Development

This chapter explains the theoretical background of this research study. It consist of the theories related to the topic of the research. It contains of the description about the theoretical background of the study, hypothesis development, research model and framework of thinking.

Chapter III: Research Methodology

This chapter contains the description about the research design of the study, the population and sample used, data collection and analysis method, operational variable definition and measurement and data analysis method. In short, this research is a descriptive study conducted under the quantitative approach using secondary data with finance companies listed on the Indonesia Stock Exchange.

Chapter IV: Data Analysis and Discussion

This chapter contains the general view of the research object, data analysis, descriptive statistic, the result of data quality and hypothesis testing, and also the discussion of the study result obtained.

Chapter V: Conclusion

This chapter contains the description about the conclusion from the results of the research study conducted and the implication that are useful for the users or readers of this study