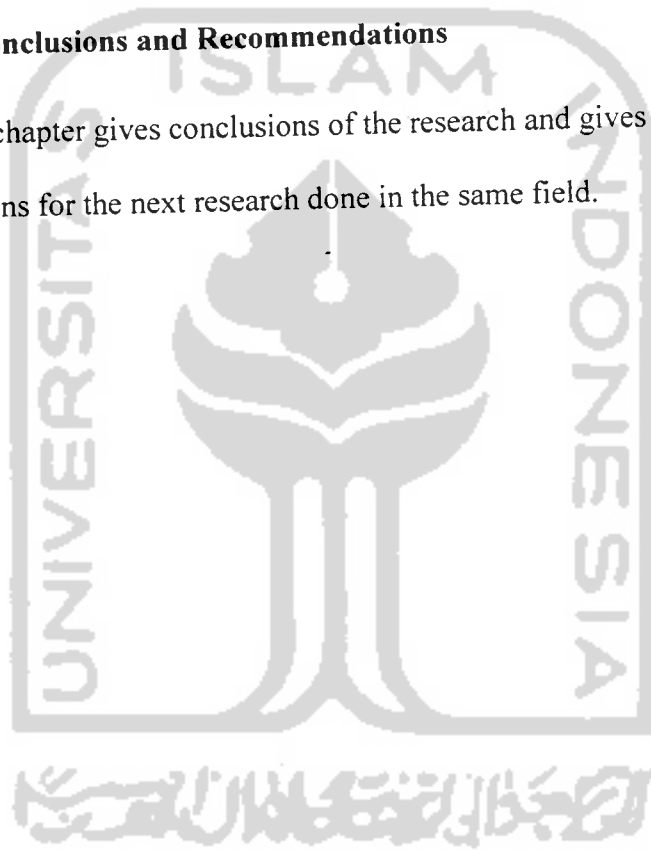


Chapter IV: Research Findings

In this chapter, we discuss and analyze the companies' performance by analyzing the financial ratios of certain years using Du Pont method and regression analysis to know the market reaction to return on equity and its components.

Chapter V: Conclusions and Recommendations

The last chapter gives conclusions of the research and gives recommendations for the next research done in the same field.



investors, whereas new stock issues are regarded as “bad news”. It is a signal for investors to which company they will invest their money. Since we expect to have a positive relationship between LEV and the stock price, therefore the hypothesis would be:

H_{A4} : There is positive relationship between LEV to stock price in the Jakarta Stock Exchange.



between ROE and its components and stock price. If increasing ROE and its components pushes up the stock price, then H_0 will be rejected. However, if increasing ROE and its components gives no effect or decreases the stock price, then H_0 will be confirmed. The increasing and decreasing in ROE and its components can be figured out by looking at the financial highlight in the Indonesian Capital Market Directory for the companies listed in the Jakarta Stock Exchange during the years 2001 – 2003 and presented as β_1 , β_2 , β_3 , and β_4 in equation 3.1. For the overall hypothesis, if β_1 , β_2 , β_3 , and β_4 are higher than 0, H_0 will be rejected. This would mean that there is a positive relationship between ROE and its components and stock price in the Jakarta Stock Exchange. This will be proven by β_1 , β_2 , β_3 , and β_4 that show the increasing value of each component in equation 3.1.

The same method of analysis will be conducted from the minor hypothesis as the major hypothesis (as above). If we see the minor hypothesis component by component in its relationship to the stock price, we expect to see a positive relationship between ROE and each of its components and stock price. When increasing ROE pushes up stock price, means that β_1 is higher than 0, then H_{01} will be rejected. When an increase in NPM contributes to the increasing stock price, it means that β_2 is higher than 0, then H_{02} will be rejected. When an increase in ATO pushes up the stock price, it means that β_3 is higher than 0, then H_{02} will be rejected. And finally, when an increase in LEV pushes up stock price, it means that β_3 is higher than 0, then H_{03} will be rejected.