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The Influence of Firm Size, Share Sales, and Inflation on Stock Prices in Companies Registered on The Jakarta Islamic Index

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ABSTRACT. *Share price fluctuations can be analyzed through factors that can influence them, such as internal and external factors that can influence the company's share price. This research aims to analyze the influence of firm size, share sales, and inflation on share prices in companies listed on the Jakarta Islamic Index. This research was carried out by observing 10 companies registered on the Jakarta Islamic Index (JII), namely PT Adaro Energy Tbk, PT AKR Corporindo Tbk, PT Indofood CBP Sukses Makmur Tbk, PT Indo Tambangraya Megah Tbk, PT Kalbe Farma Tbk, PT Telkom Indonesia Tbk, PT Perusahaan Gas Negara Tbk, PT Bukit Asam Tbk, PT United Tractors Tbk, PT Unilever Indonesia Tbk. With a 10-year observation period, namely 2012-2021 using quarterly data. This research uses a panel data regression analysis method and is processed using the Eviews 12 application. The results of this research show that partially firm size has a positive and insignificant effect on stock prices, while share sales and inflation have a negative and significant effect on stock prices.*

Keywords*: Stock Price; Firm Size; Share Sales; Inflation*

INTRODUCTION

The development of the Indonesian capital market cannot be separated from the growth of the domestic economy. The more advanced and developed the Indonesia capital market is, the more it will encourage and develop the economy The Indonesian capital market is one of the places where domestic and foreign investors invest. In the DSN-MUI fatwa No.40/DSN-MUI/X/2002, the capital market is a form of activity where securities companies carry out offers to buy and sell securities and other activities related to securities.

The Jakarta Islamic Index (JII) is a Sharia stock index that represents the concept of Sharia capital declaration for the Indonesian capital market. Companies whose shares are listed on the Jakarta Islamic Index (JII) do not violate Islamic law in their business activities (Hayati, 2016). The reason why the listed company Jakarta Islamic Index (JII) is the object of research is that Jakarta Islamic Index is the first Sharia stock index launched by the Indonesian capital market. Consists of 30 issuer shares, selected based on predetermined criteria based on liquidity and market capitalization considerations. On July 3, 2000, the Jakarta Islamic Index (JII) was released on the capital market to provide a reference for investors who wish to invest in Sharia equity instruments (OJK,

2022). Through this index, investors can obtain shares that can be used as an investment vehicle following Sharia principles.

Stock price fluctuations can be seen from several factors, one of which is the company's external and internal factors. One of the company's internal factors that can influence share price movements is company size. Company size is the size of a company. According to Rachmawati & Pinem (2015), company size shows the size of a company, which can be seen by total assets or total net sales. The greater the total assets or net sales of the company, the greater the size of the company and vice versa. Investors who tend to be careful will take into account the size of the company before investing. Compared to companies that have smaller assets, companies with large assets indicate that the company's cash flow has good prospects and indicate a company that is more stable and able to generate profits. Thus, company size can influence share prices, with a larger company size measured by the company's total assets, the share price will be higher and if the company size is smaller it will make the share price lower (Sholihah & Susilo, 2021).

One external factor that can influence share prices is share sales. Share sales is a term used to describe the condition of securities being traded on the capital market at a price level agreed upon by the seller and buyer of shares (Abdul & Nasuhi, 2000). A low number of share sales indicates that investors are less interested in investing, while a large number of share sales indicates that many investors are interested in buying and selling shares to increase the value of the shares. Regarding share trading volume, the settlement report contains information on the development of transaction volume. Trading volume data is important for investors to pay attention to because it can indicate how liquid the shares traded on the exchange are compared to the total number of shares outstanding (Nasution & Sulistyo, 2016). Apart from stock sales, the inflation rate is an external factor that must be considered in the investment process. Inflation is an economic indicator that causes an increase in the prices of goods and services within a period. Inflation is a macroeconomic phenomenon that can be both profitable and detrimental to a company. Tendelilin (2010) stated that inflation, which continues to increase shows a negative signal for various parties in the capital market. A high level of inflation can cause investors' interest in buying shares to decrease because investors' purchasing power decreases. This causes demand for shares to decrease, resulting in a decline in share prices.

LITERATURE REVIEW

Signaling Theory

According to F. Brigham (2011), actions taken by companies to inform investors about how management sees the company's prospects are called signals or indices. Companies publish important information for investors and businessmen because it provides information, notes, or descriptions about the past, present, or future conditions of the company's existence and how they affect the company. Ghozali & Chariri (2007), explain the influence of accounting information on decision-making behavior, where this theory is used to measure and evaluate the influence of economics, psychology, and sociology. Signaling theory emphasizes the importance of information released by the company on the investment decisions

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of parties outside the company. Information signals circulating can influence the actions taken by investors. Information can be said to be useful if it will be used in decision-making by the intended user, which is demonstrated by an association between events and returns, prices, or volume of shares in the capital market.

Investment According to an Islamic Perspective

Investment is a commitment to a certain amount of money or other resources currently invested, to obtain multiple profits in the future (Tendelilin, 2001). In conventional investment, someone who invests has various goals, including fulfilling obligations or debts, saving to get higher returns in the future, planning for retirement, and others.

In Islamic teachings, current assets are not only stored but must be produced so that they are useful in the future (Hidayat, 2011). Islam strongly recommends investment, but all economic activities are not permitted. All economic activities, including investment, must be carried out following Islamic principles which come from references in the Al-Quran and Sunnah of the Prophet Muhammad SAW then collaborated by ulama so that it is easy to understand in economic activities and business. The MUI DSN specifically regulates sharia principles, that is DSN-MUI No.80/DSN-MUI/III/2011 which regulates how to choose investments according to sharia and activities that violate sharia principles in investment activities, namely maysir, gharar, usury and others.

Capital Market

According to Fauzan (2018), the Sharia capital market is a capital market that has the same mechanisms as conventional capital markets but different principles. Everything related to the issuer, the type of securities traded, and the trading mechanism must comply with Sharia principles.

The capital market has a beneficial role and benefits in the country's economy because it creates conditions to meet the needs of industry or investors to meet the demand and supply of capital. Many industries and companies use this institution as a tool to receive investment and strengthen their financial position. The capital market has a very important meaning for the country's economy because it carries out two functions at once, namely the financial function and the economic function.

Islamic Capital Market

The definition of capital market is given by law number 8 of 1995 concerning capital markets (UUPM), namely activities related to public offerings and securities trading of public companies related to securities issued, as well as institutions and professions related to securities (OJK, 2022).

The Islamic capital market is not a system that is separate from the capital market system as a whole. In general, Sharia capital market activities are no different from conventional capital markets, however, there are several special characteristics of Shariah capital markets, namely that products and transaction mechanisms do not conflict with Sharia principles.

Stocks and Stock Prices

According to Darmidji & Fakhruddin (2001), shares are defined as a sign of participation or ownership of a person or entity in a company or limited liability company. Shares take the form of a piece of paper that states that the owner of the paper is the owner of the company that issued the securities.

Stock prices are created by the interaction of buyers and sellers who expect

company profits. Investors must take into account the share price, which is an important consideration when investing in the capital market because it reflects the value of the company. The higher the share price, the higher the value of the company. The forces of supply and demand determine stock prices on the exchange, which means stock prices are determined by market forces. Share prices tend to rise when there is more demand for shares, and conversely tend to fall when there is more share supply (Saptadi, 2007).

Firm Size

According to Hartono (2008) firm size is the size of the company which can be measured by total assets or the size of the company's assets using the logarithm of total assets. Firm size can be measured by total assets, sales, and market capitalization. A company with a high amount of assets is often considered a company with good prospects and can provide profits to shareholders, so that the shares can survive in the capital market and the share price will rise if many investors are interested in it.

Share Sales

Share sales or what is also called trading volume is the number of shares traded on the capital market which shows the market reaction of investors' responses to information entering the stock exchange. Stock sales reflect the force between supply and demand which is a manifestation of investor behavior. The greater the volume of supply and demand for a share, the greater the influence on share price movements on the stock exchange, and the increase in share sales shows that the public is increasingly interested in stock investors, so it will have an influence on rising stock prices or returns (Kurnia, 2019).

Inflation

Inflation is an increase in prices covering all goods and services. An increase in the price of one or two items cannot be defined as inflation unless the increase in the item extends to other items (Kurniasih & Kartika, 2020). According to Rahardja & Manurung (2008), inflation is a symptom of a general and continuous increase in the prices of goods.

RESEARCH METHODOLOGY

This type of research is quantitative with quarterly data. In this research, the independent variables are Firm Size, Share, Sales, and Inflation, and the dependent variable is the Price of Shares Registered on the Jakarta Islamic Index in the 2012-2021 period. This research uses secondary data with data obtained from the websites investing.com, bps.com, Yahoofinance.com, and ojk.go.id which are processed using the Eviews 12 application.

The analytical method used is panel data regression analysis to find out how big the influence of several independent variables is on the dependent variable. Then first the model selection is carried out, namely the Chow test and Hausman test, classical assumption tests (heteroscedasticity test and multicollinearity test), and hypothesis tests (t-test and R2). The following is the equation for the panel data regression model in this research:

$$HS_{it} = \alpha + \beta_1 FS_{it} + \beta_2 PS_{it} + \beta_3 INF_{3it} + e_{it}$$

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HS = Stock Price
a = Constant
$\beta_1, \beta_2, \beta_3$ = Coefficient Value
FS = Firm Size
PS = Share Sales
INF = Inflation
i = Total Company
t = Research Period
e = Error Term

RESULTS AND DISCUSSION

Model Selection

Table 1. Chow Test

Effects test	Statistic	d.f	Prob.
Cross-section F	30.300228	(9,386)	0.0000
Cross-section Chi-square	213.239145	9	0.0000

Source: Processed Data (2023)

Based on the Chow Test results in the table, it can be concluded that H0 is rejected because the value of Prob. The chi-square cross-section of 0.0000 is smaller than the significance level (0.05), meaning that the Fixed Effect Model is better than the Common Effect Model.

Table 2. Hausman Test

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f	Prob.
Cross-section random	10.299435	3	0.0162

Source: Processed Data (2023)

Based on the results of the Hausman test in the table, it can be concluded that H0 is rejected because the value of Prob. The cross-section of 0.0162 is smaller than the significance level (0.05), meaning that the Fixed Effect Model is better than the Random Effect Model.

Classic Assumption Test

Table 3. Multicollinearity Test

	Log(FS)	LOG(PS)	LOG(INF)
LOG(FS)	1.000000	-0.280322	-0.189484
LOG(PS)	-0.280322	1.000000	-0.031256
LOG(INF)	-0.189484	-0.031256	1.000000

Source: Processed Data (2023)

Based on the results of the multicollinearity test in the table above, it is concluded that the model does not contain multicollinearity. Because the correlation of the independent variables is <10.

Table 4. Heteroscedasticity Test

Heteroskedasticity Test: Harvey			
F-statistic	1.938777	Prob. F (2,69)	0.1228
Obs*R-squared	5.789975	Prob.Chi-Square (3)	0.1223
Scaled explained SS	3.326847	Prob.Chi-Square (3)	0.3439

Source: Processed Data (2023)

Based on the results of the heteroscedasticity test in Table 4.4 above, it is concluded that the model does not contain heteroscedasticity or that the model is homoscedastic. This is indicated by the value of Prob. Chi-square (3) on Obs*R-squared 0.1223 > 0.05.

Table 5. Multiple Linear Panel Data Test Result

Variable	Coefficient	Std. Error	t- Statistic	Prob.
C	3.421497	0.817706	4.184263	0.0000
LOG(FS)	0.025251	0.197793	0.127665	0.8985
LOG(PS)	-0.184533	0.042485	-4.343463	0.0000
LOG(INF)	-0.376067	0.174001	-2.161289	0.0313
Root MSE	1.528510	R-squared		0.405013
Mean dependent var	2.259977	Adjusted R-squared		0.386516
S.D. dependen var	1.984081	S.E. of regression		1.554036
Akaike info criterion	3.751626	Sum squared resid		932.2002
Schwarz criterion	3.881592	Log likelihood		-735.4494
Hannan-Quinn criter	3.803100	F-statistic		21.89615
Durbin-Watson stat	0.960735	Prob(F-statistic)		0.000000

Source: Processed Data (2023)

Based on the results of the panel data regression analysis test, it is known that the constant value in the coefficient column is 3.421497. The coefficient value on the firm size variable is 0.025251, the coefficient value on the share sales variable is -0.184533 and the coefficient value on the inflation variable is -0.376067%. The equations for this research's panel data regression model are:

$$LOGHS_{it} = 3{,}421497 + 0{,}025251LOGFS_{it} - 0{,}184533LOGPS_{it} - 0{,}376007LOGINF_{it} + e_{it}$$

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The constant value of 3.421497 can be interpreted as if the variables firm size, share sales, and inflation are considered constant or have a value of 0 then the share price value is 3.421%.

The first hypothesis test is the influence of firm size on stock prices. The regression coefficient value obtained was 0.025251 and the t-statistical test significance value obtained was 0.8985 > 0.05, the probability of the firm size variable being greater than the significance level. The results of the regression test of this research show that the firm size variable has a positive and insignificant effect on the dependent variable, namely share prices. This shows that every 1% increase in firm size will increase the share price by 0.025251%.

In general, large companies will have more assets, so they tend to operate at their maximum level. Larger companies have a greater opportunity to maintain share prices and even increase their share prices in the capital market. Because the factors that influence the growth of a company are not only seen by how big it is, we cannot predict the profits that the company will make. The results of the test state that firm size has a positive and insignificant effect on stock prices and this shows that the size of the firm size only has a small effect on the size of the stock price. This research does not follow signaling theory which states that firm size has a positive influence on stock prices. According to Ernawati (2016), investors think that large companies cannot always provide high levels of return, and conversely, small companies do not rule out the possibility of providing high levels of return for investors. This is what makes firm size not have a significant effect on share prices.

The results of this research are in line with research by Sigar & Kalangi (2019) which found that firm size has a positive but insignificant effect on stock prices. This is because firm size does not play an important role in contributing to increasing share prices and investors do not take firm size into account, which in this case looks at total assets when investing. However, in contrast to researchers Siregar & Nurmala (2018) who found that firm size has a significant effect on share prices, this is because investors are still more focused on the financial factors of a company.

Based on the results of the regression test, it can be seen that the t-statistical probability level for the share sales variable is lower than the significance level, namely 0.0000 < 0.005. In the regression model, it can be seen that the coefficient value of the share sales variable has a negative regression coefficient value, this indicates that the direction is negative or has an opposite relationship from the share sales variable to the share price variable. This means that the share sales variable has a negative and significant effect on share prices. The beta coefficient value obtained from the share sales variable is -0.184533. This shows that every 1% increase in share sales will reduce the share price by 0.184533%.

The increase in share sales illustrates the strength between supply and

demand which is the implementation of investor behavior. Stock sales are one of the factors that influence stock movements. The research results show that the regression coefficient value in the panel regression equation shows a negative sign in the opposite direction, meaning that if share sales increase, share prices will decrease. The results of this research are not in line with signaling theory which states that the greater the number of shares being traded, the higher the share sales so that investors' interest in investing their capital in share buying and selling activities will have an impact on the company's share price movements.

The results of this research are in line with research by Abidin et al., (2016), which states that share sales have a significant negative effect on share prices. It can be seen that share sales can indicate the condition of securities being traded on the capital market. However, this is contrary to Yanti's (2021) research, which found that share sales did not affect share prices.

Based on the results of the regression test, it was found that the probability of the t-statistic for the inflation variable was lower than the significance level, namely 0.0313 < 0.05. In the regression model, it can be seen that the regression coefficient value of the inflation variable has a negative coefficient value, which means it shows a negative direction or has an opposite relationship from the inflation variable to stock prices. It can be seen that the inflation variable has a negative and significant effect on stock prices. The beta coefficient value of the inflation variable is -0.376067, this shows that every 1% increase in inflation will reduce stock prices by 0.376067%.

The occurrence of inflation will affect the increase in production costs. High production costs cause the selling price of produced goods to rise. This will reduce people's purchasing power, and the decrease in people's purchasing power will result in a decrease in company sales which will result in a decrease in company profits. As is known, company profits are one of the factors that influence investors' decisions to buy shares. If the company's profits are small, investors tend to be reluctant to invest their capital, and demand for shares will decrease. Decreased demand for shares causes the company's share price to also decrease. The results of this research are that the inflation variable has a negative effect on stock prices which is in line with signaling theory which states that relatively increasing inflation shows a negative signal for parties in the capital market.

The results of this research are in line with research by Ardiyani & Armereo (2016), which found that inflation had a significant negative effect on stock prices. If inflation increases, stock prices will decrease. However, this is in contrast to research by Fahlevi (2019) which states that inflation has no effect on stock prices because the average inflation that occurred during the research period was below 10%. If the inflation rate is below 10% the market can still accept it, if the average inflation rate is above 10% then the capital market will be disrupted.

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CONCLUSION

Firm size has a positive and insignificant effect on share prices, which shows that firm size has little influence on the share prices of companies listed on the Jakarta Islamic Index for 2012-2021. This is because the factors that influence the growth of a company are not only seen from how big the company is and cannot predict the profits that the company will make. Investors assume that large companies cannot always provide high levels of return, and conversely, small companies do not rule out the possibility of providing high levels of return for investors.

Share sales have a negative and significant effect on the share prices of companies listed on the Jakarta Islamic Index for 2012-2021. This is because historically share sales have been linked to market prices on the stock exchange because share sales are considered a measure of market strength or weakness following the law of supply and demand. The greater the number of shares being traded, the higher the share sales so that investors' interest in investing their capital in share buying and selling activities will have an impact on the company's share price movements.

Inflation has a negative and significant effect on share prices listed on the Jakarta Islamic Index for 2012-2021. Inflation has a negative effect because inflation will influence increasing production costs. This will reduce people's purchasing power. This decrease in purchasing power causes demand for shares to decrease so that there tends to be a decline in share prices. As is known, company profits are one of the factors that influence investors' decisions to buy shares. If the company's profits are small, investors tend to be reluctant to invest their capital, so share prices experience a decline due to a lack of demand for these shares. This is what causes inflation to affect negatively stock prices, so if inflation increases it will cause stock prices to decrease.

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