

CHAPTER I

INTRODUCTION

1.1.BACKGROUND OF RESEARCH

The capital market is a meeting place between those who have surplus funds with the parties that require funding by way of trade in securities. The purpose of Indonesian capital market are to divert funds from the public in order be transmitted to more productive sectors, and come to realize equitable distribution of income through the ownership of company shares (Tandelilin 2010).

Capital Market Law No. 8 of 1995 on Capital Market defines the capital market as an activity concerned with public offering and securities trading, publicly related companies with the stocks it publishes, as well as the relevant institutions and professions with stocks. Financial instruments are traded in the capital market is a long-term instrument (period of more than 1 year) such as shares, bonds, mutual funds, warrants, rights, and various derivative instruments such as options, futures and others.

Capital markets has two functions, which is economic functions and financial functions. Capital markets economic function are to provide facilities to those who have excess capital (investors) with those who need capital (issuers) .While the capital market is said to have the finance function for providing opportunities and possibilities for owners of capital (investors), the capital market to obtain the results, according to the type of investment chosen. Both of these roles is important for the economy of a country, due to the availability of funding

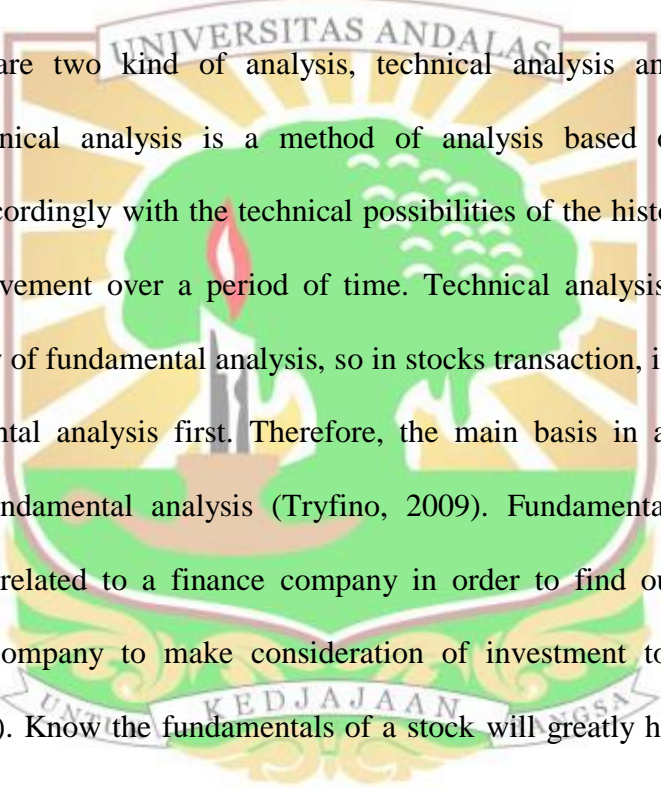
sources, then the company can move and increase revenues, boosting the country's economy.

Stock price as one indicator to measure the success of the company's management, where the market power in the stock market is shown by the transaction of company's shares in the capital market. The terms of the transaction are based on investor's observation of the company's achievement in increasing profit. Unsatisfied shareholders of the management's performance may sell the shares owned and invest the money to other companies. If this is done, it will lower the stock price of a company.

The price movement of stock affected by internal factors and external factors. Internal factors are also called fundamental factors are factors that come from within the company and can be controlled by company management. Internal factors are related to the income that will be obtained by the investors either in the form of dividends or capital gains. External factors are non-fundamental factors, usually macro, such as political and security situations, changes in currency exchange rates, fluctuations in bank interest rates, and speculative rumors by speculators or people who want to profit from the situation (Nirawati, 2003). These factors will affect public demand and supply of stocks traded in the capital market. So it also affects the stock price of the company, whether there will be an increase in stock prices or vice versa.

One of Sector in Indonesia Stock Exchange (IDX) is Agri or agribusiness that consist of three sub sectors which is crop, plantation, and fishing. Indonesia

known as agrarian country, even though consider as agrarian country, number of company that listing are still lacking, out of five hundred sixty one company that listing in Indonesia Stock Exchange (IDX) there are 21 company listed in agribusiness sector in 2017, and just one of them, AALI are listed in LQ45 index, or consider as one of the stock that meet the criteria of the largest market capitalization and has a high level of trading liquidity in Indonesia Stock Exchange.



There are two kind of analysis, technical analysis and fundamental analysis. Technical analysis is a method of analysis based on stock price movements accordingly with the technical possibilities of the historical statistical data of its movement over a period of time. Technical analysis considered as complementary of fundamental analysis, so in stocks transaction, investors should do a fundamental analysis first. Therefore, the main basis in analyzing stock prices with fundamental analysis (Tryfino, 2009). Fundamental Analysis are studies things related to a finance company in order to find out the financial condition of company to make consideration of investment to the company (Sawidji, 2015). Know the fundamentals of a stock will greatly help investors to avoid buying poorly performing stocks, a poor performing stock is a stock of a company that is may not result in continuous profits or losses. Conditions like this would have an effect against stock price movements. Fundamental analysis is also used to analyze the fairness of a stock's price. Measuring the fairness of a stock is usually by comparing certain financial ratios with other moving stocks in the same business. A fairly effective method of fundamental analysis is used by investors

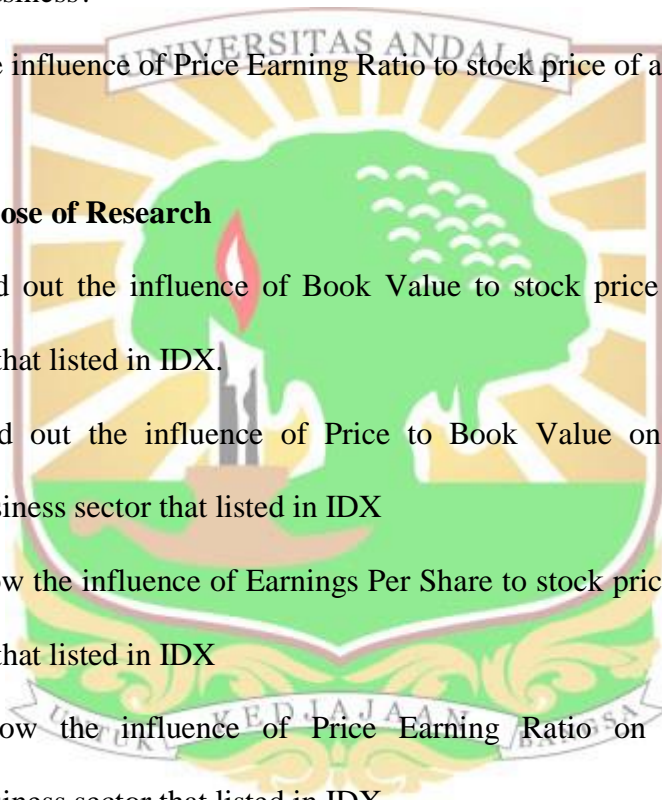
such as Book Value, Price to Book Value, Earning Per Share, and Price Earning Ratio (Tryfino, 2009)

1.2. The Research Question

1. Is there any influence of Book Value to stock price of agribusiness?
2. Is there influence Price to Book Value to stock price of agribusiness?
3. Is there any influence of Earnings Per Share on stock price of agribusiness?
4. Is there influence of Price Earning Ratio to stock price of agribusiness?

1.3. The Purpose of Research

1. To find out the influence of Book Value to stock price of agribusiness sector that listed in IDX.
2. To find out the influence of Price to Book Value on stock price of agribusiness sector that listed in IDX
3. To know the influence of Earnings Per Share to stock price of agribusiness sector that listed in IDX
4. To know the influence of Price Earning Ratio on stock price of agribusiness sector that listed in IDX



1.4. The Benefit of The Research

1 For Author

As a vehicle for the author to train and develop his skill and ability in the field of research, as well as add some insight and knowledge about some factor that able to influence stock price such as BV, PBV, EPS, and PER

2 For Investors

This research is expected to increase investor's knowledge of financial information in making decision to invest in capital market, so it can minimize the risk that may occur as a result in purchasing shares in capital market.

3 For the Company

For the research company is expected to be used as an information about the business or how to go if the company has financial difficulties and the level of exit so that the company does not go bankrupt.

4 For Other Parties

The results of this study are expected to be used by other parties concerned, both as a reference and as material theory for further research.

1.5. Scope of Research

In order to make this study can be discussed more thoroughly and can reach expected targets, so the research gap should be required. Based on the existing of problem identification, this study focuses on agribusiness sector companies that listed in IDX last 6 years that have complete financial report.

1.6. Outline of Research

This thesis is prepared using the following systematic:

CHAPTER I INTRODUCTION

Contains background and formulation of the problem, the objectives to be achieved, the benefits of the research, and writing systematic thesis is used.

CHAPTER II LITERATURE REVIEW

Contains theories include previous research, understanding about Book Value(BV) , Price to Book Value(PBV), Earnings Per Share (EPS) and Price Earning Ratio(PER), review past research and the research hypothesis.

CHAPTER III RESEARCH METHODOLOGY

The chapter raised about frame of mind, population, samples, and sampling, the operational definition of variables, sources and types of data and techniques of data collection, and data analysis techniques used.

CHAPTER IV RESULTS AND DISCUSSION

This chapter contains an overview about the object of study, history establishment of the company, organizational structure, and the process of data analysis and discussion.

CHAPTER V CONCLUSION

Writing will conclude the issues discussed based analysis that has been carried out, with suggestion as input for the continuation and development of research.

