CHAPTER I
INTRODUCTION

A. Background

Capital market is one of the means to overcome the problems of corporate liquidity as well as one means of investment for parties who have excess funds. One of the main instruments in analyzing the company's fundamental condition is financial information, because it reflects the health condition and prospects of the company in the future. Investments in capital markets fall into the category of high liquidity investment and can be converted (easily convertible) It is important for issuers to capital users in accordance with company value. Because corporate values are a measure of financial functions.

Stock is a letter of evidence from the company (Tandelilin, 2007). The shareholder will receive money in the form of dividends and capital gains that will be shared by companies earning profits. investors should be responsible for investment. One of the things that investors focus on is the stock price. The price of money is the present value (present value) of the round-which will be accepted by the financier in the future. In addition to providing benefits, stocks also have risks that cannot be exchanged for granted. The higher expected return, the higher risk will be involved investors (Husnan and Pudjiastuti, 2004). Every stage of time, stock return and prices in the capital
market. The stock return that investors expect is a stable stock price with possible patterns up from time to time.

According to Zuliarni (2012), the lower the stock return in the stock exchange, it will reduce investor confidence in the value of the company. Information relevant to the company, can increase investor confidence in the capital that has been issued. Zuliarni (2012) explain the condition of the company related to the company's financial performance. The measure of financial performance used is the company's financial statements, which is one of the factors affecting stock return. While the analysis used to create financial statements by using financial ratios. The companies will be able to use capability in fulfillment for investors and also an important element in the company that shows its prospects in the future. Because the company's ability to generate profits in operational activities is a major focus in corporate achievement.

The main purpose of financial statements is to provide information useful to investors, creditors, and other users both current and potential. The second objective is to provide information to help investors, creditors, and other good use in terms of amount, time, uncertainty in receipt of future dividends and interest. The second purpose of the financial statements contains the meaning that investors want information about the results and risks on investments made.
Basic information is information relating to general company conditions in the financial statements which is one measure of company performance. There are some lucrative aspects, namely liquidity, time, debt (solvency) or leverage, profitability, and market value. Financial ratios to explain the strength and error of existing prices in the capital market. Fundamental analysis conducted in this study is the liquidity ratio represented by the Current Ratio, profitability ratios represented by Return On Assets, Earning Per Share and solvency ratio (capital Structure) represented by Debt To Equity Ratio while in market ratio represented by Price Earning Ratio.

From the background presented, the author is interested to conduct research with the title “THE INFLUENCE OF LIQUIDITY, PROFITABILITY, CAPITAL STRUCTURE AND MARKET RATIO TOWARDS COMPANY’S STOCK RETURN AND STOCK PRICE IN COMPAS 100 INDONESIA STOCK EXCHANGE PERIOD 2016-2018”

B. Research problem

From the background above, the formulation of this research problem are as follows:

1. Does the liquidity ratio (CR) have effect on stock return and stock price?
2. Does the profitability ratio (ROA & EPS) have effect on stock return and stock price?
3. Does the capital structure (DER) have effect on stock return and stock price?
4. Does the market ratio (PER) have effect on stock return and stock price?

C. Research purposes

1. To analyse the influence of liquidity ratio (CR) on stock return and stock price.
2. To analyse the influence of profitability ratio (ROA & EPS) on stock return and stock price.
3. To analyse the influence of capital structure (DER) on stock return and stock price.
4. To analyse the influence of market ratio (PER) on stock return and stock price.

D. Potential research contributions

1. Benefits for investors and potential investors are to be a consideration in making stock investment decision companies to obtain optimal returns and price.
2. For issuers, the results of this study are expected to be used as one of the basic considerations in decision making in the field of finance, especially in order to maximize the performance of the company and shareholders, so
that the company's stock can continue to survive and have a great return and price.

E. Systematics of Thesis Writing

Systematics of writing is used in this thesis so that readers can easily understand the research flow referred by the author. The systematic writing of the thesis used are as follows:

CHAPTER I INTRODUCTION

In this chapter, the author includes the background of the study, the formulation of the study, the purpose of the study, the benefits of the study and the systematic writing of the thesis.

CHAPTER II: LITERATURE REVIEW

For this chapter, the author explains various theories that form the basic of analysis in this study which include: Agency Theory (Agency Theory), Legitimacy Theory, Stakeholder Theory (Stakeholder Theory), Corporate Social Responsibility, Good Corporate Governance, and Hypotheses.

CHAPTER III: RESEARCH METHOD

In this chapter the author provides an explanation of the research framework, population and sample research designs, data and data sources, data collecting methods, operational definitions of variables, measurements, and data analysis techniques.
CHAPTER IV: RESEARCH RESULTS AND DISCUSSION

In this chapter the authors describe the results of data analysis and discussion.

CHAPTER V: CONCLUSION

This chapter contains conclusions, limitations of research and advice.