

**ANALYSIS OF FINANCIAL PERFORMANCE OF STOCKS ENTRY IN MINING AND BANKING SECTORS IN LQ45 INDEX****ANALISA PERFORMA FINANSIAL DARI SAHAM DI BIDANG PERTAMBANGAN DAN PERBANKAN YANG TERDAFTAR DI INDEX LQ45**

by

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**Abstract:** Every period of 6 months, LQ45 assessed the shareholder's companies listed inside. As an index of most traded stocks, the LQ45 Index is essential for the market and company. Mining and Banking sectors included in the Index are the most leading sectors for the market's cantilever, which relate to the country's economic condition. Movement of stocks from these two sectors are leads the Index, based on their financial performance of each company. This paper aims to analyze the performance of companies within their entry of stocks, distinctively for the mining and banking companies. This research examines the influence between the stock market and financial variables such as market capitalization, return on assets, debt to equity ratio, and operating profit margin. This research uses a quantitative method by taking secondary data from companies' financial reports. Secondary data is dated on the first course of 2017 to 2019. The result shows that the In/Out shares significantly affect each of the financial variables, except for the market capitalization.

**Keywords:** *in/out shares, market capitalization, ROA, DER, OPM*

**Abstrak:** Setiap 6 bulan sekali, LQ45 selalu menilai perusahaan-perusahaan yang terdaftar. Sebagai kumpulan dari saham yang paling banyak ditransaksikan, LQ45 sangat penting bagi pasar dan perusahaan. Sektor pertambangan dan perbankan yang termasuk di dalam indeks adalah sektor yang memimpin saat ini, hal ini memiliki korelasi dengan keadaan ekonomi negara. Pegerakan saham dari dua sektor ini saat ini yang menjadi pemimpin, hal ini berdasarkan performa finansial perusahaan. Tujuan dari penelitian ini adalah untuk menganalisa performan perusahaan yang ada, terutama perusahaan yang bergerak di bidang pertambangan dan perbankan. Penelitian ini bertujuan untuk melihat pengaruh antara pasar saham dan variabel finansial yang ada seperti kapitalisasi pasar, ROA, DER dan OPM. Penelitian ini menggunakan metode kuantitatif dengan mengambil data sekunder dari laporan keuangan yang ada dari tiap perusahaan. Laporan keuangan tersebut diambil dari tahun 2016-2018 dari perusahaan-perusahaan yang ada. Penelitian ini menunjukkan bahwa in/out share (variabel independent) memiliki efek yang signifikan terhadap variabel finansial yang ada, kecuali kapitalisasi pasar.

**Kata Kunci:** *in/out shares, kapitalisasi pasar, ROA, DER, OPM*

## INTRODUCTION

### Research Background

Indonesian Stock Exchange (IDX) or Indonesian capital market is a part that organizes and provides the system to bring together the buyers and sellers of securities. IDX is a place where securities are offered and traded. The Capital market refers to a broad spectrum of tradeable assets that includes the stock market and other venues for selling different financial products. The stock market allows investors and banking institutions to trade stocks, either publicly or privately. Stocks are one of the most popular financial market instruments. Issuing shares is one of the choices of the company when deciding to fund the company.

On the other hand, stocks are an investment instrument that many investors choose because the stock can provide an attractive level of profit. IDX has the vision to become a competitive exchange with world-class credibility. Its mission is to provide infrastructure to support the regular, fair, and efficient securities trading accessible to all stakeholders. The IDX stakeholders are continuously monitored and evaluated by the Indonesia Composite Index (ICI) or known as IHSG. This ICI is the basic standard to measure all the stocks inside IDX; one of the ICI's derivative Index is the LQ45 Index.

LQ45 is a collection of 45 stocks on the Stock Exchange that have the most liquid transactions or the most traded in a period of six months. The LQ45 Index was launched in 1997. Every six months, the IDX also conducts an assessment of the LQ45 Index, where stocks with declining performance will be excluded from the Index. Some selection criteria to determine an issuer can be included in the LQ45 index calculation are:

Being in the TOP 95% of the total annual average transaction value (trading volume) of shares in the regular market. It is in the TOP 90% of the annual average market capitalization. It Represents the highest order, which also represents the sector in the JSX industry classification according to the market capitalization value.

The purpose of ranking the LQ45 Index is a complement to the CSPI and provides an objective and trusted tool for financial analysts, investment managers, investors, and other capital market observers in monitoring the price movements of actively traded shares. Companies listed on the Indonesia Stock Exchange are divided into nine sectors: the agricultural sector, mining sector, primary industry sector, miscellaneous sector, consumer goods sector, property sector, infrastructure sector, finance sector, and trade sector. Each sector has several sub-sectors.

The mining and banking sectors are the most stable sectors when hitting by several cases. The last prediction of OJK tells that as the pandemic situations hit the country, the economic situations will be decreased. This situation will not affect the condition of the banking sectors. Assume that there is a strong position for the banking sector to thrive and get investors' interest, but indeed the condition was the same before the pandemic. Meanwhile, the recent number of gold trade shows there is an increasing value of gold. For example, PT Aneka Tambang Tbk (ANTAM) gold reach a number of 1million IDR. On the contrary, this shows the unstable market condition, where the investors prefer the gold to invest than obligation or even stocks. Essentially, the LQ45 Index includes the most liquid and, indirectly, the steadiest companies within their sectors. The JCI (Jakarta Composite Index) managed to strengthen 93.89 points or 1.98% to 4,847.51 at the close of trading on the IDX. The ten biggest movers of the JCI today are shares of PT Bank Rakyat Indonesia Tbk (BBRI), which contributed to 24.3 points increase in the JCI. PT Bank Central Asia Tbk (BBCA) contributed 17.9 points, PT Unilever Indonesia Tbk (UNVR) by 11.5 points, and PT Telekomunikasi Indonesia Tbk (TLKM) added a weight of 8.6 points. Shows that banking sectors are leading the Index of JCI. It is interesting to see how these two sectors relate to the economic condition of the country. Whether both show good and stable numbers, the economic situations are not into that view. What is the real point that could answer the effect of that two sectors on the market, and why are they have the negative sign of relation between the market variables and the economic situations, are the problems that fundamentally included in this topic of research.

### Research Objective

The research objectives are:

1. To identify the significant effect of Market Capitalization to the stream of in/out stocks inside the Index
2. To identify the significant effect of company's Debt to Equity Ratio to the stream of in/out stocks inside the Index
3. To identify the significant effect of Return on Assets to the stream of in/out stocks inside the Index
4. To identify the significant effect of company's Operational Profit Margin to the in/out stocks inside the index

## THEORETICAL REVIEW

### Stock Market

The definition of stock market is an assortment of markets and exchanges where regular activities of purchasing, selling, and issuance of shares of publicly-held companies take place. The stock market is a publicly held stock trading market and related financial instruments (including stock options, trading and stock index forecasts). Capital market is a place where various parties, especially companies sell shares and bonds with the aim of the proceeds of the sale will be used as additional and or strengthen the company's capital (Fahmi, 2013). The function for the market is that the stock market is a meeting place between those who have more funds and those who need funds by trading securities.

### Stock Prices and Share

Along with the increase in trading activities, the need to provide more complete information to the public about the development of exchanges is also increasing. One of the required information is the stock price as a reflection of stock price movements. The stock price index is the main indicator that describes the movement of stock prices. In the capital market, an index is expected to have five functions, namely: as an indicator of market trends, financial level indicators, as a benchmark for the performance of a portfolio, facilitate portfolio formation with a passive strategy, facilitate the development of derivative products. Shares can be defined as a sign of ownership or ownership of a person or entity in a company or limited liability company (Tjiptono, 2011).

### Investment

Investment is an asset or item acquired with the goal of generating income or appreciation. Investment is the purchase of goods that are not consumed today but are used in the future to create wealth. In finance, an investment is a monetary asset purchased with the idea that the asset will provide income in the future or will later be sold at a higher price for a profit. Those who doing investment called Investor. Investors will certainly pay attention to the fundamental aspects in assessing the expected return they will get because the investor is assumed to be a rational person. The method used by investors in funding companies is to measure financial performance regularly, so investors can choose prospective stocks, so that from fundamental information that is often used to predict stock prices. An investment in an activity that has a relatively long period in various business midwives (Kasmir and Jakfar, 2012).

### Indonesia Stock Exchange

Indonesia Stock Exchange (IDX) is the organizes and provides a system as well as a means to bring together the sale and purchase offer of other parties for the purpose of trading securities between them. Securities Exchange is a Person who organizes and provides a system and / or means to bring together the sale and purchase offers of other parties with the aim of trading Securities between them. There are several index listed in IDX. There are 14 for stocks index, 1 family sector index, 1 family of board register index, 5 indexes for each obligations index, and for the total there are 24 indexes. The stocks index is an indicator to describe the movement of stock prices in a period. This collection of index shows the trends in the market, the movement of stocks whether is rise or fall. The very first index for the stocks index is Jakarta Composite Index (JCI) also known as IHSG which led to other derivate index such as LQ45, IDX30, IDX80, IDXV30, etc.

### LQ45 Index

LQ45 index is an index of a group of stocks with good liquidity levels and a good reference for investors, traders, brokers, and stock analysts to see the development of stocks and markets. The Indonesia Stock Exchange (IDX) sets stock criteria to be included in the LQ45 index, which is ranked in the top 60 in the last 12 months, by looking at the transaction value or trading volume; has the largest ranking based on average market capitalization over the past 12 months; and has been listed on the IDX for at least the last 3 months. LQ45 is a collection of 45 stocks on the Stock Exchange that have the most liquid transactions or the most traded in a period of six months. The LQ45 index was launched in 1997. The IDX every 6 month also conducts an assessment of the LQ 45 Index, where stocks with declining performance will be excluded from the index.

### Mining and Banking Sectors

Mining Sector are all the company industry dedicated to the location and extraction of mineral reserves around the world. The example is that the global reserves of minerals are mined for profit and then used in



industrial applications and investments. Production of minerals such as coal, copper, gold, tin, bauxite and nickel. Indonesia's mining sector has long been the powerhouse and key pillar of Indonesian economic expansion. Banking is one of the subsector in the financial sector in LQ45. The banking sector is the section of the economy devoted to the holding of financial assets for others, investing those financial assets as leverage to create more wealth and the regulation of those activities by government agencies. The banks hold the financial assets for its clients, with a promise the money may be withdrawn if the individual or business needs said assets back.

### Financial Performance

Financial performance is an analysis conducted to see the extent to which a company has implemented the rules of financial implementation correctly and adequately. Performance evaluation of each company is different because it depends on the scope of the business it runs (Fahmi, 2011). Financial performance is a tool to assess a company's performance and financial condition, where a financial analysis requires a certain measure. A measure often used is a ratio or index that links the relationship between two or more economic data. Analysis and interpretation of various rates will better understand financial performance and conditions than analyzes that only present financial statement data. Financial ratio analysis is a company analysis instrument aimed at showing changes in the company's financial situation. The strengths and weaknesses of the company in the financial sector can be known. Financial ratio analysis can also be used as an early warning system for the deterioration of the company's financial condition, which results in not providing certainty about the company's going concern, especially for companies that go public.

### In/Out Share

In/Out Shares means the stream of the stocks/shares recorded in an Index, in this context means the shares in the LQ45 index. Shares listed in LQ-45 are shares that are always updated every 6 months in accordance with the criteria set by the IDX. If there are shares that are not included in the criteria, they will be replaced with other shares that meet the requirements. The selection of LQ 45 shares must be reasonable, therefore the JSX has an advisory committee consisting of experts at BAPEPAM, Universities, and Professionals in the capital market.

### Market Capitalization

The market capitalization, is the total value of shares of a firm, a sector, or a market. If a company has common and preferred shares, the market cap is the sum of its common and preferred shares multiplied by the current stock price. Market Capitalization use to show the size of a company is important because company size is a basic determinant of various characteristics in which investors are interested, including risk.

### Previous Research

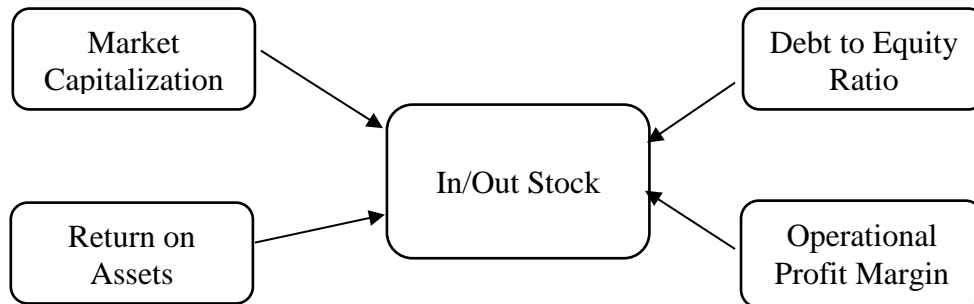
Gupta (2012), in an empirical analysis of stock market performance and economic growth evidence from India, found findings regarding market performance and growth. "The research results find that understanding causa; between economic growth and stock market may assist investors in their estimates of the future movements of the stock markets. This is important for investors in making asset allocation decisions."

Karamoy and Tasik (2019) in *Peran Eksistensi Saham di LQ45 pada Kinerja Profitabilitas Perusahaan* shows the correlation between stocks' existence status in LQ45 index affects the profitability performance of companies in the past affected currents.

Shkilko and Ness (2007) in locked and crossed markets on NASDAQ and the NYSE also found findings regarding locked and crossed markets. "This study finds that the NASDAQ inter-market is locked or crossed about 10% of the time, with all the NASDAQ sample stocks affected by non-positive spreads."

Prasetya and Tasik (2017), in an analysis of the impact of the stock financial variable on in/out stock LQ45 (period of 2014-2015), show findings regarding financial variables. "When index LQ-45 increases, IHSG will rise and vice versa. This happens because stocks in the LQ-45 index are stocks that have large market capitalization value, thus directly impacting IHSG. BEI, in this case, set the criteria for stocks to enter the LQ-45".

### Conceptual Framework



**Figure 1. Conceptual Framework**

Source: Data Processed, 2020

## RESEARCH METHOD

### Research Approach

This research population is the Stocks from companies, particularly the mining and banking subsector companies listed in LQ45, several times. The data used in this study are the secondary data from 2016 to 2018 by list the number of companies. A list of the companies can be taken from the IDX directly and adjusted in the LQ45 index. The secondary data used is quantitative.

### Population, Sample, and Sampling Technique

The population of this research is companies listed and joined in LQ45 on the Indonesia Stock Exchange with a research period of 2017-2019. The sample consists of the companies that during this certain period met the requirements, which are the banking and mining companies listed on the Indonesia Stock Exchange during the period 2017-2019 had complete information on financial performance such as ROA, GDP, ROE, etc. For the sampling technique, researcher able to gather all the data from resources which are all the financial reports from 14 banking and mining companies listed in LQ45 Index from period of 2017 first quarter to last quarter of 2019, total there are 84 financial reports.

### Data Collection Method

The data used in this research are secondary data. Data collection method plays an important role in impact evaluation by providing useful information to understand the process behind observed result. Data collection techniques used in this study are by reaching data via the internet, finding the list of companies and its financial report. Assembling the data from the internet and the main source is in the IDX website.

### Operational Definition of Research Variables

**Table 1. Variable Definition**

Variable	Definition	Indicators
Market Capitalization ( $X_1$ )	Total value of shares of a firm, a sector, or a market.	-Number of Shares -Stock Price
Return on Assets ( $X_2$ )	Profitability ratio that shows the company's ability to generate profits from the assets used	-Total Asset -Measuring Instrument
Debt to Equity Ratio ( $X_3$ )	Financial ratio indicating the relative proportion of shareholders' equity and debt used to finance a company's assets.	-Total Liability -Total Equity
Operational Profit Margin ( $X_4$ )	Measures how much profit after paying all the variable costs of production before paying interest or tax.	-Operation Profit -Total Sales -Net Sales
In/Out Share in the LQ45 Index ( $Y$ )	Shares listed in LQ-45 are shares that are always updated every 6 months in accordance with the criteria set by the IDX.	-Market Capitalization

-Stocks Have the  
Target Transaction  
Value  
-Stocks Been in the  
Index for Long  
Period

Source: Author's Note, 2020

### Binary Logistic Regression

Binary logistic regression is used to predict the odds of being a case based on the value of the independent variables (predictors). The odds are defined as the probability that a particular outcome is a case divided by the probability that is a non-case. The analysis used in this research is binary logistic regression using STATA assistance to process data. This technique is used to determine the relationship of independent variables with the dependent variable. The independent variables consist of market capitalization (MC), Return on assets (ROA), Debt to Assets Ratio (DER), and Operating Profit Margin (OPM). The independent variable is In/Out of the stocks. From this method, we can analyze the chances of stock to exit or enter LQ-45 based on value or if there is a change in the value of the independent variable used.

### Multicollinearity

Multicollinearity is a problem occurs when the explanatory variables are very highly correlated with each other. The multicollinearity is absence of correlation between two or more independent variables, as this makes it difficult to determine the separate effects of individual variables. The simplest diagnostic is to use the correlation coefficients, extreme multicollinearity being represented by a correlation coefficient of 1. The rule of thumb is that the presence of high correlations (generally 0.90 and above) indicates substantial multicollinearity. Other common measures include the tolerance value and its inverse, the variance inflation factor (VIF). Hair et al. (2006) recommend that a very small tolerance value (0.10 or below) or a large VIF value (10 or above) indicates high multicollinearity.

### Heteroscedasticity

Heteroscedasticity is the errors do not have a constant variance. Then, to estimating the coefficients of the regression model, the least square is not the most efficient procedure. The scatter plot is the residuals against an independent variable. To consider one illustration of heteroscedasticity, suppose that a regression had been estimated and the residuals have been calculated and then plotted against one of the explanatory variables

### Odds Ratio

Odds ratio is a measure of risk or tendency to experience 'success' events between one category and another, defined as the ratio of odds for  $x_j = 1$  to  $x_j = 0$ . This odds ratio states the risk or likelihood of the effect of observation with  $x_j = 1$  is the number of times fold when compared to observations with  $x_j = 0$ . For independent variables that have a continuous scale, the interpretation of the coefficient  $\beta_j$  in the logistic regression model is that any increase in  $c$  units of the independent variable will cause the risk of  $Y = 1$ , is exp ( $c \cdot \beta_j$ ) times bigger.

## RESULT AND DISCUSSION

### Result

**Table 2. Multicollinearity Test**

	logkp	ROA	OPM	DER	InOut
Logkp	1.0000				
ROA	-0.1266	1.0000			
OPM	0.2262	0.1610	1.0000		
DER	-0.2929	0.2298	0.1159	1.0000	
InOut	0.2965	-0.0200	0.1875	-0.1676	1.0000

Source: Data Processed, 2020



To detect multicollinearity in regression model, we have to see that if the correlation of each variable has more than 0.8% number and that means the variable must be strongly collinear. Shown that there are no variables has the level above 0.8% so the variables are not correlate well, means that the data is normal.

**Table 3. Heteroscedasticity Test**

Source	SS	df	MS			
Model	683906958	4	.170976739			
Residual	1.6834324	72	.023381005			
Total	2.36733935	76	.031149202			
e <sup>2</sup>	Coef.	Std. Err.	T	P> t	[95% Conf.]	Interval
MC	-.0049394	.0026985	-1.83	0.071	-.0103188	.0004399
ROA	-.0004707	.0026181	-0.18	0.858	-.0056897	.0047484
DER	-.0252741	.0066413	-3.81	0.000	-.0385133	.0120349
OPM	-.0005658	.0011738	-0.48	0.631	-.0029056	.001774
_Cons	.3201741	.0605792	5.29	0.000	.1994116	.4409366
Number of	77					
Obs						
-F (4, 72)	7.31					
Prob > F	0.0001					
R-squared	0.2889					
Adj R-squared	0.2494					
Root MSE	.15291					

Source: Data Processed, 2020

After generating the squared residual on the variables, found that the F statistics is 7.31 and the P value is 0.0001. The value is below 1% means that there is the strong rejection of the null that is not significance which can be conclude that there is heteroscedasticity in the regression.

**Table 4. Binary Logistic Regression Output**

Inout	Coef.	Std.Err.	z	P> z	85% Conf	Interval
Logkp	1.704752	.7090234	2.40	0.016	.3150918	3.094412
OPM	.0760953	.1281234	0.59	0.553	-.1750219	.3272125
ROA	-2.107249	.4040855	-5.21	0.000	-2.899242	-1.315256
DER	11.5693	5.520737	2.10	0.036	.7488511	22.38974
_cons	-34.12698	13.43637	-2.54	0.011	-60.46177	-7.792187

Source: Data Processed, 2020

The level of significance to be used is 5%. From the table above it can be shown that the Logkp variable show a significance level of 1% or below 5%. It can conclude that the lookup variables have influenced the InOut share of LQ45. OPM variable shows a number of 5%, which is the limit of significance level for standard—known that this variable doesn't have much effect on the input shares. ROA variable show a significance level of 0% or below 5%. It can be concluded that ROA variables have much affected the stocks stream of LQ45. DER variable shows a significance level of 3%, which below 5%. Shows that it has a significant effect on in/out stocks of LQ45.

**Table 5. Odds Ratio Test**

Inout	Coef
Logkp	1.704752
OPM	.0760953
ROA	-2.107249
DER	11.5693

Source: Data Processed, 2020

The probability of company stocks entering the index with the number of market capitalization is 2.40, as large as if the companies not entering the index. The probability of company stocks entering the index with the number of Return on assets is -5.21, as large as if the companies not entering the index. The probability of

company stocks entering the index with the number of DER in the particular company is 2.10, as large as if the companies not entering the index. The probability of company stocks entering the index with the number of Operating Profit Margin is 0.59 as large as if the companies not entering the index.

### Discussion

Market capitalization shows the value of securities listed on the stock exchange. Market capitalization is actually the value of the company's shares outstanding in the market. One indicator that shows the development of a stock market is market capitalization. In the view of stock investment, capitalization can describe the value of a company. The regression test results on the second hypothesis can be seen that the Market Capitalization value is 0,016 or 1%, which indicates that market capitalization has a positive and significant effect on the in/out stocks in LQ-45. The sign of significance tells that market capitalization and stock entry streams positively contribute to each other. The high number of market capitalization on the company can sign that the companies can survive inside the index because the company itself still has its piece to conquer the market. Return of Assets is used to measure management's ability to obtain profits as a whole. Regression test results on the third hypothesis can be seen that the value of Return of assets (ROA) of 0.00 or 0% indicates that the variable ROA is significant to the entry and exit of shares in LQ-45 it has a considerable value above 5%. ROA in a company measures the level of the company's earning or the returning assets since ROA is a profitability ratio. ROA shows the company virtually in processing their assets to gain the net profit. The greater the value of ROA shows the company's performance is getting better because the greater the rate of Return on investment. This value reflects the company's Return from all assets (or funding) given to the company (Skhilko, Ness, and Ness, 2007).

A significant level shows the relation between company financial conditions to the in/out shares in the Index. This means that when companies at a good position with a positive number of ROA, the probability of entering the Index is also positive or indirectly has a positive relationship between financial variables and market index. It can conclude that the companies can manage their financial condition at several periods to persist in their position inside the Index. Regression test results on the third hypothesis can be seen that the value of Debt to Equity Ratio (DER) of 0.036 or 3% which indicates that the DER variable is significant or does affect the stock of shares in the LQ-45 Index because it has a significance value of more than 5%. The debt to Equity Ratio is used to measure the relative proportion of equity and debt towards the company assets. A higher number of DER means that there are high numbers of the company's debt. The company has to find its best approach to solve the debt number. Otherwise, it's a bad sign; the high number of DER describes its increased activity inside the stock market. The significant level from the relation between DER and in/out share tells that the companies inside the Index with a high rate of DER always have their share to allocate the assets or profitability for the liability. Despite covering the high number of debt, the company's trading activity is vital because of the higher level of trading activities shows a good sign for the shareholders to invest.

Basically, the Operational Profit Margin use to measures how much profit a company makes on sales. The profit formulated after paying for variable production costs and after paying the interest/tax. Company's operating margin shows proportion of revenues that are available to cover the other non-operating costs. High number of OPM means that there will be any indicator to risk. The shareholders often observe the past OPM from company to gauge whether there is big improvement in earnings (Gupta, 2012). Regression test results on the fourth hypothesis can be seen that the value of Operational Profit Margin is 0.55 or 55% which indicates that the variable OPM is not significant to the entry and exit of shares in LQ-45 because it has a significant value above 5%. The number of not significant level from OPM becomes a good sign because the companies are able to cover all the operational costs. So it can conclude that the relation between OPM and in/out stocks is negative. The lower the OPM is a good sign for the company to cope with the condition inside the index. The higher number OPM make the company possibility to enter the index decrease.

## CONCLUSION AND RECOMMENDATION

### Conclusion

1. Market capitalization has a positive and significant effect on the IN/Out of LQ45 stocks in 2017-2019 period. A positive influence indicates that the companies keep on stabilizing their stock entry until the next assessment period. It is good because the company still has its shares of the stocks market, which showed a more significant number.



2. Return of assets (ROA) has a positive but not significant effect on IN / OUT of shares incorporated in LQ-45. The existence of a positive influence indicates that the company's benefits will be higher. Thus, it can raise the value of profitability, and it means that these companies are much in demand by investors and able to manage finances efficiently.
3. Debt to assets ratio (DER) has a positive effect on IN / OUT of shares incorporated in LQ-45. The existence of a positive influence indicates the company's benefits will be allocated to the purpose of liabilities. Means that company still has the active performance to prioritize their settlement.
4. Operational Profit Margin (OPM) has a negative relation to indicate the index. The positive influence of OPM will emerge assigns the companies to be ideal to allocate the financial performance.

### Recommendation

Investors to be more selective in determining which companies are more profitable. Based on this study, investors or better invest in companies that enter the LQ45 index because the index has a better financial ratio. Investors to be more selective in determining which companies are more profitable. Based on this study results, investors or better invest in companies that enter the LQ45 index because the index has a better financial ratio. Investors should always pay attention and use information about company performance in terms of ROA and DER because the information affects the merits of a company and In/Out of shares. The company must always improve its performance to the maximum extent possible to produce high profits.

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