IMPROVING STOCK INVESTMENT PERFORMANCE THROUGH FUNDAMENTAL ANALYSIS: SEMINAR FOR A STOCK INVESTOR COMMUNITY

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ABSTRACT

This community service was conducted in the form of a webinar delivered to stock investors. Indonesian stock investors face the problem of high percentage of investor experiencing negative return. This is strange as Indonesian stock market index (IHSG) generally trend upward from year to year. One of the possible causes is the inability of investors to perform good analysis of stocks. Thus, the topic of stock fundamental analysis is chosen for the webinar. In the webinar, various topics of fundamental analysis such as value investing, how to identify cheap stocks, how to measure company performance, how to understand risk, are explained and discussed. It is expected that by improving the investor's ability to conduct fundamental analysis, investors can earn higher return for their investment. Judging from the feedback of webinar participant, the webinar was conducted well and very useful for investors.

Keywords: stock, investment, fundamental analysis

INTRODUCTION

Based on various anecdotal evidence, majority of Indonesian stock investors are experiencing loss (*Ini Gejala Investor Bakal Rugi Ratusan Persen, Anda Termasuk?*, n.d.; *Mengatasi Gangguan Mental Akibat Investasi Saham*, n.d.; *Ngenes! 333.000 Investor Nyangkut Massal Di GOTO*, n.d.). The percentage of investors who experience loss may even reach surprisingly hugh 90% (*Sekitar 90% Investor Saham Indonesia Gagal, Simak Cara Ampuh Para Investor Ini*, n.d.). This is surprising as from year to year, Indonesia stock market index (IHSG) tends to increase. For example, in 2013 IHSG was closed at 4,294 and in 2023 it was closed at 7,268. It means IHSG increased a 5.4% Compound Annual Return (CAR) for the last ten years, not including dividend. It is hard to reconcile between the two facts that IHSG return is high while majority of Indonesian stock investors experience loss. One possible reason for the poor performance of Indonesian stock investors are the general low financial literacy among Indonesians (Nidar & Bestari, 2012; Lantara & Kartini, 2016). There is positive relation between investors financial literacy and the return of their investment (Chu et al., 2017). Thus, by improving financial literacy of Indonesian investors it can be expected that the percentage of Indonesian investors who experience loss in stock market can be reduced.

Financial literacy covers many aspects. One aspect of financial literacy that potentially has a high impact on the stock investment performance is the fundamental analysis. Fundamental analysis is the process of evaluating a company's intrinsic value. This evaluation is based on various aspects such as company financial statements, industry analysis, management evaluation, competitive advantage, or market condition. The intrinsic value is then compared to the current market value. If the intrinsic value is less than the current market value, the stock is considered expensive. Stocks with intrinsic value higher than the current market value are

considered cheap, and their price has potential to appreciate in the future. Investors who use fundamental analysis perform better than investors who use other type of analysis (Yan & Zheng, 2017).

LITERATURE REVIEW

Presentation in the webinar was started with showing some figures that shows the growth of Indonesian stock investor. From 2021 to 2023, number of stock investor in Indonesia doubled from 6 million to 12 million. The number is dominated by young investors with almost 60% of the investors are 30 years old or younger. The data shows the popularity of stocks as investment vehicle among Indonesians. However, it was also shown that most of the investors experienced losses. During Capital Market Summit Expo in Jakarta in 2019, it was mentioned that 90% of investors experienced loss. The cause is that "Investors do not have adequate skill and knowledge in stock investing" (*Sekitar 90% Investor Saham Indonesia Gagal, Simak Cara Ampuh Para Investor Ini*, n.d.).

Later, it was shown to the webinar participants that IHSG has grown by averagely 5% per year for the past 10 years, not counting the dividend. Thus mathematically, it should have been more likely for investors to make money than lose money in the stock market. The logical conclusion is that there is something wrong in the way investors invest their money in stocks. By learning the correct way to invest, investors can improve their investing performance.

Webinar participants were then introduced to the concept of value investing. In value investing, investors try to identify stocks with market values below intrinsic value. Such stocks are called undervalue stocks. In the long term, the price of the stock will match its intrinsic value. Most of the world successful stock investors follow this strategy. Fundamental analysis is the tool to find undervalued stocks. In fundamental analysis, investors use various economic data from financial reports, news, macro-economic data, etc. to determine intrinsic value of the stock.

There are three steps to find undervalued stocks as follows:

1. Find cheap stocks.

    Cheap stock can be found through Price Earning ratio (PER) and Price to Book Value Ratio (PBV). PER calculates the ratio between stock price and company Net Income per shares. The higher the ratio, the more expensive the stock is. As a golden rule, stocks with PER higher than 10 are considered expensive. PBV calculates the ratio between stock price and the company equity per share. As with the PER, the higher the PBV, the more expensive the stock is. PBV higher than 1 is usually considered expensive stocks.

2. Find stocks with high performance.

    Among the cheap stocks, investors must find stocks that represent profitable companies. Cheap stocks are cheap usually for a valid reason. Investors must ensure that cheap stocks found in step 1 are good stocks that are unusually cheap instead of stocks that are cheap because they are problematic. To do that, investors must check the performance of the stocks. Performance is judged from three factors: profitability, growth, and operating cash flow. Profitability is measured using Return on Equity (ROE) and Return on Asset. Growth is measured using sales growth and Earning Per Share (EPS) growth. Operating cash flow can be checked in cash flow statement. The higher ROE and ROA, the better for the company. ROE is judged by comparing it to government bond yield. ROE can be seen as the return company generated for capital provided by the company owner. ROE must be higher than government bond yield, otherwise it is better for the owner to invest in the riskless government bond instead of owning a company. ROA measured the performance

of company management on using company assets to generate profit. It must be compared to similar companies to check whether management performs better or worse than industry standard. EPS growth and sales growth must have been positive for the past several years. This is to ensure that the company is growing. Lastly, operating cash flow must be positive to ensure that the company is generating money for the owner.

3. Find stocks with low risk.
    Stock can be cheap and with high performance as described in points 1 and 2. However if the stock has a high degree of risk, it is not a good investment. Stock investors face various kinds of risk. The highest risk is that the company goes bankrupt, and investors lose their whole investment as the stock price decreases to zero. Controlling stockholders (stock owners with high percentage of ownership such that they can control the company) can swindle the minority stockholders for example by paying their salary abnormally high. To identify stocks with low risk, investors can check for debt level, liquidity, credit rating, and management honesty. A company with a high debt level is in danger of experiencing bankruptcy due to inability to pay debt. Additionally, high debt means high interest expense. High interest expenses reduce the ability of the company to pay dividends to the stockholder. Debt level is measured using Debt to Equity Ratio (DER). DER above 100% is considered high as its means company debt is more than its equity. Liquidity is measured using Current Ratio, that shows the ratio between current assets and current liabilities. The higher the current assets compared to current liability, the saver the company is.

METHOD

The webinar was conducted on Sunday 3 December 2023 from 14.00 to 18.00 through Zoom. The event was hosted by Zhuan Community, a community for stock investors in Indonesia. The community's vision is to become 'a platform for stock investors to grow independently and build relationships with fellow members through the concept of familial bonding'. To achieve this vision, Zhuan Community organize periodic webinars on stock investment, in collaboration with UPH Surabaya campus. The role of UPH is to provide speakers who are experts in finance and stock investment. The first half of the webinar is for UPH speaker to explain fundamental analysis, and the second half is for questions and answers and discussion. The event was announced a few days prior to 3 December in an online stock investing forum and thus the participants are not limited to Zhuan Community members. Altogether, about 150 people joined the event.
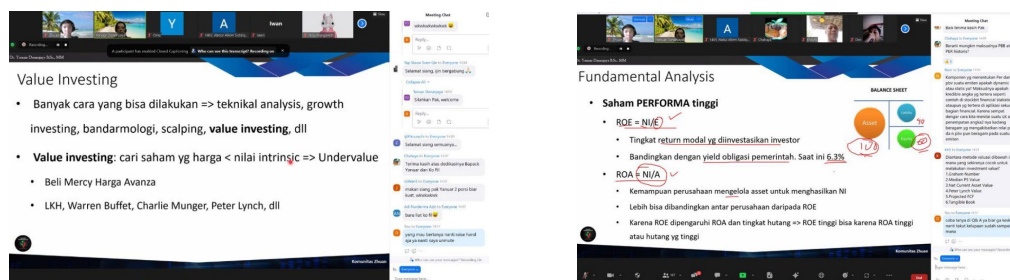

Figure 1: Screenshot of the webinar

RESULT AND DISCUSSION

During the webinar, participants were very active in asking questions dan contribute to discussion. During the second half, in the discussion session, participants largely were having discussion among themselves and sharing their knowledge and experience freely. To gauge the

respond of the participants in more detail, participants are invited to write their comments in the online stock forum mentioned previously. The comments are overwhelmingly positive with many participants requesting for the next webinar. Some of the comments are as follow:

- @yanuard @sutostabat Terima kasih pak atas ilmu yg telah diberikan semoga kedepan bakal ada zoom kembali untuk kembali barbagi ilmunya dan sharing pengalaman, juga mempererat silahturahmi sesama trader investor saham
- Terima kasih pak Yanuar atas ilmu dan insight nya tentang value investing yang sangat keren dan makasih untuk Ko Fil sudah prepare untuk acara zoom ini, bener2 membuka pikiran dan niat saya untuk terus belajar ttg saham kedepannya
- harus sering2 ni. sukses acaranya
- terimakasih banyak pak atas ilmu dan dedikasinya.. ditunggu lagi di acara selanjutnya biar kami makin pinter
- Terima kasih pak. Materinya jelas dan padat..Sharing dan ngobrolnya juga mantap
- @yanuard daging semua nih. makasih pak Yanuar
- Terima kasih banyak buat ilmu dan insightnya yang telah diberikan. Acaranya keren, santai ga tegang tapi yang dikasihin berbobot semua
- Terima kasih banyak pak yanuar..saya sebagai pemula sangat bersyukur dengan materinya sangat daging sekali.. akhirnya saya bisa belajar fundamental..membuka wawasan saya mempelajari fundamental suatu saham..
- Sekali lagi terima kasih pak yanuar..berkenan berbagi ilmu yang sangat luar biasa ini

CONCLUSION

Majority of Indonesian stock investors experience loss. This is unfortunate, as Indonesian stock market index grows 5% CAR for the pass ten years, not including dividend. Most likely cause is the lack of knowledge and skill in stock investment. To remedy this problem, Zhuan community in collaboration with UPH Surabaya conducted webinar for Indonesian stock investor with theme of fundamental analysis. It is expected that by using this type of analysis, investors can avoid loss in their investment and improve their performance. The feedback from participants was very good. Another webinar with different topic will be conducted in the future.

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