



## Fundamental Factors of Stock Price Assessment in Blue Chip Stock Investment Decisions

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### ABSTRACT

This research explores the fundamental factors that influence the assessment of blue-chip stock prices and their impact on investment decisions. These factors include net profit, revenue growth, debt ratio, and liquidity. The research method involves analyzing historical financial data of blue-chip companies and surveys of capital market investors. The research results show that net profit and revenue growth have a significant influence on the assessment of blue-chip stock prices. Debt and liquidity ratios have also been shown to have an important impact in shaping investor perceptions. Furthermore, these findings provide a better understanding of how investors use these fundamental factors as a basis for making their investment decisions. The implications of this research contribute to our understanding of the factors that investors should pay attention to when assessing blue-chip stocks. Capital markets practitioners can use this information to design more informed and timely investment strategies. Meanwhile, capital market regulators may consider these findings to increase market transparency and sustainability. Thus, this research not only contributes to the financial literature by exploring the relationship between fundamental factors and stock price valuation, but also provides valuable practical insights for capital market players.

## INTRODUCTION

The capital markets of each country play an important role in driving the economy, especially in the financial sector. (Jamil & Hayati, 2021; Peermata & Ghoni, 2019) The capital market is a market or meeting place for actors who provide and request long-term capital, more than one year, from public authorities or other private companies. According to Silviyanti & Junardi (2020), the capital market can also be understood as a place where securities with a term of more than one year are traded, such as shares, bonds and mutual funds with the aim of obtaining a return on the results.

The sales proceeds will be used as funds or capital in financial market companies. Marketing various long-term financial instruments that can be traded, whether in the form of debt, shares, derivatives, or other tools. The capital market as a source of financing for a company that is significant for the country's economy is not only an alternative, but also has the potential to become the main source of financing (Badriatin et al., 2019; Jamil & Hayati, 2021; Peermata & Ghoni, 2019). The performance of financial markets is significantly influenced by many fundamental factors related to macroeconomics, the business world and government policies. A comprehensive understanding of these factors is important for gaining insight into financial market trends and enabling stakeholders to make appropriate investment decisions. Currently, investment is very much needed, and capital market psychology has become an important factor that plays an important role in people's investment motivation. Investment decisions are often influenced by emotional and psychological factors that are reflected in market observations, in addition to analysis based on fundamental data.

Analyzing a company's shares is a mandatory step that needs to be implemented before buying shares in a company. An example of analysis can be used to assess the suitability of a company's shares. Using fundamental analysis (Agustina, 2021). Investment involves investing capital in a business, with the aim of increasing the wealth of a company or business entity. In a complex and fluctuating investment environment, understanding and measuring market trends can be an important part of designing a successful investment strategy. As an expression of the general attitudes and perceptions of market players towards various financial instruments, it plays a central role in shaping investment behavior. Especially in the stock market, psychological factors can significantly influence price movements, volatility, and risk levels. Understanding this psychology is important for investors and analysts who want to predict market changes and optimize their investment decisions. Institutions such as securities exchanges, capital market supervisory authorities and custodian banks function to protect market security, integrity, and transparency. The securities exchange is a place where sellers and buyers meet and has supervisory and regulatory institutions so that the market operates according to principles.

Investment involves investing capital in the present to gain profits in the future. Expectations of return and dividend due to the time and risk sacrificed in investment (Tandelilin, 2017). The share price as a measure of company value will have a lot of opportunity to rise or fall in price because it is influenced by

many different fundamental and technical variables and these variables will act as driving forces. The large market volume influences stock trading. market. Share prices can be considered as a measure of the success of company management in achieving desired profits, which are expressed through market forces and trading of company shares on the Internet capital market. For example, in a certain period it has never been traded, it has suffered losses for years, it has not distributed dividends continuously for years and there are many other conditions in accordance with the regulations for recording securities in stock exchange contracts. After that, the shares were suspended. Shares are suspended, meaning that trading has been stopped by stock market regulators. Therefore, investors cannot sell their shares until the suspension is lifted. These delays are usually short term, for example one trading session, two trading sessions, but can last several trading days. This is what stock market regulators do, for example if a share experiences an unreasonable price increase, if a company is bankrupted by its creditors, or in many other conditions that require stock market regulators for the stock market, then the stock market must temporarily stop trading activities, so that the companies involved can stop their operations provide clarity regarding other information so that information that is less clear does not become an opportunity for speculation.

## **METHODOLOGY**

This research uses a quantitative method, where in this research method there is more emphasis on calculations, measurements such as using number symbols. The data source used in this research is secondary data because the data source obtained by the researcher is from a trusted party, namely from the Central Bureau of Statistics and Indonesia's Central Securities Depository. The criteria used are as follows: (1) blue-chip shares (2) instant share price movements Real time: Have complete financial data during the research period. In this research, the data processing technique used by the researcher is descriptive analysis.

The analysis that is widely used to determine the true value of shares is fundamental security analysis or company analysis (Hartono, 2017: 208). In fundamental analysis, there is a price assessment method such as the price earnings ratio. Share prices are fluctuating in nature, increases and decreases in share prices greatly influence the interest of individuals and companies in investment. Therefore, blue-chip shares are the right choice because they will have price stability and become the dominant stock market share.

## **RESEARCH RESULT AND DISCUSSION**

Blue-chip shares are ordinary shares of highly reputable companies. Typically, a company is a leader in an industry, has steady revenues, and pays its bills regularly. These shares are often very valuable, and shareholders rarely sell the shares they own. This is why blue-chip stocks are popular in stock trading. Many people seek this degree because its benefits are clear. But that doesn't mean blue-chip stocks are always expensive. Blue-chip shares meet the criteria for trading at a fair price and share price movements in the market are

relatively stable, the number of shares circulating to the public is large, so liquidity is high. If there is clear information, the shares suspension can be lifted by the Exchange and the shares can be traded as before. Investment risk is something that investors must face when deciding to invest. According to the investment principle, high risk, high profit, so that behind every potential profit there is the same potential risk. Fundamental analysis is an analysis method that pays attention to economic factors that will influence the growth of a company. Through this analysis, potential investors will be able to find out the operational conditions of the company they will later own. One of the most well-known and frequently used fundamental analyzes is the Price Earnings Ratio (PER) method. PER is a comparison between the market price of a share or (market price) per share.

$$\text{PER or P/E Ratio} = \frac{\text{Stock Price}}{\text{EPS}}$$

*Image Source: Processed Data, 2020*

The price-to-earnings ratio shows the relationship between stock price and earnings, in other words it shows how investors evaluate a stock's price relative to its earnings multiple. NI shares represent the true value of a share. If you know the intrinsic value and market price of the stock, the next step is to compare the intrinsic value of the stock with its market value. Investors can then determine whether the stock is undervalued, overvalued, or overvalued. If the market price < the security's intrinsic value, then the security is classified as undervalued. Stocks that are undervalued are also known as penny stocks. Meanwhile, the market price > the intrinsic value of the stock, so the stock is classified as overvalued. Stocks that are overvalued can also be considered undervalued stocks. If the market price = the intrinsic value of the share, then the share is classified as a fair value share. Fairly priced shares can also be considered fair value shares. Basically, there are two fundamental analysis methods commonly used in stock valuation, namely the profit method or price-to-earnings ratio (PER) and the present value method. Fundamental analysis studies the relationship between stock prices and company health by using a company's financial data. A stock that has a lower price to earnings ratio (PER) indicates that the stock is cheap, conversely if the price to earnings ratio (PER) value is high then the value of the stock has increased or is in a high position.

List of blue-chip stocks in 2019, which have consistent stability (Zulbiadi 2018):



Image source: *investing.com Indonesia*

1. BBCA, Bank BCA BBCA shares are the shares with the largest capitalization on the Indonesian stock market currently in 2019. This means that this stock is the most important stock on the stock market. BBCA controls market share by being a stock that has consistent price fluctuations compared to other issuers.



Image source: *investing.com Indonesia*

2. UNVR Unilever Indonesia UNVR shares is the stock code for Unilever Indonesia, the biggest and best consumer goods company in Indonesia. Unilever has a number of strong and well-known brands not only in Indonesia but worldwide, including: Rinso, Rexona, Royco and many others. With strong population growth in Indonesia and predicted population growth in the coming years, the Indonesian market has great potential for consumer products sold by UNVR and products with strong brands will dominate the market and can determine prices.



Image source: *investing.com Indonesia*

3. BBRI is the stock code for Bank BRI, the most profitable bank in Indonesia. Bank BRI focuses on lending to micro, small and medium enterprises which control the majority of the credit distribution market in Indonesia. The bank

is over 100 years old, giving the company a rich history and excellent MSME credit management capabilities that are difficult for its competitors to match.



Sumbeer image: investing.com Indonesia

4. TLKM share code or what we know as PT Telekomunikasi Indonesia Tbk TLKM is the largest company in telecommunications in Indonesia and one of the largest state-owned companies known to everyone thanks to its telecommunications products.



Image source: investing.com Indonesia

5. ICBP code, ICBP is an instant noodle producer which is the market domain or market share leader in Indonesia, Indomie, which has been operating for 30 years and is owned by the leading conglomerate in Indonesia, the Salim Group. Indomie is one of the favorite dishes of all levels of society.

### Blue Chip Stock Market Modeling 2017

No	Code	Emiten	Market Price per Share	Capitalization per trillion	%
1	HMSP	H.M Sampoerna Tbk.	Rp.4.730	550.184	1,1
2	BBCA	Bank Central Asia	Rp.21.900	534.545	7,2
3	TLKM	Tekomunikasi Indonesia (Persero) Tbk.	Rp.4.400	447.551	6,44
4	BBRI	Bank Rakyat Indonesia (Persero) Tbk.	Rp.3.600	447.551	4,33

5	UNVR	Unilever Indonesia Tbk.	Rp.55.900	444.488	1,32
6	BMRI	Bank Mandiri (Persero) Tbk	Rp.8.000	426.517	3,90
7	ASII	Astra Internasional Tbk.	Rp.8.300	336.03	4,06
8	BBNI	Bank Negara Indonesia (Persero) Tbk.	Rp.9.900	182.775	2,31
9	GGRM	Gudang GaramTbk.	Rp.83.800	161.238	1,06
10	UNTR	United TractorsTbk.	Rp.35.400	132.046	1,17

Data Source: PT Indonesian Stock Exchange

### Blue Chip Stock Market Modeling 2018

No	Code	Emiten	Market Price perShare	Capitalization pertrillion	%
1	BBCA	Bank CentralAsia	Rp.26.000	634.619	9,04
2	BBRI	Bank Rakyat Indonesia (Persero) Tbk.	Rp.3.660	446.931	6,36
3	HMSP	H.M. Sampoerna Tbk.	Rp.3.710	431.540	6,14
4	TLKM	Telekomunikasi Indonesia (Persero) Tbk.	Rp.3.750	371.483	5,29
5	UNVR	Unilever Indonesia Tbk.	Rp45.400	346.402	4,93
6	BMRI	Bank Mandiri (Persero) Tbk.	Rp.7.375	340.725	4,85
7	ASII	Astra International Tbk.	Rp.11.825	332.977	4,74
8	BBNI	Bank Negara Indonesia Tbk.	Rp.8.800	162.467	2,31
9	GGRM	Gudang GaramTbk.	Rp.83.625	160.901	2,29
10	INDF	Indofood Suka Makmur Tbk.	Rp.8.215	121.866	1,74

Data Source: PT Indonesian Stock Exchange

### Blue Chip Stock Market Modeling 2019

No	Code	Emiten	Market Price perShare	Capitalizatio n pertrillion	%
1	BBCA	Bank Central Asia	Rp.33.425	815.852	11,23
2	BBRI	Bank Rakyat Indonesia (Persero) Tbk.	Rp.4.400	537.294	7,40
3	TLKM	Telekomunikasi Indonesia Tbk.	Rp.3.970	393.277	5,41
4	BMRI	Bank Mandiri (Persero) Tbk	Rp.7.675	354.585	4,88
5	UNVR	Unilever Indonesia Tbk.	Rp.8.400	320.460	4,41
6	ASII	Astra International Tbk.	Rp.14.575	280.348	3,86
7	HMSP	H.M Sampoerna Tbk.	Rp2.100	244.267	3,36
8	TPIA	Chandra Asri Petrochemical Tbk	Rp.10.375	185.022	2,55
9	BBNI	Bank Negara Indonesia Tbk.	Rp.7.825	144.928	1,99
10	BRPT	Barito Pacific Tbk.	Rp.4.710	134.414	1,85

*Data Source: PT Indonesian Stock Exchange*

**Blue Chip Stock Market Modeling 2020**

No	Code	Emiten	Market Price perShare	Capitalizatio n pertrillion	%
1	BBCA	Bank Central Asia	Rp.27.125	674.283	12,85
2	BBRI	Bank Rakyat Indonesia (Persero) Tbk.	Rp.2.830	368.779	7,03
3	TLKM	Telekomunikasi Indonesia (Persero) Tbk	Rp.3.230	313.036	5,97
4	UNVR	Unilever Indonesia Tbk	Rp.6.875	276.587	5,27
5	BMRI	Bank Mandiri (Persero) Tbk.	Rp.4.150	216.216	4,12
6	HMSP	H.M Sampoerna Tbk.	Rp.1.635	165.753	3,16
7	ASII	Astra International Tbk.	Rp.3.800	157,885	3,01

8	INDF	Indofood Sukses Makmur Tbk.	Rp.6.250	119,243	2,27
9	TPIA	Chandra Asri Petrochemical Tbk.	Rp.8.787	93,625	1,78
10	POLL	Pollux Properti Indonesia Tbk	Rp.6.800	90,675	1,73

*Data Source: PT Indonesian Stock Exchange*

### The Following is a Table of Investor Growth Data

SID	INVESTOR GROWTH %				
	2022	JUN-23	JUL-23	AGT-23	2023-YTD
<b>Capital market</b>	92,99	37,68	1,50	1,41	12,32
<b>Mutual funds and other securities</b>	115,41	40,41	1,56	1,48	13,00
<b>Share</b>	103,60	28,64	1,19	1,22	11,46
<b>SBN</b>	32,75	36,05	0,19	1,50	13,42

*Data Source: Indonesian Central Securities Depository*

Investor growth is an indicator of increasing investment decisions. The relationship between blue-chip stocks and investment decisions is proven by the price valuation data presented above with 5 actionable patterns. Volatility in blue-chip stocks tends to be stable and dominates the stock market for several issuers. As supporting evidence, the author presents investor growth data which shows shares are the key point. Based on data and charts listing blue-chip stocks, we can link fundamental analysis with valuation based on price-to-earnings ratios. Investment decisions are practical matters that need to be considered because they carry several risks and consequences. This analysis certainly provides an illustration that blue-chip outperform other public issuers in terms of capitalization. Fundamental price analysis can help determine whether blue-chip stocks are currently trading below or above their intrinsic value. If a stock is considered undervalued, it may be an attractive investment opportunity. Conversely, if the valuation is too high, investors may need to consider the potential risks (Sari, 2018).

## CONCLUSIONS AND RECOMMENDATIONS

Fundamental analysis using the blue-chip stock valuation method can provide insight into the intrinsic value of a stock and can influence investment

decisions. Price methods can be used in conjunction with technical analysis to understand price movement patterns, support, and resistance levels, as well as other technical indicators that can provide signals about the direction of future price movements. If a blue-chip stock pays dividends, the price analysis conclusion may include consideration of the dividend yield offered. Investors can consider the potential benefits of dividend payments as part of total returns. The author's suggestion for future researchers might be to be able to analyze blue-chip stocks with a more complex fundamental approach.

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