

Stock Price Valuation in Making Investment Decisions (Study on Stocks Listed on The Indonesian Stock Exchange Jakarta Islamic Index 70 Period 2020 – 2022)

Tika Maulina Nuraini¹ Tina Martini²

^{1,2,3}Institut Agama Islam Negeri Kudus

✉ tika.maulina38@gmail.com¹ tina@iainkudus.ac.id²

Abstract : This study aims to examine the difference in stock valuation using the DDM and DCF methods for investment decision making in companies listed on the JII 70 for the period 2020 - 2022. This research is a type of descriptive research with a quantitative approach that originates from the annual reports of companies listed on JII 70 for the period 2020 - 2022. The sampling technique used purposive sampling with several predetermined criteria, in order to obtain 24 samples of companies with a period of 3 years to 72 samples. The data analysis technique uses the Dividend Discount Model and Discounted Cash Flow methods and then conducts a t-test. The results of this study indicate that if the share price is calculated using the Dividend Discount Model, the majority are undervalued. Meanwhile, the majority of stock prices calculated using the Discounted Cash Flow method are in overvalued condition. There is no difference in the Dividend Discount Model and Discounted Cash Flow methods, so the investors should not hesitate to choose between the two models.

Keywords : **Dividend Discount Model, Discounted Cash Flow, Stock Valuation.**

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1. INTRODUCTION

The current global economic developments continue to experience growth, namely with the increasingly improving conditions of the Indonesian capital market. The Indonesian capital market currently continues to show improvement in line with the handling of Covid 19 which is getting better, the number of Covid cases is decreasing, the easing of PPKM in various regions, the booster vaccination program which continues to be promoted. , as well as various efforts to restore the national economy, as well as improving stock market performance as reflected in the value of the Composite Stock Price Index and market capitalization which have both experienced strengthening (Lutfiana et al., 2019). This shows the optimism of domestic and global investors regarding the domestic economy which continues to recover. The economy which continues to recover has also increased investors' enthusiasm for investing in the capital market. Investors need to pay attention to certain investment strategies that can be used to achieve the expected returns. This is because risk has a positive linear relationship with expected investment returns, the greater the expected rate of return, the greater the risk that investors must bear (Diniyah, 2021).

The existence of stock risk requires investors to choose which shares will provide optimal profits. Investors can assess the fairness of share prices by analyzing share prices which will then be used as a consideration in investment decisions (Lutfiana et

al., 2019). Therefore, stock valuation is very necessary. The factors that influence stock valuation are the same as the factors that influence stock price movements because stock valuation analyzes stock price movements at a certain time, whether stock prices are too expensive or too cheap (Diniyah, 2021). Stock valuation can be done using fundamental analysis or technical analysis.

Technical analysis is a type of analysis that uses previous stock price data to predict changes in stock prices in the future (Chairina, 2021). Fundamental analysis is a type of analysis that uses company financial data to determine the intrinsic value of shares (Adnyana, 2020). For analysis Fundamentally, there are two approaches to calculating the value of a share, namely). Dividend Discount Model and approach Discounted Cash Flow. Dividend Discount Model is a method of determining the value of a share (present value approach) using the dividend component. DDM is a model for estimating stock prices by discounting all future dividend flows (Adnyana, 2020).

Several previous stock valuation studies, including Yuliah et al., (2019), analyzed stocks using the Dividend Discount Model method, resulting in research on several majority stocks. undervalued. In the research of Wijayanti et al., (2020), the research results are as follows: from a sample of 7 companies, all of these companies experienced stock conditions overvalued. In research by Natalia et al., (2019) testing stock valuation analysis using the dividend discount model, price earnings ratio and price to book value for investment decisions stated that they were basically the same because they used the concept of present value calculations (Natalia et al., 2019).

With the increasing level of capital market investors in Indonesia, shares have become one of the instruments that the public is interested in. Shares in Indonesia are categorized into several indexes which are selected based on the requirements determined by the Indonesian Stock Exchange. One of these stock indices is the Jakarta Islamic Index 70 (JII 70). According to statistical data released by the Financial Services Authority (OJK), the development of the JII 70 index on the Indonesia Stock Exchange shows increasing activity from 2020-October 2022. The development of JII 70 Index trading on the IDX from 2020 - October 2022, where in 2020 it was 2,527,421.72, in 2021 it will be 2,539,123.39 and in October 2022 it will be 2,815,004 (PT Indonesian Stock Exchange, 2022). To get maximum results from their investment, investors need to evaluate shares. By knowing the intrinsic value of a share, investors can determine which shares fall into the cheap, appropriate and expensive categories. so that investors can avoid losses due to the right investment decisions. So these factors sparked researchers' interest in conducting research related to stock valuation analysis. Based on the explanation of the phenomenon and existing research, this research aims to confirm the valuation of sharia shares based on the method Dividend Discount Model and Discounted Cash Flow methods then carry out different tests on the two models to determine if there are differences so that they can provide input for investors.

2. THEORY AND METHODS

2.1 Signalling Theory

Before making an investment, an investor must know about the condition of the company to prevent the invested funds from experiencing losses. Signal theory was first developed by *Spence* (1973) which explains behavior in the labor market (*Labour Market*). This theory explains the behavior of two parties when they receive different information. Signal theory is a theory used to understand how

management communicates information to investors, which can change investor decisions. Investors can receive information in the form of positive or negative signals. For investors, a negative signal is a signal where the company's reported profits increase or decrease (Savitri & Pinem, 2022). Because it provides an overview of the company's past, present and future conditions for business continuity, this information is an important component for investors or business people. Before making decisions regarding investment, capital market investors need information that is current, relevant, accurate and comprehensive (Himawan, 2020).

2.2 Investment

Investment has become a common thing for the general public, where in everyday life they are definitely familiar with investment. According to Bodie et al, "*An Investment is the current commitment of money or other resources in the expectation of reaping future benefits*". This definition means that investment is a commitment of money or other resources in the present for future profits (Bodie et al., 2012). Investment is the use of existing funds to buy securities in the form of shares with the hope of getting additional or certain profits on certain funds invested in trading these shares on the stock exchange. This is done with the hope of future profits (Adnyana, 2020).

2.3 Shares

Shares can be interpreted as a sign of ownership or participation in a company or limited liability company. Shares are a piece of paper that can be used to prove who the owner is. The amount of ownership is based on how much investment is invested in the company (Darmadji & Fakhruddin, 2012).

2.4 Stock Valuation

Stock valuation is required before investing. Because they can serve as the basis for decisions involving the transfer of large amounts of money or assets between parties, valuation is especially important. In fundamental analysis, there are 2 methods, namely the method of assessing a company's shares based on the company's internal situation in relation to its assets. Stock valuation using this method consists of: Dividend Discount Model (DDM) and Discounted Cash Flow (DCF) (Thursday, 2020).

Fundamental analysis is analysis that studies the fundamental condition of a company, such as studying the company's financial performance, and is usually used to determine which shares can be bought or sold. Fundamental analysis is based on the fundamentals of a company. This technique focuses on financial performance ratios and events that occur directly or indirectly that can affect the company's financial performance (Bara, 2022).

2.5 Dividend Policy

This research uses a quantitative approach, and the type of research is descriptive research, namely analyzing and describing stock price valuations calculated using the method *Dividen Discount Model* and *Discounted Cash Flow* for making investment decisions. The object of research is the valuation of stock prices included in *Jakarta Islamic Index (JII70)* in 2020 – 2022, with research subjects namely JII. The population of this research is all issuers that are members of the JII index, totaling 118 companies with a sampling technique determined by the

method *purposive sampling*, where those that can be included in the sample are companies that are members of JII70, with a total sample of 24 companies over a 3 year period, 72 samples were obtained. Sample criteria are as follows.

2.6 Research Methods

This research uses a quantitative approach, and the type of research is descriptive research, namely analyzing and describing stock price valuations calculated using the method *Dividen Discount Model* and *Discounted Cash Flow* for making investment decisions. The object of research is the valuation of stock prices included in *Jakarta Islamic Index (JII70)* in 2020 – 2022, with research subjects namely JII. The population of this research is all issuers that are members of the JII index, totaling 118 companies with a sampling technique determined by the method *purposive sampling*, where those that can be included in the sample are companies that are members of JII70, with a total sample of 24 companies over a 3 year period, 72 samples were obtained. Sample criteria are as follows:

Table 1 Sample Selection Results Data:

Population	118 companies
Sample Criteria	
Companies registered on JII 70 for the period Dec 2019 – May 2020	(48 companies)
Companies that remain listed on the JII 70 index for the period August 2020 – November 2020	(7 companies)
Companies that remain listed on the JII 70 index for the period December 2020 – May 2021	(11 companies)
Companies that remain listed on the JII 70 index for the period August 2021 – November 2021	(3 companies)
Companies that remain listed on the JII 70 index for the period December 2021 – May 2022	(3 companies)
Companies that remain listed on the JII 70 index for the period July 2022 – November 2022	(3 companies)
Companies that remain listed on the JII 70 index for the period December 2022 – May 2023	(2 companies)
Companies that regularly distribute dividends from 2020 – 2022	(16 companies)
Companies that submit annual financial reports for the 2020-2022 period	(1 company)
Research Sample	24 Companies

Source: Processed by Researchers (2023)

The data source used in this research is a secondary data source. In this research, the data collection technique used is documentation, namely a data collection technique by searching for documents containing data related to the research topic. In this research, data was obtained in the form of published company financial reports www.idx.co.id

The next step after data collection is to carry out data analysis. The data analysis method in research is carried out with the following steps:

1. Search for intrinsic value with *Dividend Discount Model (DDM)* (Edward, 2010)a. Calculating dividend growth rate (g)

$$g = ROE \times b$$

Determine the expected estimated dividends $D_t = D_0 \times (1 + g)$

b. Determine the value *expected return* (k)

$$k = \frac{D_1}{P_0} + g$$

c. Calculating the intrinsic value of shares

$$P_0 = \frac{D_t}{k - g}$$

2. Search for intrinsic value with *Discounted Cash Flow (DCF)* (Subandi, 2019)

a. Obtain dividend, EPS and PER data

b. Calculate the average DPR, EPS Growth and PER

From the previous calculations, data will be obtained on the Dividend Payout Ratio (DPR), the average Earning Per Share (EPS) growth rate, and the average Price Earning Ratio (PER). This calculation will sometimes result in high EPS growth and average PER, for this reason certain limits are used:

1) If EPS Growth is > 0.15 then the number 0.15 is used

2) If EPS Growth < 0.15 then the number 0.10 is used

c. Calculating Future Value EPS

Tabel 2. Next count *Future Value EPS 2020 – 2022*:

Year	EPS projections
2020	Xxx * (1+EPS Growth)
2021	Xxx * (1+EPS Growth)
2022	Xxx * (1+EPS Growth)

Source: *Processed by Researchers (2023)*

d. Count *Future Value* Stock Price

$$PER = \frac{\text{Stock Price}}{EPS}$$

For, *Share Price* = $EPS \times PER$

e. Calculating accumulated dividends for 2020 – 2022

$$\text{Accumulated Dividends} = \text{Future Value EPS} \times \text{DPR}$$

f. Calculating the total Future Value for 2020 – 2022

FV Total share price = End of nth year share price + total accumulated dividends

g. Calculating the present value or fair price of shares for 2020 – 2022

$$\text{Fair Price (PV)} = \frac{FV}{(1 + r)^n}$$

3. Compare the share valuations of the two methods to determine whether there is a significant difference between the intrinsic value of shares valued using the method *Discounted Cash Flow (DCF)* with those assessed using the method *Dividend Discount Model (DDM)* using analysis *independent sample t-test*.
4. Comparing the intrinsic value of shares with the share market price with the following criteria:
 - a. If the intrinsic value > market value, then it is considered Undervalued.
 - b. If the intrinsic value < market value, then it is considered Overvalued.
 - c. If intrinsic value = market value, then it is considered Fairvalued.
5. Make decisions based on the criteria used in making investment decisions:
 - a. Market Price < Intrinsic Value = Undervalued = Buy
 - b. Market Price > Intrinsic Value = Overvalued = Sell
 - Market Price = Intrinsic Value = Fairvalued = Hold (Silalahi, 2022).

3. RESULTS AND DISCUSSION

3.1 Results of Data Analysis

3.1.1 Normality test

Table 3.
Normality Test Results
(Preliminary Test)
One-Sample Kolmogorov-Smirnov Test

		DDM	DCF
N		72	72
Normal Parameters ^{a,b}	Mean	6303.65	6020.22
	Std. Deviation	10317.416	9670.098
Most Extreme Differences	Absolute	.276	.271
	Positive	.263	.257
	Negative	-.276	-.271
Test Statistic		.276	.271
Asymp. Sig. (2-tailed)		.000 ^c	.000 ^c

Source: Processed by Researchers (2023)

The results of the data normality test show that the significance value is 0.000, which means the data is not normally distributed, because the significance value is still below 0.05. So outliers must be carried out, namely by removing extreme data that causes an abnormal distribution. The following are the results of the normality test after outliers.

Table 4
Normality Test Results
(Test After Outliers)
One-Sample Kolmogorov-Smirnov Test

		DDM	DCF
N		35	35
Normal	Mean	2652.5	3113.9
Parameters ^{a,b}		7	7
	Std.	1239.7	1714.6
	Deviation	56	60
Most Extreme	Absolute	.135	.147
Differences	Positive	.135	.147
	Negative	-.093	-.111
Test Statistic		.135	.147
Asymp. Sig. (2-tailed)		.105 ^c	.054 ^c

Source: Processed Data (2023)

The normality test results show that the data (N) is 35 due to the outlier process. Significance value *Kolmogorov – Smirnov* above for DDM shows a value of 0.105 while DCF shows a value of 0.054 which means it is greater than 0.05, so it can be concluded that the data above is normally distributed.

3.1.2 Stock Valuation by Method *Dividend Discount Model* (DDM)

Table 5. The calculation results *Dividend Discount Model*

No	Stock code	Stock Price			The calculation results		
		2020	2021	2022	2020	2021	2022
1	AALI	12,325	9,500	8,025	6,059	6,834	8,068
					Overvalued	Overvalued	Undervalued
2	ACES	1,495	1,280	496	1,645	1,366	573
					Undervalued	Undervalued	Undervalued
3	ADRO	1,430	2,250	3,850	447	433	2,539
					Overvalued	Overvalued	Overvalued
4	SHARP	611	822	1,400	636	900	1,863
					Undervalued	Undervalued	Undervalued
5	ANTM	1,935	2,250	1,985	1,894	2,480	2,487
					Overvalued	Undervalued	Undervalued
6	BRPT	1,100	855	755	1,135	981	734
					Undervalued	Undervalued	Undervalued
7	BTPS	3,750	3,850	2,790	4,201	5,230	3,412
					Undervalued	Undervalued	Undervalued
8	CPIN	6,525	5,950	5,660	6,976	6,851	7,165
					Undervalued	Undervalued	Undervalued
9	CTRA	985	970	940	1,058	1,223	1,202
					Undervalued	Undervalued	Undervalued
10	DMAS	246	191	159	215	187	156
					Overvalued	Overvalued	Undervalued
11	EXCL	2,730	3,170	2,140	2,763	3,470	2,343
					Undervalued	Undervalued	Undervalued
12	ICBP	9,575	8,700	10,000	11,293	11,185	12,898

					Undervalued	Undervalued	Undervalued
13	INTP	14,475	12,100	9,900	14,475	11,148	9,977
					Fairvalued	Overvalued	Undervalued
14	ITMG	13,850	20,400	39,025	13,980	23,795	69,737
					Undervalued	Undervalued	Undervalued
15	JPFA	1,465	1,720	1,295	1,592	1,996	1,605
					Undervalued	Undervalued	Undervalued
16	KLBF	1,480	1,615	2,090	1,624	1,828	2,607
					Undervalued	Undervalued	Undervalued
17	LSIP	1,375	1,185	1,015	1,440	1,389	1,222
					Undervalued	Undervalued	Undervalued
18	MIKA	2,730	2,260	3,190	2,998	2,684	4,305
					Undervalued	Undervalued	Undervalued
19	MYOR	2,710	2,040	2,500	3,056	2,245	3,254
					Undervalued	Undervalued	Undervalued
20	PTBA	2,810	2,710	3,600	2,852	3,964	3,597
					Undervalued	Undervalued	Overvalued
21	BEEN	805	865	755	543	288	3,988
					Undervalued	Overvalued	Undervalued
22	TLKM	3,310	4,040	3,750	3,458	4,425	4,646
					Undervalued	Undervalued	Undervalued
23	UNTR	26,600	22,150	26,075	28,148	14,627	38,937
					Undervalued	Overvalued	Undervalued
24	UNVR	7,350	4,110	4,700	11,219	4,151	4,810
					Undervalued	Undervalued	Undervalued

Source: Processed Data (2023)

Based on the results of the stock assessment using the DDM method, it is known that in 2020 a total of 24 sample companies, 19 companies experienced stock positions *undervalued*, 4 companies experienced stock positions *overvalued* and 1 company experienced the condition *fairvalued*. For 2021, out of 24 companies, 18 companies have stock positions *undervalued*. 6 companies experienced conditions *overvalued*. Meanwhile, in 2022, out of 24 companies, 22 companies will experience stock positions *undervalued* and 2 companies experienced *overvalued*. So the investment decision for potential investors is not to buy shares in the company if it is in this condition *undervalued*. Meanwhile, investors who already own shares in the company are recommended to sell them if they are in good condition *Overvalued* and hold the shares if in condition *fairvalued*. If calculated as a whole, 59 companies are in condition *undervalued*, 12 companies in condition *overvalued* and 1 company is in condition *fairvalued*. So the intrinsic value of the stock calculated with the method *Dividend Discount Model (DDM)* the majority experience the condition *undervalued*, when compared with stock market prices.

3.1.3 Stock Valuation by Method *Discounted Cash Flow (DCF)*

Table 6. The calculation results *Discounted Cash Flow*

No	Stock code	Stock Price			The calculation results		
		2020	2021	2022	2020	2021	2022
1	AALI	12,325	9,500	8,025	6,895	9,898	7,876
					Overvalued	Undervalued	Overvalued
2	ACES	1,495	1,280	496	1,018	959	923
					Overvalued	Overvalued	Undervalued

3	ADRO	1,430	2,250	3,850	673	4,333	12,758
					Overvalued	Overvalued	Overvalued
4	SHARP	611	822	1,400	661	796	1,081
					Undervalued	Overvalued	Overvalued
5	ANTM	1,935	2,250	1,985	5,462	8,714	1,081
					Undervalued	Undervalued	Undervalued
6	BRPT	1,100	855	755	1,282	3,333	570
					Undervalued	Undervalued	Overvalued
7	BTPS	3,750	3,850	2,790	2,462	4,213	5,123
					Overvalued	Undervalued	Undervalued
8	CPIN	6,525	5,950	5,660	5,992	5,659	4,584
					Overvalued	Overvalued	Overvalued
9	CTRA	985	970	940	796	1,054	1,133
					Overvalued	Undervalued	Undervalued
10	DMAS	246	191	159	301	160	272
					Undervalued	Overvalued	Undervalued
11	EXCL	2,730	3,170	2,140	1,438	3,048	4,313
					Overvalued	Overvalued	Undervalued
12	ICBP	9,575	8,700	10,000	9,911	9,630	6,894
					Undervalued	Undervalued	Overvalued
13	INTP	14,475	12,100	9,900	11,459	11,368	12,597
					Overvalued	Overvalued	Undervalued
14	ITMG	13,850	20,400	39,025	22,885	24,602	61,218
					Undervalued	Undervalued	Undervalued
15	JPFA	1,465	1,720	1,295	937	1,423	1,447
					Overvalued	Overvalued	Undervalued
16	KLBF	1,480	1,615	2,090	1,357	1,581	1,693
					Overvalued	Overvalued	Overvalued
17	LSIP	1,375	1,185	1,015	1,019	1,458	1,518
					Overvalued	Undervalued	Undervalued
18	MIKA	2,730	2,260	3,190	2,312	2,088	2,821
					Overvalued	Overvalued	Overvalued
19	MYOR	2,710	2,040	2,500	2,619	1,509	2,477
					Overvalued	Overvalued	Overvalued
20	PTBA	2,810	2,710	3,600	1,816	5,985	9,328
					Overvalued	Undervalued	Undervalued
21	BEEN	805	865	755	656	884	770
					Overvalued	Undervalued	Undervalued
22	TLKM	3,310	4,040	3,750	3,336	3,971	3,328
					Overvalued	Overvalued	Overvalued
23	UNTR	26,600	22,150	26,075	17,928	30,709	63,279
					Overvalued	Undervalued	Undervalued
24	UNVR	7,350	4,110	4,700	5,766	4,631	4,325
					Overvalued	Undervalued	Undervalued

Source: Processed Data (2023)

Based on the results of stock assessment using the DCF method, it is known that in 2020 a total of 24 sample companies, 18 companies experienced stock positions *overvalued* and 6 companies experienced share positions *undervalued*. In 2021, of the 24 companies, 11 companies experienced stock positions and 13 companies experienced stock conditions *undervalued*. Meanwhile, in 2022, out of 24 companies, 9 companies will experience stock positions *overvalued* and 15 companies experienced *undervalued*. So the investment decision for potential investors is not to buy shares in the company if it is in good condition *undervalued*. Meanwhile, investors who already own shares in the company are recommended to sell them if they are in good condition

Overvalued. If calculated as a whole, 38 companies are in condition *undervalued*, 34 companies in condition *overvalued* and So the intrinsic value of shares is calculated using the method *Discounted Cash Flow (DCF)* the majority experience the condition *overvalued*, when compared with stock market prices.

3.1.4 Independent Samples T

The basis for Independent Samples T Test decision making is as follows:

- If the Sig value. (2-tailed) > 0.05, then there is no difference in the data
- If the Sig value. (2-tailed) < 0.05, then there are differences in the data

Table 7.
Independent Samples Differential Test Results: Intrinsic Value of Shares Assessed Using the DDM and DCF Methods

	Levene's Test for Equality of Variances		t-test for Equality of Means		
	F	Sig.	t	df	Sig. (2-tailed)
IN Equal variances assumed	.000	.993	.022	142	.983
Equal variances not assumed			.022	142.0	.983

Source: Processed Data (2023)

The test results show that the sig (2-tailed) value is 0.983, which indicates that this number is greater than 0.05 ($0.983 > 0.05$). This shows that the intrinsic value of the DDM and DCF methods is not significantly different.

3.2 Discussion

- a) **Intrinsic Value calculated using the method *Dividend Discount Model (DDM)* in the majority under conditions *undervalued*, *fairvalued* or *overvalued* when compared with stock market prices.**

From the results of data analysis calculations in table 4, the majority of shares calculated using DDM are experiencing conditions Undervalued. This is proven by 72 samples from a total of 24 companies with a 3 year period, 66 samples experienced this undervalued, 4 samples were overvalued and 2 samples were fairvalued. So it can be concluded that the first hypothesis (H1) is accepted. Because stock price movements in the market are in line with or with stock performance in terms of fundamentals. This is because share price movements in the market experience growth, which is comparable to the fundamental performance of shares which shows a growth rate, the majority of which experience positive growth.

The results of this research are in line with research conducted by Iqbal Hairul and Abdul Moin in 2022 which showed that out of 22 companies, as many as 21 companies experienced conditions undervalued. As well as research from Rio Rosandy and Ardhiani Fadila in 2023 which shows that in 2019 out of 15 companies, 12 companies experienced this condition. undervalued, while in 2020 out of 15 companies, 11 companies experienced the condition undervalued.

b) **Intrinsic value calculated using the method *Discounted Cash Flow (DCF)* in condition *undervalued, fairvalued* or *overvalued* when compared with stock market prices**

From the results of data analysis calculations in table 5, the majority of shares calculated using DCF are experiencing conditions *Undervalued*. This is proven by 72 samples from a total of 24 companies with a 3 years period, 39 samples experienced *Overvalued*, 33 samples experienced *Undervalued* conditions. So it can be concluded that the second hypothesis (H2) was accepted. Due to the EPS value being less than optimal, the greater the EPS the company produces, the more optimal it is to maximize wealth for shareholders. The EPS value is important for DCF calculations because, in DCF calculations The EPS value will be projected or assumed, whereas in this research there are many companies that have small EPS, namely with a value of IDR 14.83, and also the value of EPS Growth or average EPS growth is negative. The research results are in line with research by Nurul Wahyu Wijayanti et al. 2020 which shows that as many as 7 companies experienced conditions *overvalued*. As well as research from Redi Nurhadiman et al which shows that in 2019 out of 5 companies, 3 companies experienced conditions *overvalued*, and 2 companies experienced conditions *undervalued*.

c) **The differences in stock valuation by method *Dividend Discount Model (DDM)* and *Discounted Cash Flow (DCF)***

Based on the test calculations in table 6, the results show that the sig (2-tailed) value is 0.983, which means that this number is greater than 0.05 ($0.983 > 0.05$). This means that there is no significant difference in the intrinsic value between the DDM and DCF methods, which means the third hypothesis (H3) is accepted. The results of this research show that there is no difference in stock valuations calculated using the DDM and DCF methods. This is because DCF takes into account the projected future cash flows of a company and arrives at the present value by discounting the future exchange rate. DDM is similar to DCF in the sense that it also uses these future cash flow projections but also takes future dividend levels into account. The results of this research are in line with research conducted by Tasya Natalia and Ari Chistiani in comparing the absolute method and the relative method, that basically share valuation with DDM and DCF uses the same main elements of asset cash flows in the future which are predicted to occur.

4. CONCLUSION

Research was conducted to analyze stock valuations using the method *Dividend Discount Model* and *Discounted Cash Flow* whether it is in condition *undervalued, Overvalued, Fairvalued* on companies registered on JII 70 for 2020 – 2022 and analyze whether there are differences between the two methods. The research results show that stock valuation uses the method *Dividend Discount Model* the majority experience *undervalued*, while stock valuation uses the method *Discounted Cash Flow* the majority are overvalued. From the test results *t-test* good Method *Dividend Discount Model* and *Discounted Cash Flow* there is no significant difference, so investors do not need to hesitate to choose between the two models.

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