



The Effect Of Company Performance On Stock Return In The Consumption Goods Sector

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Abstract

The objective of this study is to examine the impact of company performance on stock returns within the consumer goods sector during the period of 2016 to 2020, while considering an Islamic perspective. The study employs quantitative research methods and relies on secondary data. The sample consists of 16 companies selected through purposive sampling. Panel data regression analysis is utilized as the analytical method, with a significance level set at 5%. The findings of the study are as follows: (1) Return on Assets (ROA) has a statistically significant influence on stock returns. (2) Current Ratio (CR) does not have a significant impact on stock returns. (3) Debt to Equity Ratio (DER) does not have a significant effect on stock returns. (4) Total Assets Turnover (TATO) has a significant influence on stock returns. (5) Price Earnings Ratio (PER) has a significant impact on stock returns. (6) Collectively, ROA, CR, DER, TATO, and PER have a significant effect on stock returns. This research can serve as a useful tool for companies in the consumer goods sector to assess their stock return values and provide insights for improving future financial performance.

Pengaruh Kinerja Perusahaan Terhadap Return Saham Pada Sektor Barang Konsumsi

Abstrak

Keywords:

(1) Return On Assets (ROA), (2) Current Ratio (CR), (3) Debt to Equity Ratio (DER), (4) Total Assets Turnover (TATO), (5) Price Earnings Ratio (PER), (6) Return Saham

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None

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Tujuan dari penelitian ini adalah untuk menguji pengaruh kinerja perusahaan terhadap return saham sektor barang konsumsi selama periode 2016 hingga 2020, dengan mempertimbangkan perspektif Islam. Penelitian ini menggunakan metode penelitian kuantitatif dan mengandalkan data sekunder. Sampel terdiri dari 16 perusahaan yang dipilih melalui purposive sampling. Analisis regresi data panel digunakan sebagai metode analisis, dengan tingkat signifikansi yang ditetapkan sebesar 5%. Temuan penelitian adalah sebagai berikut: (1) Return on Assets (ROA) secara statistik berpengaruh signifikan terhadap return saham. (2) Current Ratio (CR) tidak berpengaruh signifikan terhadap return saham. (3) Debt to Equity Ratio (DER) tidak berpengaruh signifikan terhadap return saham. (4) Total Assets Turnover (TATO) berpengaruh signifikan terhadap return saham. (5) Price Earning Ratio (PER) berpengaruh signifikan terhadap return saham. (6) Secara bersama-sama ROA, CR, DER, TATO, dan PER berpengaruh signifikan terhadap return saham. Penelitian ini dapat menjadi alat yang berguna bagi perusahaan di sektor barang konsumsi untuk menilai nilai pengembalian saham mereka dan memberikan wawasan untuk meningkatkan kinerja keuangan di masa mendatang.



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1. Introduction

In today's fast-paced business environment, companies are faced with the imperative to engage in competitive practices. The advent of the Covid-19 pandemic has significantly influenced various sectors and economic pillars, including the capital market and stock exchange. This situation was also observed in Indonesia, as highlighted by Tamara (2020), who reported a decline in the Indonesian IHGS (Indeks Harga Gabungan Saham) at the start of 2020. Specifically, the stock market experienced a significant drop of 6.58 percent in a single day, marking the most substantial decline witnessed in the past nine years.

The food and beverage industry sub-sector is also often the focus and makes a significant contribution to the manufacturing sector and Indonesia's economic growth. The high need for food and beverages in life makes the food and beverage business considered to have good prospects in the future (Herninta & Rahayu, 2021). The existence of good prospects, therefore investment in the consumer goods sector is a promising thing in the future and a safe choice for investors to invest.

For an investor, investing in selected assets is expected to generate a return that is proportional to the risk that must be borne by the investor. Stock returns can be positive or negative. If it is positive it indicates a profit or capital gain, whereas if it is negative it indicates a loss or capital loss (Hermuningsih et al., 2018). Stock return is the result obtained from investing in a stock. Returns can be in the form of realized returns that have occurred or expected returns that have not occurred but are expected to occur in the future (Jogiyanto, 2016).

Kusumawati & Safiq (2019) state that good financial performance shows the level of effectiveness of a company's management in generating profits both from sales and investment opportunities that have been made. Profitable companies are appealing to investors and potential investors, who are eager to invest their funds in such companies. This heightened attraction leads to a surge in demand for the company's shares. As a result, when there is significant demand for a company's shares, their prices tend to rise. The subsequent increase in stock prices directly contributes to higher returns for investors. Essentially, the profitability of a company serves as a magnet for investors, driving up share prices and ultimately boosting investor returns.

One of the financial ratios that is thought to have an influence on the first stock return is the profitability ratio, this ratio is one of the references in measuring the amount of profit. The profitability ratio used in this study is measured by Return On Assets (ROA). According to Wasih et al, (2018) the high value of ROA illustrates the better the company's operational process in utilizing its assets to generate profits which will encourage an increase in the rate of return on the shares of investors, causing investors to be interested in investing in the company. Empirical evidence showing that Return On Assets (ROA) has a positive effect on stock returns, namely in research conducted, Dewi (2017), Pubra (2019), Nikmah et al, (2021) which concludes that Return On Assets (ROA) has an effect on positive on stock returns, this means that the company's performance is getting better and shareholders will receive increasing profits received. Meanwhile, research conducted by Mende et al, (2017), Atidhira & Yustina (2017) states that Return On Assets has a negative and insignificant effect on stock returns.

The second ratio that is thought to have an influence on stock returns is the liquidity ratio, this ratio is the company's ability to meet its short-term obligations. According to Anugerah &

Syaichu (2017), if the current ratio of a company is greater than its obligations, then it is believed that the company can generate large profits and later the company concerned can bring high profits for investors, the current ratio affects the level of stock returns. Based on previous research conducted by Rochim & Ghoniyah (2017), Dewi (2017), and Sinaga, et al (2020) which stated that the Current Ratio (CR) variable has a positive and significant effect on stock returns. Meanwhile, according to Mende et al, (2017) stated that the variable Current Ratio (CR) has a negative and significant effect on stock returns.

The third ratio that is thought to have an influence on stock returns is the solvency ratio, this ratio is the company's ability to fulfill its long-term obligations. According to Hery (2016), the solvency ratio is the ratio used to measure the extent to which a company's assets are financed with debt. The solvency ratio in this study is measured by the Debt to Equity Ratio (DER). A higher DER indicates that the company's debt is proportionally higher compared to its capital. When the DER is higher, it implies lower stock returns since the increased level of debt signifies higher interest expenses for the company, leading to reduced profits. Research conducted by Pratama, Atidhira et al, (2017) & Nurmasari (2018) Debt to Equity Ratio (DER) has a significantly positive effect on stock returns, but it is different from the research conducted Verawaty et al, (2015), Mende et al, (2017), and Dewi (2016), which states that DER has no and significant effect on stock returns.

The fourth ratio that is thought to have an influence on stock returns is the activity ratio. According to Harahap in (Ratningsih & Alawiyah 2017), the activity ratio is a financial ratio that measures how a company effectively manages its assets. In this study, the activity ratio is projected using Total Asset Turnover (TATO). The higher the TATO value, the better the company is in managing its assets. Research conducted by Dewi (2017), and Nikmah et al (2021) shows that Total Asset Turnover (TATO) has a positive and significant effect on stock returns. However, in contrast to the research conducted by Pratama & Idawati (2019) shows that TATO has a negative and insignificant effect on stock returns.

The fifth ratio considered to impact stock returns is the market appraisal ratio, which aims to estimate a company's intrinsic value or share value. In this study, the valuation ratio is represented by the Price Earnings Ratio (PER). A higher PER value suggests improved company performance. A high PER creates higher investor expectations of achieving a significant return on investment. Consequently, investors are inclined to invest in companies with higher PER values due to the perceived potential for greater returns. According to research conducted by Suhermin (2016), and Dewi (2017), concluded that the Price Earnings Ratio has a significant positive effect on stock returns. However, in contrast to the research conducted by Verawaty et al (2015), the results show that the Price Earnings Ratio has no significant effect on stock returns.

The research objective to be achieved in this study is to determine whether there is an influence on the profitability ratio as measured by ROA, the liquidity ratio as measured by CR, the solvency ratio as measured by DER, the activity ratio as measured by TATO, the valuation ratio as measured by PER to Return stocks as well as to determine simultaneously the effect of ROA, CR, DER, TATO and PER on stock returns.

2. Literature Review and Hypothesis

2.1. Agency Theory

The agency relationship is a contract between the principal and the agent, according to Suryaningsih (2018) the essence of the agency relationship is the separation between ownership (principal/investor) and control (agent/manager). Ownership is exemplified by an investor who holds power and control over a manager, who acts as an agent responsible for managing the investor's wealth. Investors anticipate that by exercising this managerial authority, they will generate greater profits, thereby increasing the wealth and prosperity of the shareholders. According to Nursita (2021), an agency relationship is a contract in which one or more people (principals) order another person (agent) to perform a service on behalf of the principal and authorize the agent to make the best decisions for the principal. When both parties share the objective of maximizing the company's value, it is assumed that the agent (management) will wholeheartedly support and execute the instructions given by the principal (shareholders). Agency theory encompasses the framework that outlines the relationship between shareholders as principals and management as agents.

2.2. Signaling Theory

Signaling Theory is a theory that looks at the signs about the conditions that describe the company (Fahmi, 2020). Signal theory elucidates why managers of an organization are motivated to voluntarily disclose information to the capital market, even in the absence of any obligatory requirement. According to Nursita (2021), Signaling theory is an information signal needed by investors to determine whether these investors will invest their shares in the company. The information released by a company holds significance due to its impact on investment decisions made by external parties. This information is crucial for investors and business professionals as it essentially provides insights, observations, or descriptions regarding the company's past, present, and future conditions, and how they influence the organization. Therefore, the signaling theory emphasizes the importance of a company effectively conveying signals to users of financial statements who are considering investing in the company.

2.3. Stock Returns

Stock return is a factor that influences investor interest in investing in a company, with a high rate of return given by the company to investors, it shows that the company has good company performance, so investors believe that the company will provide a positive effect to shares that have been invested by investors in the capital market (Bisara & Asmanah, 2015). Stock returns also allow investors to compare the rate of return of a company with other companies (Jogiyanto, 2017). So Return is very important for investors or owners of capital, because return is the expectation of future profits which is compensation for the time and risk associated with investments made by investors.

2.4. Profitability Ratio

According to Hery (2016) the profitability ratio is the ratio used to measure a company's ability to generate profit from its normal business activities. The profitability ratio is also known as the profitability ratio. The profitability ratio measurement used is Return On Assets (ROA), this ratio is a measurement of the company's overall ability to generate profits with the total assets available in the company. The higher this ratio, the better the condition of a company (Syamsuddin, 2016). Based on previous research conducted by Pubra (2019), Dewi (2017), Nikmah et al, (2021) which concluded that Return on Assets (ROA) has a positive effect on

stock returns, this means that it shows better company performance and shareholders the stock will receive an increasing profit received.

H1: Return On Assets (ROA) has an effect on Stock Returns

2.5. Liquidity Ratio

According to Kasmir (2019), the liquidity ratio, also known as the working capital ratio, is the ratio used to assess a company's liquidity. Examination of the measurement of the liquidity ratio has two results, namely if the corporation is able to pay its commitments, it is considered in a liquid condition. Conversely, if the corporation cannot fulfill this commitment, it is considered to be in an illiquid condition. The liquidity ratio measurement used is the Current Ratio (CR) is a ratio that measures a company's ability to pay off short-term debts or obligations that are due immediately after the overall collection (Kasmir, 2016). According to Fahmi (2020), the current ratio is a measure commonly used for short-term solvency. This ratio is a ratio that measures a company's ability to pay short-term obligations or debts that are due soon when billed as a whole. Based on previous research conducted by Rochim, et al (2017), Sinaga, et al (2020), and Dewi (2017) which states that the Current Ration (CR) variable has a positive and significant effect on stock returns.

H2: Current Ration (CR) has a significant effect on Stock Returns

2.6. Rasio Solvabilitas

The solvency ratio measures the extent to which a company's assets are financed through debt. Kasmir (2019) states that it calculates the proportion of a company's assets that are funded by debt, indicating the level of debt relative to the company's assets. The commonly used solvency ratio for measurement is the Debt to Equity Ratio (DER). Sujarweni (2017) explains that the DER compares the amount of debt to equity in a company's financing structure, showcasing the company's capacity to fulfill its obligations using its own capital. The Debt to Equity Ratio (DER) evaluates the relationship between debt and equity by comparing all forms of debt, including current liabilities, with the company's equity (Kasmir, 2019). Research conducted by Nurmasari (2018) and Atidhira et al. (2017) supports the notion that DER has a significant positive impact on stock returns.

H3: Debt to Equity Ratio (DER) has a significant effect on Stock Return

2.7. Activity Ratio

The activity ratio is the ratio used to measure a company's effectiveness in using its assets. According to Kasmir (2019), the activity ratio is the ratio used to measure how effective a company is in using its assets. The activity ratio measurement used is Total Asset Turnover (TATO). Total Asset Turnover total asset turnover is part of the activity ratio. According to Syamsuddin (2014: 62), Total Asset Turnover is the efficiency level of using the entire company's assets in generating a certain sales volume. In previous research conducted by Dewi (2017) and Nikmah et al, (2021) showed that Total Asset Turnover (TATO) has a positive and significant effect on stock returns.

H4: Total Assets Turnover (TATO) has a significant effect on Stock Returns

2.8. Rating Ratio

The valuation ratio is the ratio used to estimate the company's intrinsic value (share value). According to Kasmir (2019), the valuation ratio is the ability of the ratio to measure management in creating market value for its business above investment costs. The activity ratio measurement used is the Price Earnings Ratio (PER). Price Earnings Ratio (PER) is a measure of stock performance based on a comparison between stock market prices and

earnings per share. This ratio shows how much investors value stock prices on multiples of earnings. According to research conducted by Dewi (2017), Risdiyanto & Suhermin (2016) concluded that PER has a significant positive effect on stock returns.

H5: Price Earnings Share (PER) has a significant effect on Stock Returns

3. Data and Method

This research study follows an associative research approach to explore the effects and connections between various variables, including Return On Assets (ROA), Current Ratio (CR), Debt to Equity Ratio (DER), Total Asset Turnover (TATO), and Price Earnings Ratio (PER). It adopts a quantitative research method based on positivism and aims to investigate a specific population or sample. The population consists of consumer goods companies that are listed on the Indonesia Stock Exchange, totaling 41 issuers. The sample includes 18 companies selected from this population for the period of 2016-2020. The study uses secondary data sourced from financial reports available on the Indonesia Stock Exchange website, collected through documentation techniques. To examine the impact of the mentioned variables on stock returns in the consumer goods sector, the study employs panel data regression analysis using Eviews 9 Version software.

4. Results

4.1. Descriptive Statistical Test

These statistics encompass the sample's average (mean), median value (median), maximum value (max), minimum value (min), and standard deviation for each variable.

Table 1. Results of Descriptive Statistical Test

	N	Minimum	Maximum	Median	Mean	Std. Dev
ROA	80	1.317400	30.02290	9.402400	9.978566	6.179791
CR	80	100.1415	527.2330	240.5913	249.7356	114.0086
DER	80	18.6446 0	268.2620	55.89725	76.80643	55.38322
TATO	80	45.67060	302.1172	109.5474	114.1433	52.08802
PER	80	321.6899	5837.621	1628.343	1919.816	1181.052
RETURN	80	-0.960000	2.570000	0.060000	0.074500	0.422638

Source: Processed Data Eviews 9 (2022)

Table 1 shows the number of company observations in this study as many as 80. The mean of the stock return variable is 0.074500 with a standard deviation of 0.422638. The mean value is smaller than the standard deviation, namely $0.074500 < 0.422638$. This shows that the data in this study have several outliers (data that are too extreme).

4.2. Selection of Data Analysis Model

4.2.1. Approach to the Common Effect Model or Pooled Least Square Method

Data processing using the Common Effect Model (CEM) approach as one of the conditions for conducting a chow or likelihood test.

Table 2. Estimation Results of the Common Effect Model Method

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.010653	0.251788	-0.042309	0.9664
ROA	-0.003610	0.010443	-0.345700	0.7305
CR	-0.000821	0.000671	-1.222623	0.2254
DER	0.000298	0.001168	0.255161	0.7993
TATO	0.001978	0.001015	1.949470	0.0550

PER	4.03E-05	4.50E-05	0.896157	0.3731
R-squared			0.076476	
Adjusted R-squared			0.014076	
F-statistic			2.225572	
Prob(F-statistic)			0.305737	

Source: Processed Data Eviews 9 (2022)

By employing the Common Effect Model (CEM), the analysis reveals an R-squared value of 7.64%. However, none of the five independent variables, namely ROA, CR, DER, TATO, and PER, demonstrate a significant impact on the dependent variable, Stock Return.

4.2.2. Fixed Effect Model Approach

The Fixed Effect method assumes that there exist individual-specific intercept differences, where the intercepts vary only across individuals while remaining constant over time. In this study, data processing will be conducted using the Fixed Effect Model (FEM) approach, which will be compared with the Common Effect Model (CEM) approach through a Likelihood test.

Table 3 Fixed Effect Model Estimation Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.218882	0.558368	0.392003	0.6965
ROA	0.069299	0.021388	3.240050	0.0020
CR	-0.001442	0.000985	-1.464420	0.1484
DER	0.000372	0.003035	0.122710	0.9028
TATO	-0.008718	0.003625	-2.404608	0.0193
PER	0.000256	8.83E-05	2.893879	0.0053
R-squared		0.378859		
Adjusted R-squared		0.168303		
F-statistic		2.519327		
Prob(F-statistic)		0.042289		

Source: Processed Data Eviews 9 (2022)

Based on table 3 it can be seen that by using FEM, we will get a larger R-square when compared to the CEM method, which is 37.88%. Different from the previous method, the results of the FEM method show that the three independent variables namely ROA, TATO and PER have a significant influence on the dependent variable, namely stock returns with an ROA value of 0.0016, TATO of 0.0141 and PER of 0.0053.

4.2.3 Random Effect Model Approach

The Random Effects model is employed when there are suspected relationships between the residuals across time and individuals/companies. If the Likelihood test results indicate that the Fixed Effect Model (FEM) is the most suitable, then the data will be processed using the Random Effects Model (REM) approach. The REM approach is further compared to the REM method through a Hausman test.

Table 4 Estimation Results of the Random Effect Model

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.010653	0.231258	-0.046065	0.9634
ROA	-0.003610	0.009592	-0.376390	0.7077
CR	-0.000821	0.000617	-1.331164	0.1872

DER	0.000298	0.001073	0.277814	0.7819
TATO	0.001978	0.000932	2.122540	0.0371
PER	4.03E-05	4.14E-05	0.975716	0.3324
R-squared	0.076476			
Adjusted R-squared	0.014076			
F-statistic	2.225572			
Prob(F-statistic)	0.305737			

Source: Processed Data Eviews 9 (2022)

As indicated in Table 4, the Random Effects Model (REM) yields a lower R-squared value compared to the Fixed Effect Model (FEM), at 7.64%. The REM analysis reveals that only Total Asset Turnover (TATO) has a statistically significant impact on stock returns, with a coefficient of 0.0371. On the other hand, the four independent variables, namely ROA, CR, DER, and PER, do not demonstrate a significant influence on the dependent variable, stock returns.

4.2.4 Panel Data Regression Estimation Model

4.2.4.1. Likelihood-test testing

Untuk memilih model estimasi data panel terbaik antara CEM atau FEM maka dilakukan pengujian Likelihood-test.

Table 5 Likelihood-test results

<i>Redundant Fixed Effects Tests</i>			
<i>Equation: Untitled</i>			
<i>Test cross-section fixed effects</i>			
<i>Effects Test</i>	<i>Statistic</i>	<i>d.f.</i>	<i>Prob.</i>
<i>Cross-section F</i>	1.914823	(15,59)	0.0398
<i>Cross-section Chi-square</i>	31.731144	15	0.0070

Source: Processed Data Eviews 9 (2022)

Based on the Likelihood test results, the probability value of the Chi-square statistic is determined to be 0.0070. Since this probability value is less than 0.05, the null hypothesis (Ho) is rejected. Therefore, it can be concluded that based on the Likelihood test results, the Fixed Effect Model (FEM) is deemed to be the most appropriate panel data estimation model.

4.2.4.2. Hausman-test testing

Since the Likelihood test indicates that the Fixed Effect Model (FEM) is the preferred panel data estimation model, a comparison will be conducted between FEM and REM using the Hausman test.

Table 6 Multiple Linear Regression Test

<i>Correlated Random Effects - Hausman Test</i>			
<i>Equation: Untitled</i>			
<i>Test cross-section random effects</i>			
<i>Test Summary</i>	<i>Chi-Sq. Statistic</i>	<i>Chi-Sq. d.f.</i>	<i>Prob.</i>
<i>Cross-section random</i>	20.364806	5	0.0011

Source: Processed Data Eviews 9 (2022)

The Hausman test reveals that the probability value of the Chi-square statistic is 0.0011, which is below the significance level of 0.05. Consequently, the null hypothesis (Ho) is rejected, indicating that based on the results of the Hausman test, the Fixed Effect Model (FEM) is the

most suitable panel data estimation model. Taking into account the outcomes of the conducted tests, it can be concluded that the Fixed Effect Model (FEM) is the preferred panel data regression estimation model.

4.2.5. Panel Data Regression Analysis Results

Based on the results of the panel data model estimation test, it shows that the Fixed Effect Model (FEM) is the best regression model so that the multiple regression equation is obtained as follows:

$$\text{Returnit} = 0.218882 + 0.069299\text{ROAit} - 0.001442\text{CRit} + 0.000372\text{DERit} - 0.008718\text{TATOit} + 0.000256\text{PERit}$$

4.3. Classical Assumption Test Results

The diagnostic tests conducted on the regression model provide valuable insights. The normality test, using the Jarque-Bera (J-B) test, indicates that the residual variables follow a normal distribution. The multicollinearity test reveals that there is no significant correlation between the independent variables (ROA, CR, DER, TATO, and PER), thereby eliminating concerns of multicollinearity. The autocorrelation test, performed with the Durbin-Watson (DW) test, demonstrates no evidence of autocorrelation in the regression model. Additionally, the heteroscedasticity test, conducted using the Park test, suggests that there is no heteroscedasticity present in the regression model. Consequently, it can be concluded that the regression model exhibits normality, lacks multicollinearity, does not have autocorrelation, and is free from heteroscedasticity.

4.4. Hypothesis Testing

4.4.1. Partial Test (t test)

To find out the effect of each independent variable on the dependent variable, namely between Return On Assets (ROA), Current Ratio (CR), Debt To Equity Ratio (DER), Total Asset Turnover (TATO), and Price Earnings Ratio (PER) does it have effect on stock return or not, in this study tested the regression coefficient, namely the t-test.

Table 7 T Test Results

<i>Variable</i>	<i>t-Statistic</i>	<i>t-Tabel</i>	<i>Prob.</i>	<i>α = 5%</i>
C	0.392003	1.99254	0.6965	0,05
ROA	3.240050	1.99254	0.0020	0,05
CR	-1.464420	1.99254	0.1484	0,05
DER	0.122710	1.99254	0.9028	0,05
TATO	-2.404608	1.99254	0.0193	0,05
PER	2.893879	1.99254	0.0053	0,05

Source: Processed Data Eviews 9 (2022)

The data processing results presented in Table 7 reveal the following findings: Firstly, the variable ROA has a significant and positive effect on stock returns, as indicated by its coefficient value (T count) of 3.240050, which exceeds the critical value (T table) of 1.99254, and a significance value of 0.0020, lower than the threshold of 0.05. This supports the acceptance of the alternative hypothesis (Ha) and the rejection of the null hypothesis (Ho). Secondly, the CR variable does not exhibit a significant influence on stock returns, as the coefficient value (T count) of -1.464420 is lower than the critical value (T table) of -1.99254, and the significance value is 0.1484, exceeding 0.05. Thus, the null hypothesis (Ho) is accepted, and the alternative hypothesis (Ha) is rejected. Thirdly, the DER variable also does not have a significant impact

on stock returns, as the coefficient value (T count) of 0.122710 is lower than the critical value (T table) of 1.99254, and the significance value is 0.9028, surpassing 0.05. Therefore, the null hypothesis (Ho) is accepted, and the alternative hypothesis (Ha) is rejected. Furthermore, the TATO variable demonstrates a significant effect on stock returns, with a coefficient value of 0.008718, a T count value greater than the T table value of $-2.40460 > -1.99254$, and a significance value of 0.0193, below 0.05. Thus, the alternative hypothesis (Ha) is accepted, and the null hypothesis (Ho) is rejected. Finally, the PER variable (EPS) exhibits a significant influence on stock returns, supported by its coefficient value of 0.000256, a T count value greater than the T table value of $2.893879 > 1.99254$, and a significance value of 0.0053, lower than 0.05. Therefore, the alternative hypothesis (Ha) is accepted, and the null hypothesis (Ho) is rejected.

4.4.2. Determination Coefficient Test (R²)

From Table 10, the Coefficient of Determination Test (R²) yields a value of 0.378859, indicating that the independent variables ROA, CR, DER, TATO, and PER can explain 37.8859% of the variation in the dependent variable, which is the prediction of stock returns. The remaining 62.1141% suggests that other factors not included in the model influence the prediction of Stock Return. Therefore, it can be concluded that there is a weak influence between company performance, represented by ROA, CR, DER, TATO, and PER, on stock returns.

5. Discussion

Effect of Return On Assets (ROA) on Stock Returns

According to the findings of this study, it is affirmed that ROA has a significant impact on stock returns, which aligns with previous research conducted by Dewi (2017), Handayati & Zulyanti (2018), Pubra (2019), and Nikmah et al. (2021). These studies consistently indicate that higher ROA values reflect better company performance, leading to increased corporate profits and subsequent stock price appreciation. Consequently, shareholders receive higher stock returns. This positive signal attracts investors to invest their funds in securities or stocks, driving up demand and further increasing stock prices and returns. However, these results contradict the findings of Mende et al. (2017) and Atidhira et al. (2017), who suggest that ROA does not have a significant effect on stock returns.

Effect of Current Ratio (CR) on Stock Returns

The research findings indicate that the Current Ratio (CR) variable does not have a significant impact on stock returns, which is consistent with the studies conducted by Permatasari (2017) and Mende et al. (2017). These studies suggest a negative and insignificant relationship between CR and stock returns. In this study, the CR variable compares a company's total current assets with its current liabilities. It is observed that companies with a high CR may not necessarily generate high stock returns. While a high CR implies sufficient current assets to cover current liabilities, it does not guarantee that the company has enough cash on hand to meet its obligations. Moreover, an increased CR may lead to a decrease in the rate of return on shares for investors. A high CR signifies high liquidity but may also indicate financial mismanagement by the company. Additionally, a high CR does not ensure that the company's debts will be paid on time, especially if there is an excessive cash balance without generating profitability. These findings contradict the research conducted by Rochim et al. (2017), Dewi (2017), and Sinaga et al. (2020), which suggest a significant effect of CR on stock returns. These studies propose that a low CR can cause a decrease in the market price of shares, while a high CR may be attributed to uncollectible receivables and unsold inventory, resulting in reduced

ability to quickly pay off debts. Conversely, companies with high current assets may possess other liquidatable assets without experiencing a decline in market value, making them more attractive to investors.

Effect of Debt to Equity Ratio (DER) on Stock Returns

The findings of this study indicate that the Debt to Equity Ratio (DER) variable does not have a significant effect on stock returns, which is consistent with the research conducted by Defawanti et al. (2018). This implies that the DER value of a company does not directly influence stock returns. It suggests that investors consider factors beyond the DER when making investment decisions, focusing more on a company's ability to effectively manage borrowed capital to enhance its value. This finding is also supported by the studies of Malbani (2019) and Zubaidah (2018), which highlight that investors do not consistently prioritize the capital structure (DER) when making investment decisions but instead emphasize the company's profit-generating capacity. However, these results contradict the research conducted by Hermuningsih (2020) and Amri et al. (2020), who found a significant relationship between DER and stock returns. These contrasting results suggest that some investors perceive growing companies as requiring debt to fund their expansion and view the use of creditor funds as a means to generate profits. If a company successfully generates high profits, it can lead to increased demand for shares and subsequently higher stock prices and returns.

Effect of Total Asset Turnover (TATO) on Stock Returns

Based on the findings of this study, it is concluded that the Total Asset Turnover (TATO) variable has a significant impact on stock returns. This result is consistent with previous research conducted by Fitri (2018), Dewi (2017), Prabawa and Lukiastuti (2015), and Nikmah et al. (2021). The TATO ratio is crucial as it reflects the effectiveness of assets in generating sales. A higher TATO value indicates higher sales and profits, leading to increased stock returns for investors. The findings align with the understanding that companies with a higher total asset turnover are more efficient in utilizing their assets according to their needs, achieving greater efficiency. However, excessive asset levels beyond the requirements may result in reduced efficiency despite still generating profits. These results differ from the research conducted by Pratama and Idawati (2019), which found no significant effect of TATO on stock returns.

Effect of Price Earnings Ratio (PER) on Stock Returns

Based on the findings of this study, it is concluded that the Price Earnings Ratio (PER) variable has a significant impact on stock returns. This result is consistent with previous research conducted by Dewi (2017), Risdiyanto and Suhermin (2016), and Rachmawati and Triyonowati (2019), which also found a significant relationship between PER and stock returns. A higher PER indicates a higher level of investor trust, leading them to be more inclined to purchase stocks with a high PER ratio. As more investors buy stocks with high PER ratios, it can be inferred that stock returns for such companies also increase. Thus, PER has a significant influence on stock returns, and for investors, a low PER may offer its own benefits. It allows them to purchase stocks at relatively low prices and potentially gain larger capital gains. A high PER reflects strong company growth and performance, attracting investor interest and resulting in increased stock prices and returns. However, this finding contrasts with the research conducted by Verawaty et al. (2015), which found no significant effect of PER on stock returns. A higher PER ratio signifies improved company performance, higher share prices, and increased demand for shares. These factors contribute to the increase in stock prices and subsequently higher stock returns (Devi and Artini, 2019).

6. Conclusion

Based on the analysis and discussion of the study, the following conclusions can be drawn: 1) Return on Assets (ROA) has a significant impact on stock returns. Higher ROA indicates higher corporate profits and leads to an increase in stock prices. 2) Current Ratio (CR) does not significantly affect stock returns. Having a high CR does not guarantee high stock returns. 3) Debt to Equity Ratio (DER) does not significantly influence stock returns. Investors focus on factors other than DER when making investment decisions. 4) Total Assets Turnover (TATO) has a significant impact on stock returns. Effective asset utilization leads to higher efficiency and potentially higher stock returns. 5) Price Earnings Ratio (PER) has a significant effect on stock returns. Higher PER attracts investor trust and increases the likelihood of buying stocks with a high PER ratio. 6) Collectively, Return On Assets (ROA), Current Ratio (CR), Debt to Equity Ratio (DER), Total Assets Turnover (TATO), and Price Earnings Ratio (PER) have a significant influence on stock returns.

Recommendation

Based on the findings of this study, several recommendations are suggested for future research. Firstly, it is advised to include or modify other financial ratios as independent variables, as there may be additional ratios that can influence stock returns. This would provide a more comprehensive understanding of the relationship between financial ratios and stock returns. Secondly, it is suggested to extend the observation period in order to obtain more robust and representative results. This would allow for a more accurate reflection of the impact of financial ratios on stock returns over a longer timeframe. Lastly, future research could consider analyzing different sectors or industries to expand the sample size and provide a broader perspective on the relationship between financial ratios and stock returns. These suggestions aim to serve as a reference for future researchers in this field to further develop and enhance their studies.

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