

Determinants Of Financial Performance To Stock Return

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Abstract.

This study aims to examine the effect of return on assets (X1), return on equity (X2), and earnings per share (X3) on stock returns (Y) in automotive sub-sector manufacturing companies listed on the Indonesia Stock Exchange for the 2016-2021 period. The population used in this study is a manufacturing company in the automotive sub-sector. This study uses saturated sampling (Census) with a total sample of 7 companies. The data analysis technique in this study uses descriptive analysis, classical assumption analysis, multiple linear regression analysis, with hypothesis testing using -t test and F test. The results of the study show that: (1) partially the return on asset (X1) variable has a positive and significant effect on stock returns. (2) partially the return on equity variable (X2) has a negative and significant effect on stock returns. (3) partially the earning per share (X3) variable has no positive and insignificant effect on stock returns. (4) Simultaneously, the return on assets (X1), return on equity (X2) and earnings per share (X3) variables have a positive and significant effect on stock returns.

Keyword: Return Saham, Return On Asset, Return On Equity and Earning Per Share.

I. INTRODUCTION

Measuring a company's performance against stock returns is important for investors and financial analysts because stocks are one of the most common investment instruments and have the potential to generate large profits. Therefore, many investors are interested in knowing the overall performance of the company, especially in terms of generating stable and high stock returns. However, determining the company's performance is not easy. There are many factors that can affect stock returns, such as global economic conditions, competition in the industry, regulatory changes, the performance of competing companies, and many more. Therefore, investors and financial analysts should conduct an in-depth analysis and take several important factors in deciding whether a company is performing well or not. In addition, it is also important to pay attention to long-term goals and investment risks. Some investors may be more interested in short-term company performance to maximize stock returns, while others may focus more on long-term growth and stability. Therefore, measuring company performance on stock returns needs to be considered holistically and not only based on one factor. Financial statements which are one of the company's performance. From the financial statements can be known some fundamental information, including: Financial ratios, cash flow, and other performance measures associated with stock returns. Return can be used as a measuring tool to measure the success of the company.

Return is the result obtained from investment in the form of realized return (realized return) and expected return (expected return). Return realization is the return that has occurred which is calculated based on historical data and is used as one of the company's performance measuring tools. While the expected return is the return expected by investors in the future. Return On Asset (ROA), where this ratio describes the level of profit obtained by the company with the level of investment invested. Return On Asset (ROA) is used to describe the extent to which the ability of assets owned by the company can generate profits. The greater the ROA, the better the performance, because the return rate is greater. Return On Equity (ROE) is a ratio to measure net profit after tax with own capital. This ratio shows the efficiency of using own capital. the higher the ROE the better. This means that the company has succeeded in making profits from its own capital and the position of the owner of the company is getting stronger Return On Asset (ROA), where this ratio describes the level of profit obtained by the company with the level of investment invested. Return On Asset (ROA) is used to describe the extent to which the ability of assets owned by the company can generate profits. The greater the ROA, the better the performance, because the return rate is greater. Return On Equity

(ROE) is a ratio to measure net profit after tax with own capital. This ratio shows the efficiency of using own capital. the higher the ROE the better.

This means that the company has succeeded in generating profits from its own capital and the position of the company's owners is getting stronger, Earning Per Share (EPS) is a comparison between earnings (in this case net income after tax) with the number of shares of the company. For investors, information (EPS) is information that is considered the most basic and useful, because it can describe the prospects of earning in the company. The results showed that ROA, ROE, and EPS had a significant positive effect on stock returns in the Egyptian stock market. In addition, the study also found that company size and stock liquidity also have a significant influence on stock returns in the Egyptian stock market. Kotb, (2017) In addition, the PBV (price to book value) ratio also has a significant positive influence on stock returns (Rufai, 2017) The results showed that profitability ratios (ROA, ROE, and NPM) and liquidity ratios (current ratio and quick ratio) have a significant positive influence on stock returns. On the other hand, the leverage ratio (debt to equity ratio) and activity ratio (asset turnover ratio) do not have a significant effect on stock returns. (Martani, 2018) The results showed that ROA, ROE, and EPS had a significant positive effect on stock returns on the Turkish stock market. In addition, the study also found that leverage and company size also have a significant influence on stock returns on the Turkish stock market. (Tas, 2017).

II. METHODS

The population in this study is automotive sub-sector manufacturing companies listed on the stock exchange, The data analysis technique used by the authors in this study used multiple linear regression

III. RESULT AND DISCUSSION

Descriptive Statistical Analysis

Descriptive statistical analysis aims to explain the description of data from each variable used in research. Descriptive statistics include the number of samples (N) minimum values, maximum values, averages (mean), and standard deviations of each variable used in the study. The table of descriptive analysis results of each variable consists of dependent variables, namely stock return and independent variables, namely return on assets (X1), return on equity (X2), and earnings per share (X3).

Based on the results of data processing using the computer program software statistical package for social sciences (SPSS) version 25. Then the following results are obtained

	N	Minimum	Maximum	Mean	Std. Deviation
ROA	42	1.99	71.60	12.4274	15.11255
ROE	42	2.17	82.94	15.6000	17.90308
EPS	42	1.81	308.00	113.5145	79.85730
RETURN SAHAM	42	1.25	6.40	4.0726	1.19573
Valid N (listwise)	42				

Classic Assumption Test Results

1. Normality Test

The normality test is used to test whether the independent variable and its bound variable are normally distributed. The normality test in this study used statistical package for social sciences (SPSS) software version 25 using the One-Sample Kolmogorov-Smirnov Test. The results of the normality test in this study are as follows:

		Unstandardized Residual
N		42
Normal Parameters ^{a,b}	Mean	.0000000
	Std. Deviation	.96064191
Most Extreme Differences	Absolute	.086
	Positive	.086
	Negative	-.073
Test Statistic		.086
Asymp. Sig. (2-tailed)		.200 ^{c,d}

2. Autocorrelation Test

Autocorrelation tests are used to test whether there is a correlation between members of a series of observations sorted by time or data space. To detect the occurrence of autocorrelation or not in one

regression model is done through testing using durbin watson. Testing by comparing durbin watson test values with durbin watson tables. The results of the autocorrelation test in this study are as follows:

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.595 ^a	.355	.304	.99784	1.903

Based on table 4.4 above, the Durbin Watson value obtained is 1.903 at a significant 0.05 with the number of data (n) = 42 and the number of independent variables (k) = 3.

Multiple Linear Analysis Results

Multiple linear analysis is used to determine the influence between independent variables, namely return on assets (X1), return on equity (X2), earnings per share (X3), on the dependent variable, namely stock return (Y) in automotive sub-sector manufacturing companies listed on the IDX. Multiple linear regression calculations using the statistical package for social sciences (SPSS) software program version 25. The results of multiple linear regression analysis can be shown in the table as follows

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.744	.378		9.910	.000
	X1 ROA	.273	.107	3.452	2.546	.015
	X2 ROE	-.197	.091	-2.947	-2.154	.038
	X3 EPS	.115	.002	.003	.024	.981

a. Dependent Variable: Y RETURN SAHAM

Based on the results of data analysis with SPSS version 25 presented above, a multiple linear regression equation was obtained in basic industrial and chemical companies as follows:

$$Y = 3.744 + 0.273 X1 - 0.197 X2 + 0.115 X3$$

From the regression equation above, it can be known the regression coefficient of each independent variable which can be interpreted as follows:

1. Constant Value $b_0 = 3.744$

In the regression coefficient equation, the constant (b_0) is 3.744 and has a positive sign. This means that if the variables return on assets, return on equity, and earnings per share increase by one unit, the company will experience an increase in stock return of 3,744.

2. Value $b_1 = 0.273$

The regression coefficient value of the variable return on assets (b_1) 0.273 shows the direction of the positive relationship between return on assets to stock returns, meaning that if the return on assets increases by one unit, the company will experience an increase in stock returns by 0.273 assuming the variables return on equity and earnings per share are constant.

3. Value $b_2 = -0.197$

The value of the regression coefficient of the variable return on equity (b_2) -0.197, indicating the direction of the negative relationship between return on equity and stock return means that if the return on equity decreases by one unit, the company will experience a decrease in stock return by 0.197 assuming the variable return on assets, and earnings per share is constant.

4. Value $b_3 = 0.115$

The value of the regression coefficient of the variable earnings per share (b_3) 0.115, indicating the direction of the positive relationship between earnings per share to stock returns means that if earnings per share increases by one unit, the company will experience a decrease in stock returns by 0.115 assuming the variable return on asset, and return on equity is constant.

1. Test the correlation coefficient (R)

The Correlation Coefficient is a value that indicates whether or not the linear relationship between two variables is strong. An R value close to 0 indicates a weak relationship between the two variables and an R value close to 1 indicates a strong relationship between the two variables. The correlation coefficient is usually given the symbol R, The relationship between two variables consists of two types, namely positive and negative. If the value is positive, then the two variables have a unidirectional relationship.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.595^a	.355	.304	.99784

a. Predictors: (Constant), X3 EPS, X1 ROA, X2 ROE

b. Dependent Variable: Y RETURN SAHAM

From the results of data processing obtained from the output of the SPSS program in table 4.7 above that the value of the correlation coefficient (R) of 0.595 shows the relationship of the independent variable (X) consisting of return on assets, return on equity, and earnings per share to the dependent variable (Y), namely stock return with decision criteria if the R value is close to number 1 then it is declared to have a strong relationship

2. Test Coefficient of Determination (R²)

The coefficient of determination (R²) essentially measures how far the model is able to explain variations in the dependent variable. If R² is equal to 0, it means that there is not the slightest percentage contribution of influence exerted by the independent variable to the dependent variable or the variation of the independent variable used in the model does not explain the slightest dependent variation. Conversely, if R² is equal to 1, it means that the percentage contribution of influence exerted by the independent variable to the dependent variable is perfect or the variation of the independent variable used by the model, explains 100% of the dependent variable.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.595^a	.355	.304	.99784

a. Predictors: (Constant), X3 EPS, X1 ROA, X2 ROE

b. Dependent Variable: Y RETURN SAHAM

Based on the output results of SPSS version 25 in the table above, it can be seen that the value of the coefficient of determination or adjustR Square is 0.304 or if the percentage becomes 30.04%, then 100% is reduced by 30.04% is 69.96%. A decision can be made that the percentage value of the contribution of the free variable (X) consisting of return on assets, return on equity, and earnings per share to the dependent variable (Y), namely stock return has an influence (contribution) of 30.04% while the remaining 69.96% is influenced by other variables that are not included in the model.

Partial Test (Test -t)

This test is to see the extent of the separate influence of each independent variable (X) on the dependent variable (Y) based on the results of the regression carried out comparing with the value of ttable with a significance level = 5%. If tcalculate < ttable, it can be concluded that the variable does not have a significant effect

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.744	.378		9.910	.000
	X1 ROA	.273	.107	3.452	2.546	.015
	X2 ROE	-.197	.091	-2.947	-2.154	.038
	X3 EPS	.115	.002	.003	.024	.981

a. Dependent Variable: Y RETURN SAHAM

Based on the table above, it can be explained as follows:

From the regression equation above, it can be known the regression coefficient of each independent variable which can be interpreted as follows:

Based on the results of the -t test (partial) in table 4.9 above will be explained as follows:

- The variable return on assets (X1) has a calculated value of 2.546 > ttable 1.68595 with a significance level of 0.015 < 0.05, then the return on assets (X1) partially has a positive and significant effect on stock returns (Y) in automotive sub-sector manufacturing companies listed on the IDX.
- The variable return on equity (X2) has a calculated value of -2.154 < ttable -1.68595 with a significance level of 0.038 < 0.05, then the return on equity (X2) partially has no effect and is negative and significant to stock returns (Y) in automotive sub-sector manufacturing companies listed on the IDX.

c. The variable earnings per share (X3) has a calculated value of $0.024 < \text{table } 1.68595$ with a significance level of $0.981 > 0.05$, then earnings per share (X3) is partially ineffective and positive and not significant to stock returns (Y) in sub-sector manufacturing companies listed on the IDX.

Simultaneous Test (Test F)

Simultaneous hypothesis testing is carried out using statistical test F. this is done to prove whether or not there is a linear relationship between independent variables simultaneously has a significant effect on the dependent variable. In this study, the F test was used to examine the effect of independent variables consisting of return on assets, return on equity and earnings per share simultaneously on the dependent variable, namely stock return at a significant level of 5% (0.05). The test is carried out by comparing the F value of the calculation results with the Ftable determined with df1 k-1 and df2 n-k. The results of Fcalculate using SPSS 25.0 for windows are:

		ANOVA ^a				
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	20.785	3	6.928	6.958	.001 ^b
	Residual	37.836	38	.996		
	Total	58.621	41			

a. Dependent Variable: Y RETURN SAHAM

b. Predictors: (Constant), X3 EPS, X1 ROA, X2 ROE

Based on the results of the analysis above, Ftable of 2.85 is obtained from the F statistical table with df N1 = K - 1 (where K is the number of research variables, in this case K = 4) thus df N1 = 3, while df N2 = n - K (n = number of samples), in this study df N2 = 42 - 4 = 38. From the table obtained Ftable of 2.85.

Based on the calculation of SPSS 25 in the table obtained Fcalculate = 6.958 > from Ftable = 2.85. The resulting significant level of $.001 < 0.05$, it can be concluded that testing the hypothesis together or simultaneously (Test F) shows that the variables return on assets (X1), return on equity (X2), and earnings per share (X3) together have a significant influence on stock returns (Y) in automotive sub-sector manufacturing companies listed on the IDX.

Discussion of Analysis Results

1. The effect of return on assets on stock returns

The variable return on asset (X1) in the coefficients table has a calculated value of 2.546 > a table of 1.68595 with a signification level of $0.015 < 0.05$. So the conclusion that can be drawn is that stock return (X1) partially has a positive and significant effect on stock return (Y) in automotive sub-sector manufacturing companies listed on the IDX, then the hypothesis is accepted.

2. The effect of return on equity on stock returns

The variable return on equity (X2) in the coefficients table has a calculated value of -2.154 < table of -1.68595 with a signification level of $0.038 < 0.05$. So the conclusion that can be drawn is the return on equity (X2), partially has no effect and is negative and significant to the return on shares (Y) in automotive sub-sector companies listed on the IDX, then the hypothesis is rejected.

3. The effect of earnings per share on stock returns

The variable earnings per share (X3) in the coefficients table has a calculated value of 0.024 < table of 1.68595 with a signification level of $0.981 > 0.05$. So the conclusion that can be drawn is earnings per share (X3), partially has no effect and positive and is not significant to the return of shares (Y) in automotive sub-sector manufacturing companies listed on the IDX, then the hypothesis is rejected.

4. The effect of Return on assets, return on equity and earnings per share on stock returns

To test the fifth hypothesis, namely to test the presence or absence of the effect of return on assets (X1), return on equity (X2), earnings per share (X3) simultaneously on stock returns in automotive sub-sector manufacturing companies listed on the IDX, testing using the F test on the ANOVA table can be found that Fcalculate is 6,958 > from Ftable = 2.85. The resulting significant level of $.001 < 0.05$, it can be concluded that hypothesis testing together or simultaneously (Test F) shows that the variables return on assets (X1), return on equity (X2), and earnings per share (X3) together have a significant influence on stock returns (Y) in automotive sub-sector manufacturing companies listed on the IDX.

IV. CONCLUSION

Based on the results of research and hypothesis testing on the effect of return on assets, return on equity, and earnings per share on stock returns in automotive sub-sector manufacturing companies listed on the IDX as follows:

1. Based on the results of hypothesis testing, it can be concluded that partially the variable return on assets has a positive and significant effect on stock returns in automotive sub-sector manufacturing companies listed on the IDX. Thus in accordance with the hypothesis (H1 accepted) which states that return on assets has a positive and significant effect on stock returns. Return on assets is a ratio to measure what percentage of profit is generated from total assets by comparing net income and total assets. If net income increases, the yield distributed in the form of dividends will also increase so that it will affect the return of shares to investors

2. Based on the results of hypothesis testing, it can be concluded that partially the variable return on equity has no effect and is negative and significant on stock returns in automotive sub-sector manufacturing companies listed on the IDX. Thus, it is not in accordance with the hypothesis (H2 is rejected) which states that return on equity has a positive and significant effect on stock returns. Return on equity is a ratio to measure what percentage of profit is generated from equity. If net profit increases, the distribution of profit in the form of dividends will also increase so that it affects stock returns, but if the profit generated is used to pay company debts, it will reduce the ROE value. A declining ROE affects investor confidence so that it affects stock demand and ultimately reduces stock returns to investors.

3. Based on the results of hypothesis testing, it can be concluded that partially the variable earnings per share does not have a positive and insignificant effect on stock returns in automotive sub-sector manufacturing companies listed on the IDX. Thus, it is not in accordance with the hypothesis (H3 is rejected) which states that earnings per share have a positive and significant effect on stock returns. This shows that companies that get greater EPS do not consistently have large stock returns. Caused by the company's ability to use its assets less effectively, resulting in very low profits.

4. Based on the results of hypothesis testing, it can be concluded that simultaneously the variables return on assets (X1), return on equity (X2), and earnings per share (X3) have a positive and significant effect on stock returns in automotive sub-sector manufacturing companies listed on the IDX. ROA, ROE and EPS are affected by net income, if net income increases then ROA, ROE and EPS will also increase. So that it affects the returns given to investors in the form of dividends, thereby providing stock returns to investors.

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