Factors That Affecting Stock Returns in LQ45 Companies on The Indonesia Stock Exchange

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Abstract

Stock return is the level of profit obtained by investors on their investment. Through signal theory, companies can give signals to investors for their actions which will have an impact on stock returns. The aims of this study were to determine the effect of Beta, ROA, CR, PBV and MVA on stock returns. This study uses the LQ-45 Index company as the population and purposive sampling in the sampling technique, with the criteria that the company publishes financial statements on the Indonesia Stock Exchange from the year of 2001-2020. Analysis using panel data regression. Research proves that ROA, PBV and MVA variables can affect stock returns, while for beta and CR variables it is proven not to affect stock returns. Investors in investing should pay attention to the value of the ROA, PBV and MVA ratios in the company that is the target of their investment, because these ratios are proven to affect stock returns.

Keywords: Beta; ROA; CR; PBV; MVA

INTRODUCTION

The COVID-19 pandemic experienced by all the people of the world and Indonesia certainly has hampered the movement of people, the economy, politics and so on. Recently, the government set a new normal so that some policies were changed and relaxed, including in the investment world. In the financial environment of the COVID-19 pandemic, investors must be more careful in their investment portfolio (Tambunan, 2020). However, actually this matter has a positive influence on the development of investors in terms of quantity. OJK (2021), stated that the number of investors increased by 57.2% and shares 59.14% from 2020. However, throughout 2020, the JCI was at its lowest point at 3,937 which had an impact on the decline of all indexes (Faisal et al., 2021).

In theory, the signal of the company's management actions can provide clues that can be captured by investors about how management views the company's prospects. Companies that have profitable prospects in the future will try to get new capital by borrowing from creditors and avoid issuing new shares which can have an impact on falling stock prices. Conversely, companies with less favorable prospects will offer new shares which have an impact on lower stock prices. Therefore, the high and low share prices have an indication of the value of the company which is closely related to the provision of welfare to shareholders.

In the investment process, of course, investors want a return or referred to as a stock return that is in accordance with what they expect (Legiman et al., 2015). In investment management, returns are referred to as profits from investment activities, it is very natural for investors to demand a certain level of return on the funds invested (Handini & Astawinetu, 2020). An investor expects a high return from investment activity. However, to get a high return, investors face high risk (Hartono, 2016).

Risk is a very important thing in buying shares, by knowing the risk of an investment, we will know the amount of return that will be obtained (Ikhsan & Budi Santoso, 2019).

Systematic risk can be measured through stock securities to the market risk or what is called stock beta. (Jogiyanto, 2003).

The increasing of beta make the return that the investor obtain higher than before, that statement consistent with Azhari et al. (2020) the effect of return to beta. Research by Ismayanti and Yusnair (2014), Parhusip and Silalahi, (2017) and Hidayat, Hasnawati and Hendrawaty (2019), Tullah (2011) proves that every increase in beta will affect returns.. Different with Nyoman and Septiani, (2014), Ratnani (2021) and Pratama, Nur and Ruray (2021) that the risk proxied through beta is not proven to affect the return.

According to Situngkir and Batu, (2020) LQ-45 index stocks are shares of large companies that have stable profits or blue chips, have high liquidity, large market capitalization, high trading frequency and has growth prospects as well as fairly good financial conditions (healths). However, in fact the company is not always have good experience for about good things, such as the 35 issuers that were included in the index during the second quarter, a decrease in net profit of around 2.4% on a Year On Year (YOY) basis, one of which was PT. Astra International Tbk. (ASII) which recorded the worst performance in the period of 2019 (Wareza, 2019).

Based on data that has been processed, the stock return value of ASSI issuers tends to be unstable and even decreases, one of which is in 2018-2020 as follows: in 2918 the stock return value was at a value of -0.009, while in 2019 it decreased so that the stock return value became - 0.158 and for 2020, progress has been made even though it is still in the negative line, which is at -0.129.
One way for investors to know financial performance is by analyzing the company's financial ratios (Aldi et al., 2020). According to Tarau, Rasjid and Dungga (2020) simultaneously stock returns can be influenced by several factors, namely ROA, CR and PBV, ROE, QR, DER, DAR, ITO, TATO, PER. In this study, the conventional financial ratios that will be used are only the ROA ratio as a representative of the profitability ratio, CR as a representative of the liquidity ratio and PBV as a representative of the market ratio and the MVA ratio as a representative of modern financial ratios. According to Prihadi (2019), return on assets (ROA) measures the level of profit on the assets used to generate profits.

A high ROA value indicates a high performance on the use of company assets (Anisa, 2015). In research conducted by Widarko and Firdausy (2019), Meilinda and Destriana (2019) and Pangestu and Wijayanto (2020) return saham dipengaruhi oleh ROA. This research contradicts with Samalam, Mangantar and Saerang (2018), Nainggolan (2016) and Saraswati, Halim and Sari (2020) that ROA does not provide sufficient evidence to affect returns.

CR (current ratio) is used to measure the company's ability to pay debts that are due soon or their short-term obligations (Kasmir, 2010). Research conducted by Situmeang and Dini (2019), Nandani and Sudijarni (2017) and Istiqomah and Mardiana (2020) prove that CR has a positive impact on returns. In this study conducted by Basalam, Murni and Sumarauw (2017), Kamponsina, Murni and Untu (2020) and Worotikan, Koleangan and Sepang (2021) obtained the opposite result, return not proven to be influenced by CR which is a proxy for liquidity.

According to Fakhruddin (2008) PBV (Price to book value) membandingkan nilai pasar dengan book value dari suatu saham. A high PBV illustrates that the company's stock price is getting higher. This indicates a good company performance, thus having an impact on a better rate of return in the future (Ginting & Erward, 2013). The results of research conducted by Antara and Suryantini, (2019) stated that PBV had an effect on stock returns, the same thing also happened in research conducted by Akbar and Herianingrum (2015) and Ginting and Erward (2013) PBV has an impact on changes in returns. This statement contradicts with Elvina (2015), Wardiningsih (2019), (Claudhea et al., 2021).

MVA (Market value added) is a measure of company wealth created for investors, if the MVA value is positive then shareholder wealth will increase and if the MVA value is negative it will indicate how much shareholder wealth has been lost (Sari, 2011). This is supported by research conducted by Amna (2020), Yanti and Sugiyono (2018) and Badaruddin et al. (2017) that MVA has an influence on stock returns. Other results were found in the research of Mutmainnah and Santoso, (2018), S. and Muhammad (2021) and Yusmaniarti and Oktaria (2019) that partially change in MVA does not cause a change in the return value.

Based on the phenomena and differences in research results from previous researchers, the researchers in this study intend to review beta, ROA, CR, PBV and MVA which are based on the premise of having an influence on stock returns with empirical studies on LQ 45 companies. So that by knowing it, investors are helped in targeting their investments and getting stock returns as expected.

**RESEARCH METHODS**

The technique used to determining the sample is a purposive sample, so that we get 2 samples of companies, they are ASII and INDF issuers, with the research population including LQ-45 companies listed on the IDX (Indonesia Stock Exchange) in 2001-2020.
The research cross section data consist of 2 companies, while the research time series data consist of twenty years that is 2001-2020, from the combined data it produces 40 data. Data management in this study used the E view 11 application. This study used descriptive analysis, classical assumption test, and hypothesis testing with panel data regression.

**RESULTS AND DISCUSSION**

**Results**

In this research article, the results of descriptive statistics are explained first with a summary as follows:

**Table 1 Results of Descriptive Data Analysis**

<table>
<thead>
<tr>
<th></th>
<th>Return</th>
<th>Beta</th>
<th>ROA</th>
<th>CR</th>
<th>PBV</th>
<th>MVA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>0.278383</td>
<td>1.268073</td>
<td>0.075131</td>
<td>1.346555</td>
<td>1.978706</td>
<td>55,600,000,000,000</td>
</tr>
<tr>
<td>Median</td>
<td>0.064807</td>
<td>1.287335</td>
<td>0.063922</td>
<td>1.320546</td>
<td>1.810362</td>
<td>20,000,000,000,000</td>
</tr>
<tr>
<td>Maximum</td>
<td>2.817204</td>
<td>2.118362</td>
<td>0.161346</td>
<td>2.036490</td>
<td>4.478560</td>
<td>224,000,000,000,000</td>
</tr>
<tr>
<td>Minimum</td>
<td>-0.63835</td>
<td>0.743852</td>
<td>0.008387</td>
<td>0.737258</td>
<td>0.097524</td>
<td>-19,000,000,000,000</td>
</tr>
<tr>
<td>Std. Dev</td>
<td>0.651842</td>
<td>0.253682</td>
<td>0.036357</td>
<td>0.320731</td>
<td>1.042893</td>
<td>73,200,000,000,000</td>
</tr>
<tr>
<td>Sum</td>
<td>1.113533</td>
<td>5.072293</td>
<td>3.005249</td>
<td>5.386220</td>
<td>7.914824</td>
<td>223,000,000,000,000</td>
</tr>
</tbody>
</table>

Based on the results of the output of Eviews 11 in Table 1 with a total of 40 observations. In the dependent variable stock, return produces a median value of 0.06, the highest value is 2.81 and the lowest value is -0.63. With a standard deviation of 0.65 which exceeds the result of the average stock return of 0.27, this means that the range of variation in stock return data used is quite wide.

The beta variable has the highest value of 2.11 and the lowest value of 0.74. The average beta score is 1.27 with a standard deviation of 0.25, which means that the distribution of the data is getting closer to the average. The ROA variable has the highest value of 0.16 and the lowest value of 0.01, with standard deviation and average values of 0.36 and 0.75, respectively. The highest value of the CR variable is 2.03 and the lowest value is 0.73, while the mean and standard deviation are 0.320 and 1.347, respectively. The highest PBV variable is 4.47 and the lowest value is 0.09. The highest MVA value is 224 and the lowest value is -19.

The following is the conclusion of the panel data regression model selection using EVViews 11.

**Table 2 Conclusion of Model Test**

<table>
<thead>
<tr>
<th>No.</th>
<th>Jenis Uji</th>
<th>Pengujian</th>
<th>Hasil</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Cow</td>
<td>FEM VS CEM</td>
<td>CEM</td>
</tr>
<tr>
<td>2</td>
<td>Hausman</td>
<td>FEM VS REM</td>
<td>FEM</td>
</tr>
<tr>
<td>3</td>
<td>Lengrang Multiplayer</td>
<td>REM VS FEM</td>
<td>CEM</td>
</tr>
</tbody>
</table>

Based on the table above, it can be concluded that the selected model is the Common Effect model with a cross-section value and a Breusch-Pagan line 0.3405 > 0.05. The following is the regression model:
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Regression model equations based on testing with Eviews 11:

\[
\text{Return} = -1.629838 + 0.582936 \times \text{Beta} + 5.465745 \times \text{ROA} + 0.062731 \times \text{CR} + 0.498232 \times \text{PBV} - 5.61 \times 10^{-15} \times \text{MVA}
\]

Classical assumption test in this study to produce the Best Linear Unbiases Estimator (BLUE) such as multicollinearity, homoscedastic and autocorrelations (Ansofino et al., 2016), that produce BLUE estimates to fulfill the test requirements at the next stage.

The t-test functions to see each independent variable (Beta, ROA, CR, PBV and MVA) that affect the stock return variable by comparing the probability value with the set significance value of 5%. Based on table 3, the probability values obtained are Beta = 0.1385, ROA = 0.042, CR = 0.08262, PBV = 0.0001 and MVA = 0.0018. Thus the accepted hypothesis is only ROA, PBV and MVA because the probability value is less than 0.05, while Beta and CR are larger so that the hypothesis is not accepted or rejected.

In this study, the F test was used to determine the impact of the beta, ROA, CR, PBV and MVA variables simultaneously (simultaneously). With the condition that the significance value or prob value. 0.05 model fit test is accepted if <0.05. Table 3 shows Prob. (F-Statistic) 0.001931, so it can be concluded that together the independent variables in this study affect the dependent variable (stock returns).

A determination test (R2) is a test conducted to see the magnitude of the regression model in explaining the independent variables. In table 3 adjusted R2 of 0.329061, in table 3 adjusted R2 of 0.329061, it means that beta, ROA, CR, PBV and MVA as independent variables can explain 33% of stock returns as the dependent variable.

DISCUSSION

Beta is used by investors to indicate the level of stock sensitivity to market conditions, but in this study it proves that beta has no effect on stock returns, this study is in line with Septiani & Supadmi (2014) and N. E. Sari (2011). This means that the increase and decrease in beta stock has no impact on changes in stock returns.

ROA in this study shows an influence on stock returns. This means that an increase in ROA indicates a higher probability that the company will achieve, so that the effectiveness of the use of assets in obtaining net income is utilized properly (Sari, 2013). This phenomenon can attract investors, so the demand for these shares will be high so that stock returns will increase.

The results of the study refuse the hypothesis which states that CR affects stock returns, the results are in line with Tullah (2011), Budialim (2013) and (Melinda &

### Table 3 Results of Panel Data Regression Model

<table>
<thead>
<tr>
<th>Variabel</th>
<th>Coefficient</th>
<th>Std.Error</th>
<th>t-Statistic</th>
<th>Probabilitas</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>-1.629838</td>
<td>0.792107</td>
<td>-2.057599</td>
<td>0.0474</td>
</tr>
<tr>
<td>Beta</td>
<td>0.582936</td>
<td>0.384168</td>
<td>1.517399</td>
<td>0.1384</td>
</tr>
<tr>
<td>ROA</td>
<td>5.465745</td>
<td>2.615571</td>
<td>2.089695</td>
<td>0.0442</td>
</tr>
<tr>
<td>CR</td>
<td>0.062731</td>
<td>0.283423</td>
<td>0.221333</td>
<td>0.8262</td>
</tr>
<tr>
<td>PBV</td>
<td>0.498232</td>
<td>0.111393</td>
<td>4.472758</td>
<td>0.0001</td>
</tr>
<tr>
<td>MVA</td>
<td>-5.61E-15</td>
<td>1.65E-15</td>
<td>-3.389126</td>
<td>0.0018</td>
</tr>
</tbody>
</table>

Root MSE 0.492259  R-squared 0.415079  Mean dependent var 0.278383  Adjusted R-squared 0.329061  S.D. dependent var 0.651842  S.E of regression 0.533930  Akaike info criterion 1.720.375  Sum squared resid 9.692.745  Schwarz criterion 1.973.707  Log likelihood 4.825.504  Hannan-Quinn criter. 1.811.972  F-statistic 4.825.504  Durbin-Watson stat 2.385.234  Prob (F-statistic) 0.001931
Destriana, 2019). According to Widyatuti (2017) a low CR is the most commonly used measure to determine the ability to fulfill its short-term, low CR is usually considered as an indicator of problems in liquidity. Conversely, a CR that is too high indicates the company's inability to manage its current assets so that many are unemployed and in the end can reduce the company's ability to generate profits. Due to this uncertainty, CR is difficult to be used as a reference in assessing the finances of a company.

PBV in this study proves that it can affect stock returns, this research is in line with research conducted by Akbar & Herianingrum (2015), Anugrah & Syaichu (2017) and research conducted by Saraswati et al., (2020). According to Cahyaningrum & Antikasari (2017) PBV is able to create company value relative to the amount of capital invested, the higher this ratio means the market believes in the company’s prospects (Sugiono & Untung, 2008).

The MVA variable proves to have a negative effect on stock returns. A negative MVA can mean that managers fail to create added value for the company Amri (2016), a negative MVA value is because the market value of the company is smaller than the amount of capital invested by shareholders. So the company is considered to have failed to increase wealth for shareholders.

CONCLUSION

The results of the research conducted on LQ-45 companies during 2001 to 2020 ROA and PBV have a positive effect on stock returns, while MVA has a negative effect on stock returns. In theory, MVA should have a positive impact on stock returns, it can be interpreted that the capital included by investors is much greater than the market value of the company. As for beta as systematic risk and CR has no effect on the company's stock returns. A high CR shows the company's inability to use its assets, conversely a low CR indicates a problem in liquidity, the uncertainty can cause CR not to be a benchmark in influencing stock returns. Therefore, investors can capture signals from changes in the value of ROA, PBV and MVA which can affect stock prices which have an impact on changes in stock returns. The newness of this research uses an empirical study of financial ratios and risks associated with stock returns on the Indonesia Stock Exchange with an observation period of 20 years, to the researcher's knowledge the research was conducted on the Mexican Stock Exchange during 1995-2011(Pech et al., 2015). The limitation of this study is that the sample is limited to LQ 45 companies and has a small number of samples for a period of 20 years. For further research, it is recommended to use a larger sample of companies with a longer observation period.

REFERENCES


Feri Noviyanti & Dewi Sarifah Tullah. Factors That Affecting Stock Returns in LQ45 Companies on The Indonesia Stock Exchange


