

# The Effect Of Company Financial Performance On Stock Return Of Companies Listed On Indonesia Stock Exchange

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## ABSTRACT

This study takes the title "The Effect Of Company Financial Performance On Stock Return Of Companies Listed On Indonesia Stock Exchange". This study aims to analyze the effect of Return On Assets (ROA), Return On Equity (ROE), on Stock Return. This research is quantitative research using secondary data. The collection technique used in this research is literature study and documentation.

The population in this study are companies listed in transportation sub sectors on the Indonesia Stock Exchange during the research period, 2019-2021. The data analysis used in this research is descriptive statistical analysis, classical assumption test, regression analysis, f test, determination coefficient test, and t test.

The results of this study reveal that the return on equity has no effect on stock return, return on assets has a positive effect on stock return,

**Keywords:** stock return, return on equity, return on assets

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## 1. Introduction

In invest their funds, society could choose share as one of his chosen investment instruments. In investment activities, the investor expectation are get return, return is results obtained in invest, can in the form of capital gains or capital losses.

Companies with good performance usually will signal to potential investors or markets. With so the market is expected can differentiate company with good quality \_ or no , theory this is theory signaling . Signaling theory is theory that was first developed by Ross (1977). Theory this state that party executive company will push or give signal to the market or potential investors in effort increase performance company that .

For calculate return is see difference of the returns that occur with the previous return . Stock returns can predictable with use analysis technical ( see movement chart shares ) or with fundamental analysis ( ratio finance ).

Ratio finance working for analyze performance finance something company , according to Cashmere (2016), ratio finance is activity compare number in the report finance company with method share something number with the other numbers . With compare ratio ratio the so a analyst capable learn condition change performance something company is there is increase or drop performance company During time certain.

Based on phenomena, theory, and development research that occurs, research this mean for prove factors that affect stock returns. So from that, research this test influence return on assets, return on equity to return on sub- sector companies transportation on the Indonesia Stock Exchange for the period 2019-2021.

**2. Literature Review**

*2.1 Signaling theory*

Signaling theory this developed by Ross (1979), Ross suggested that a company with good performance be measured from performance his finances to provide one signal to an optimistic market about the future company. Signaling theory this It is hoped that the market can take advantage of the signal given company as reference in invest funds owned by potential investors.

*2.2 Stock Returns*

Investors' expectations when invest capital that is get return or payback result, return this can in the form of capital gains/losses. Hartono (2015) explains that return itself can in the form of returns that occur now (realized return) or the return expected by investors in the future come (expected return).

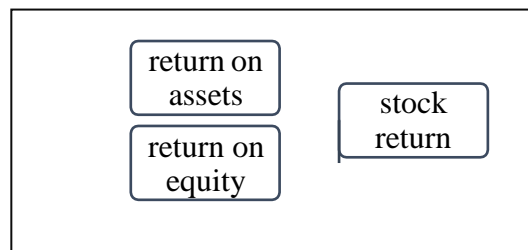
*2.3 Financial performance*

Financial performance is performance company based on condition company finance in period certain seen from report finance or ratio finance. Kasmir (2016), explains that ratio finance is activity compare the numbers contained in the report finance with method share one number with other numbers in one or a number of period. Ratio this then described and concluded by the parties perceived party need for measure performance something company.

On research this, researcher using the variable return on assets (ROA), Return on Equity and Stock Return

**3. Research Methodology**

Research model on research this is influence Among performance finance to stock returns with variable as following.



### *3.1 Method Study*

Study this is type study quantitative associative. Study quantitative associative this aim for analyze influence on connection between variable independent to variable dependent (Suliyanto , 2018).

Object in study this is return on assets, return on equity and stock returns on transportation subsector companies listed on the Indonesia Stock Exchange for the 2019-2021 period. The sampling method used in the study this that is using purposive sampling technique, namely the technique used in determine sample based on criteria certain (Sugiyono 2018).

Then study this use secondary data type, secondary data is sourced data by direct from object research. In Thing this source the is report yearly on transportation subsector companies on the Indonesia Stock Exchange which can be accessed through [www.idx.co.id](http://www.idx.co.id).

### *3.2 Operational Definition*

- Return on Assets  
Kasmir (2016) explains that ROA is the ratio that shows results on amount assets used in company . Return On Assets alone could be measured with use ratio or results for from profit after tax and total assets
- Return On Equity  
According to Kasmir (2016) Return On Equity (ROE) or profitability that is ratio for measure profit after tax with own capital . Ratio this working for measure effectiveness and efficiency management of capital owned by the company , the calculation of Return On Equity is with share Profit after tax with Total equity
- Stock Return  
Hartono (2015) return is results obtained from investment , return used in research this is a realized return that comes from from return history. Realized return also works as base in determine the return that will come (expected return).

### *3.3 Data Analysis Techniques*

- Hypothesis Test
  - Coefficient determination (Adj R)  
According to Ghozali (2011: 97) coefficient determination aim for see how much far regression model capability in explain variable the dependent . The more tall score coefficient determination , then the more high ability too variable independent in explain variation changes to variables the dependent .
  - Partial test ( T test )  
Partial Value or T test has destination for test there is or whether or not influence by significant from every variable free to variable it depends . If value of t count more big than t table value so could concluded that variable the have influence ( Suliyanto , 2011: 62).

#### 4. Results

- Analysis Statistics Descriptive

Table 1

	N	Minimum	Maximum	mean	Std. Deviation
ROA	114	-58.03	25.61	-1.4506	10,68052
ROE	114	-155.37	81.24	-0.9225	24.93597
Stock Return	114	-2.13	0.98	-0.157	0.37035

Based on the table above can concluded for sample on research this totaling 114 samples with the minimum value of the variable ROE -58.03, ROA -155.37 and Stock Return -2.13. whereas score maximum for The ROA variables are -25.61, ROE 81.24 and Stock Return 0.98. The average of the variables ROA -1.4506, ROE 81.24, Stock Return -0.157. Standard deviation in research This is on the ROA variable that is 10.68052, ROE 24.93597 and Stock Return 0.37035

- Regression Analysis

$$\text{Stock Return} = a + {}_1\text{ROA} + {}_2\text{ROE} + e \quad (1)$$

- Hypothesis Test

- t test

Effect of ROA on Stock Return

Table 2

Coefficients<sup>a</sup>

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	
	B	Std. Error	Beta			
1	(Constant)	3.029E-005	.033		.001	.999
	ROA	.011	.003	.312	3.478	.001

a. Dependent Variable: R

Hypothesis 1 in study this ie liquidity has an effect positive to cash holdings. t count liquidity variable is  $3.478 > t$  table  $1.98157$ , and the significance is  $0.00000 < 0.05$  so could taken conclusion that ROA has score positive and significant against Stock Returns. because of it,  $H_a$  accepted.

Effect of ROE on Stock Return

Table 3

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.014	.035		-.402	.689
	ROE	.002	.001	.130	1.391	.167

a. Dependent Variable: R

Hypothesis 2 in study this i.e. ROE has an effect negative to cash holdings. Based on table , t count variable leverage namely  $1.391 < t$  table 1.65550, and the significance is  $0.167 > 0.05$  so that could taken conclusion that ROE is not take effect against Stock Returns. because of it , was  $H_a$ rejected.

- F test

Effect of ROA and ROE on Stock Return

Table 4

ANOVA<sup>a</sup>

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1,552	2	.776	6.175	.003 <sup>b</sup>
	Residual	13,947	111	.126		
	Total	15,499	113			

a. Dependent Variable: R

b. Predictors: (Constant), ROE, ROA

Hypothesis 3, from f test results (simultaneous) show that significance The effect of ROA and ROE on Stock Return is)  $0.003 > 0.05$  and the calculated F value is  $6.175 > f$  table 3.08 which means there is effect of ROA and ROE on Stock Return. because of that,  $H_a$ accepted.

- Coefficient Determination

Table 5

Model Summary<sup>b</sup>

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.316 <sup>a</sup>	.100	.084	.35447	2,047

a. Predictors: (Constant), ROE, ROA

b. Dependent Variable: R

Based on results counting above, it is known R Square value of 0.100 p this implies that ROA and ROE are simultaneously simultaneous take effect to Stock Return of 10% with the rest influenced by other variables that are not researched in research this

## 5. Discussion

- Effect of ROE on Stock Return

In study this showing that , ROE is not have influence against Stock Returns. The result contrary with results study Martani , et al (2019) and Suantari (2016) who stated that that ROE has an effect positive against Stock Return, but in line with study Suhendri (2019) who revealed that no there is influence between ROE and Stock Return.

- Effect of ROA on Stock Return

From result testing in study this shows ROA has significant influence positive against Stock Returns. This result in line with study Risyaldi , et al (2019), Suhendri (2019) who revealed there is positive influence between ROA and price holding shares .

## 6. Conclusions

### 6.1 Conclusion

- ROA is influential on Stock Return, conclusion this also explains the more tall ROA level of the company also has the opportunity for increase Stock Return
- ROE no take effect against Stock Return, increase or decrease in ROE in transportation sub-sector companies no take effect on stock returns

### 6.2 Implications

- For company, preferably management company prepare optimal cash reserves and capable manage source the power it has so that performance finance company will permanent awake.
- For investors, investors are expected to be able to with wise analyze state condition finance company before take decision in invest. Besides that investors can analyze the ideal company in start activity the investment.

### 6.3 Limitations Research and Research Advice Next

- Study only researching in the transportation subsector on the Indonesia Stock Exchange, it is hoped that researchers next researching other sectors in order to enrich results research that has been there is before
- For researcher next can add the other variable as a variable for complete or add results study previously

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