The Influence Of Return On Assets (Roa), Debt To Equity Ratio (Der), And Current Ratio (Cr) On Stock Return On Cyclical Sector Companies Listed On The Idx In 2018-2020

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ABSTRACT

This study aims to determine the effect of return on assets, debt to equity ratio, and current ratio on stock returns using the cyclical sector of companies listed on the Indonesia Stock Exchange from 2019 to 2020. The approach in this study uses the quantitative method. The sample is purposive sampling, and after being applied, it produces 115 company samples. The analytical methods used include descriptive statistical tests, classical assumption tests, regression analysis tests, regression model tests (F test and R^2 test), hypothesis testing (t-test), and outlier tests. The data is processed using the SPSS 26 application for windows. The results of research and data analysis using the SPSS 26 application show that: (1) Return on Assets has a significant positive effect on stock returns, (2) Debt to Equity Ratio has no effect on stock returns, (3) Current Ratio has a negative effect on stock returns. This research implies that several things can be considered for investors and other companies to determine the stock returns generated in the cyclical consumer sector. The thing that needs to be considered for investors and companies is that companies with high returns on assets in good conditions will make the resulting stock returns higher

Keywords: Return On Assets, Debt to Equity Ratio, Current Ratio

1. Introduction

1.1 Research Background

Indonesia is a country rich in natural resources. With this wealth, Indonesia has many sectors that can be developed to become business in Indonesia. With this huge potential, many parties want to channel their funds to invest their funds in Indonesia. With this huge potential, many parties want to channel their funds to invest their funds in Indonesia. Indonesia has more than 4,515,103 investors, an increase from the previous 3 years, which amounted to 1,619,372 investors. This is indicated by the increasing number of issuers on the capital market or the Indonesia Stock Exchange in 2018, as many as 668 companies, increasing to 766 companies in 2021. Investments can be made in various instruments, one of which is investing in stocks (Atmoko, 2019; Qolbi, 2022).

A capital market is a meeting place for parties with excess funds and those who need funds to trade securities which generally have a lifespan of more than one year, such as stocks (Suriyani and Sudiarta, 2018). The people of Indonesia have widely used investment activities. This has been proven by the increasing number of issuers in the capital market or the Indonesia Stock Exchange from year to year.

Stock selection can be done by technical analysis or fundamental analysis. Investors need to analyze the company's performance, one of which is to obtain information about the company's stock price for investment decision-making, namely by technical and fundamental analysis. Technical analysis is an analysis of securities using historical price and volume charts (Muslimin et al., 2018). While fundamental analysis is more often used by investors, especially for long-term investments. Fundamental analysis is an analysis of stock prices that focuses on the performance of companies that issue stocks and economic analysis that will affect the company's future. It is hoped that potential investors will know the company's operations which will later become investors' property (Dura, 2021).

Fundamental data consists of financial data, market stock data, business cycles, etc. Meanwhile, external factors are government policies on inflation, interest rates, etc. Fundamental data for investors is the most basic and important is the company's financial data to get the company's financial performance that can make more stock returns that investors get. The company's financial performance can be seen from the company's financial statements, where data on the financial statements of go-public companies can be obtained when opening the Indonesia Stock Exchange page.

Stock return is the result of the acquisition of investment which is calculated by calculating the difference between the current stock price and the time before by releasing dividends (Salam et al, 2020). There are several ratios related to fundamental analysis, namely the Return On Asset (ROA), Debt to Equity Ratio (DER), and Current Ratio (CR).

Consumer cyclical is a non-primary or secondary consumer goods sector which includes companies that produce products and services that are generally sold to consumers, but the goods sold are secondary. Cyclical industries include companies producing goods such as clothing, shoes, sporting goods, etc. Thus, the demand for these goods and services is influenced by economic growth (Awal, 2022).

2. Literature Review

2.1 Signaling Theory

Signal theory is an action taken by company management that provides clues to investors about how management views the company's prospects (Asset et al., 1978). This signal is in the form of information carried out by management to realize the owner's wishes. The information provided by the company is in the form of financial statements, and the company provides instructions to stockholders in the form of the company's financial condition to reduce uncertainty about the company's prospects in the future.

2.2 Return On Asset

Return on Assets is an overall measure of profitability calculated by dividing net income by the average total assets (Weygandt et al., 2015). In addition, ROA provides a better measure of the company's profitability because it shows the effectiveness of management in using assets to earn income. With the increase in the company's value, the company will be better and can make stockholders channel their funds to the company.

2.3 Debt to Equity Ratio

Debt to Equity Ratio is a measure of the relationship between total debt and total capital with equity capital (Subramanyam, 2014). The debt to equity ratio (DER) reflects the company's funding sources, both from outside funds and stockholders or investors. Therefore, it can be said that the higher the DER, the more sources of funds from outside parties. Stock returns obtained by investors are influenced by financial risk. The level of financial risk states the variability of profits to be received by investors. Financial Leverage is a factor that affects the level of financial trouble.

2.4 Current Ratio

The current ratio is a measure used to evaluate the company's liquidity and ability to pay the short-term debt, which is calculated by dividing existing assets by current liabilities (Weygandt et al., 2015). A low current ratio is usually considered to indicate a problem in liquidation. On the other hand, a current balance that is too high is also not good because it means a large number of idle funds, which in turn can reduce the company's ability. This shows that investors will get lower returns if the company's ability to meet its short-term obligations is lower.

2.*5 Hypothesis Development*

- The Effect of Retun On Asset On Stock Return
  ROA is a company's financial ratio that measures the company's ability to generate profits or profits at a certain level of income, assets, and stock capital (Pangestu and Wijayanto, 2017). The higher the Return on Assets in a company, can be said that the company is successful in utilizing the assets it manages during an accounting period to earn a profit. Based on signal theory, if the company can take advantage of the assets it manages so that the ROA of the company is higher, then this can provide a good signal for investors to invest in the company. High Return on Assets is also the effectiveness of the company that the company can manage its assets well so that the company earns high profits and will make the stock return received by investors also higher.
  H_1 : Return on Assets has a positive effect on Stock Return
- The Effect Debt to Equity Ratio On Stock Return
  Debt to Equity Ratio determines the number of funds provided by creditors to company owners or the amount of rupiah of own capital used as debt guarantees (Dura, 2021). Signal theory arises when management signals to stockholders regarding the company's performance and prospects. Companies with a high DER ratio can indicate that the company has an increased risk of fulfilling its obligations in the short and long term, so that the high DER ratio can be a wrong signal regarding the company's performance for stockholders. The company's high DER ratio can make stockholders reconsider investing in stocks in the company so that the company's stock returns will decrease. High debt levels

can encourage company managers to manage these sources of funds to improve and maintain company performance by minimizing debt to the company.
H_2: Debt to Equity Ratio has a negative effect on Stock Return

- The Effect Current Ratio On Stock Return
  The Current Ratio is a ratio to measure the company's ability to pay short-term obligations or debts that are due immediately when billed in their entirety (Dura, 2021). Suppose the company can manage its current assets properly and can settle short-term debts or obligations from these existing assets without maturing. In that case, the company can be said to be liquid. Thus, it will reduce the risk for investors who want to own the company's stocks. Based on signal theory, this will give a positive signal to investors.
  H3: Current Ratio has a negative effect on Stock Return.

3. Research Methodology

Research Design
3.1 Type of Research

The research approach used in this research is quantitative research with correlational research. A quantitative research approach examines specific populations and samples, collects research instruments, and analyzes quantitative or statistical data to test established hypotheses. This study is intended to determine the effect of Return On Assets (ROA), Debt to Equity Ratio (DER), and Current Ratio (CR) on stock returns in companies listed on the Indonesia Stock Exchange (IDX) in 2018-2020.

3.2 Object of Research

The object of this research is a cyclical company listed on the Indonesia Stock Exchange (IDX). Cyclical consumer companies are sectors with a high correlation with economic changes, where stocks in these sectors will have a sensitive performance to changes in economic conditions.

3.3 Research and Population

The population used for this research are primary and secondary consumer goods sector The population is the real data that is the center of a researcher's attention within a predetermined scope and time (Tumonggor et al., 2017). The population in this study are companies listed on the Indonesia Stock Exchange (IDX) for the period 2018 to 2020 in the cyclical consumer sector. Meanwhile, according to (Dura, 2021), the sample is part of the population taken through the selection of specific characteristics.

- The cyclical sector companies listed on the Indonesia Stock Exchange in 2018-2020.
- A cyclical sector company on the Indonesia Stock Exchange (IDX) that publishes financial statements consecutively and has been audited for the 2018-2020 period
- Cyclical sector on the Indonesia Stock Exchange (IDX) which publishes financial reports in the rupiah currency
- A cyclical company that submits stock return reports in a row

Data Collection Technique The data collection technique in this study is archival technique, namely research conducted by reading books, research journals, and other data sources. Data collection is carried out in libraries, on the internet, or in places that have different data sources

Conceptual and Operational Definitions of Variable Dependent Variable (Y) The dependent variable in this study is stock returns. (Almira and Wiagustini, 2020)State that Stock Return is the result obtained from an investment from funds that have been invested that investors can enjoy. In an era where more and more people want to invest, investors need to know that in addition to getting profits, it is also possible for stockholders to experience losses. The gain or loss experienced by stockholders is strongly influenced by the ability of an investor to analyze the state of the company.

$$Stock\ Return = \frac{P_t - P_{t-1}}{P_{t-1}} \quad (1)$$

3.4 Independent Variable (X)

Return On Assets (ROA) is a ratio to measure the ability to generate profits from the total assets used by (Arramdhani and Cahyono, 2020). Return on Assets (ROA) is calculated by comparing the company's net profit by dividing the company's net income by its total assets. The ROA formula is as follows:

$$ROA = \frac{Net\ Profit}{Total\ Assets} \quad (2)$$

The debt to Equity Ratio (DER) is the ratio of debt and equity (Octovian and Winarsa, 2021). The DER ratio describes how much the company uses funding through debt and how much the company's ability to fulfill its obligations. The DER formula is as follows:

$$DER = \frac{Total\ Liabilities}{Total\ Equity} \quad (3)$$

A current ratio (CR) is a ratio that compares current assets with current liabilities (Aini et al., 2020). The current ratio is the ratio used to measure the company's ability to meet its short-term obligations that will soon mature (Aini et al., 2020). The formula that can calculate the current ratio is:

$$CR = \frac{Current\ Assets}{Current\ Debt} \quad (4)$$

4. Results and Discussion

4.1 Research Data Description

The population used in this study are cyclical consumer sector companies on the Indonesian stock exchange from 2018 - 2020. The sample selection uses purposive sampling, where several criteria are carried out when using samples. There are 135 companies in the cyclical consumer sector, but only 49 companies that meet the criteria requirements. Therefore, the sample selection in this study used the purposive sampling method. The criteria to be considered in sampling are:

Table 1. Sample Selection Results

NO	Information	Number of Companies

1	Cyclical sector companies listed on the Indonesia Stock Exchange in 2018-2020	136
2	Cyclical sector companies on the Indonesia Stock Exchange (IDX) that do not issue financial statements consecutively and have been audited during the 2018-2020 period	(30)
3	Cyclical sector on the Indonesia Stock Exchange (IDX) which publishes financial reports in dollars	(15)
4	Cyclical sector where there is no stock price data that can be accessed	(30)
	Companies	61
	Year of observation	3
	Research Data	183
	Outlier	(68)
	Number of Samples After Outlier	115

Source: Data processed 2022

4.2 Classical Assumption Test 1

- Abnormal Normality Test Result
  The result shows a significance value of 0.000 (0%) or lower than 0.05 (5%). It means that the standardized residual value can't be expressed as normally distributed.
- Outlier Data
  The researcher reduces the data using outliers to get normal test results by getting a significance value of more than 0.05. This result shows that there are 68 data outliers from 183 selected data because these data have extreme values.

4.3 Data Analysis

- Descriptive Statistic Analysis

Table 2. Descriptive Statistical Results

	N	Minimum	Maximum	Mean	Std. Deviation
ROA	115	-0.14	0.17	0.0069	0.05355
DER	115	0.05	3.66	1.0023	0.71015
CR	115	0.28	10.07	1.7571	1.16258
Stock Return	115	-0.89	0.92	-0.1308	0.29021

4.4 Classical Assumption Test

- Normality test
  The normality test carried out is the Kolmogorov-Smirnov (KS) test. the results of the Kolmogorov-Smirnov (KS) normality test have a significance value of 0.769 or greater than 0.05. It means that the standardized residual value can be expressed as normally distributed.
- Heteroscedasticity test
  The method used in this Heteroscedasticity test is the glejser method. The results show that the regression model does not have symptoms of heteroscedasticity. This is because the significance value of the three variables is above 0.05. so it can be concluded that there is no heteroscedasticity problem in the cyclical consumer sector data in this study.
- Multicollinearity test
  The multicollinearity test results show each variable's TOL and VIF values. The VIF value for ROA is 1.162, with a tolerance of 0.860. The VIF value for DER is 1.125 with a Tolerance value of 0.888. The VIF value for CR is 1.179 with a Tolerance value of 0.848. The VIF and Tolerance values of the three variables have met the requirements for being free of multicollinearity with a VIF value less than ten and a Tolerance value greater than 0.1.
- Autocorrelation test
  The output of the Durbin Watson model summary value is 2.253. This value will be compared with the Durbin Watson table using a significance value of 5%, the number of samples is 115 (n) and the number of independent variables is 3 (k = 3). Therefore, the DW table is obtained with a value of 4-dL = 2.3573 and 4-dU = 2.2504, because the DW value is 2.253, the Durbin Watson test results do not get a conclusion because the value of 4-dU $< d <$ 4-dL ($2.2504 < 2.253 < 2.3573$). This indicates that a run test must be carried out to determine whether the results are autocorrelation or not.
- Run test

The run test aims to determine whether there is an auto correlation or the effect of data from the previous observation test in the regression model. The result show that the value of Asymp.sig (2-tailed) is 0.925, which indicates that there is no autocorrelation because the run test with a value of more than 0.05 indicates that there is no autocorrelation.

4.5 Regression Model Test

- Goodness of Fit Test (F test)

Table 3. F Test Results

	Model	Df	F	Sig.
1	Regression	3	4.681	0.004[b]

The results of the regression model show significantly less than 5% or 0.05. Therefore, it can be concluded that H0 is rejected and Ha is accepted. This shows that with the significant F test results above, it can be said that this model is feasible and can be used in this study.

- Coefficient of Determination Test (R^2)

Table 4. Coefficient of Determination Test Results

Mode	R Square	Adjusted R Square
1	.112	0.088

The adjusted R square value is 0.088. This value indicates that 8.8% of the variation in stock returns can be explained by Return On Assets, Debt to Equity Ratio, and Current Ratio. The remaining 91.2% is explained by other variables not included in the regression model.

- Hypothesis Test

Table 5. t Test Results

Variable	Coefficient	Significant	Description	Hypothesis
ROA (X_1)	1.642	0.002	Positive Effect	Accept
DER (X_2)	0.060	0.127	No Effect	Rejected
CR (X_3)	-0.055	0.026	Negative Effect	Rejected

Based on the t-test analysis results show that the regression coefficient value on the ROA variable is 1.642 with a significance value of 0.002 < 0.05. This shows that the ROA variable significantly affects stock returns and the coefficient is positive so that H1 is accepted.

Based on the t-test analysis the value of the regression coefficient on the DER variable is 0.060 with a significance value of 0.127 > 0.05. This indicates that the DER variable does not significantly affect stock returns because the significance value is more than 0.05, so H2 is rejected.

Based on the t-test analysis of the value the regression coefficient on the CR variable above can indicate that the value of the regression coefficient of the CR variable is -0.055 with a significance value of 0.026 < 0.05. Oleh karena itu, dapat disimpulkan bahwa Current ratio has a negative effect on stock returns, so H3 is rejected.

4.6 Discussion

- The Effect of Return on Assets on Stock Return
  The results of this study support the first hypothesis that Return On Assets (ROA) has a positive effect on stock returns. Therefore, this study proves that Return on Assets has a significant positive effect on stock returns and can be used as a benchmark for predicting stock returns. This is because ROA can provide an overview of the company's financial performance in generating a net income from the company's assets that are used correctly. This is in accordance with the signal theory that if a company has a good ROA, it will give investors a positive signal to invest in the company. In contrast, if the company's ROA is bad, it will give investors a negative signal.
- The Effect of Debt to Equity Ratio on Stock Return
  The results of this study prove that the Debt to Equity Ratio does not affect stock returns. So it can be said that the Debt to Equity Ratio cannot be a benchmark for predicting stock returns. Therefore, information about the level of debt can only provide a neutral signal to investors because the level of debt is not the right factor to be the basis for making investors' decisions to invest in the company.

- The Effect of Current Ratio on Stock Return
  The results of this study prove that the current ratio has a negative effect on stock returns. The lower the current ratio, the higher the stock return obtained by investors. A low current ratio indicates that the cash owned by the company is also low. This indicates that the company uses cash well so that the company can maximize its company operations. Good company performance will maximize company revenue. By maximizing the company's income, investors will be more interested in investing in the company because the stock returns obtained will be higher. According to signal theory, a low current ratio can provide a positive signal for investors.

5. Conclusion and Implication

5.1 Conclusion

This study aims to determine the effect of ROA, DER, and CR on stock returns in the cyclical consumer sector listed on the Indonesia Stock Exchange from 2018 to 2020. Based on the analysis and discussion carried out in this study, the conclusions of this study are as follows:

- Return on Assets affect stock returns in cyclical consumer sector companies.
- Debt to Equity Ratio does not affect on stock returns in cyclical consumer sector companies.
- Current Ratio does not affect on stock returns in cyclical consumer sector companies

5.2 Implication

- For Company The results of this study can add insight for companies in improving company performance because company performance will affect investors' decisions to invest in companies if the company's performance from a high ROA indicator will give a positive signal for investors to invest in companies with high ROA.

- For Investor The results of this study are expected to add insight for potential investors who want to invest in a company regarding the company's financial performance to seek high ROA to get high stock returns in the future when they have invested in companies, especially in cyclical consumer sector companies.

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