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TRIGGER OF STOCK RETURN RATE IN MANUFACTURING COMPANIES LISTED ON THE INDONESIA STOCK EXCHANGE

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Abstract **:** *Return is the goal of investors to invest in the capital market. Investors do various ways in order to get the desired return, by doing their own analysis of the movement of the company's stock performance or by using analytical tools in the form of financial statements. The purpose of this study is to analyze the effect of Return On Assets, Return On Equity, and Price to Book Value on Stock Returns in food and beverage manufacturing companies listed on the Indonesia Stock Exchange for the 2017-2021 period. This research was conducted using a quantitative documentation method. This study uses 520 financial statements per quarter from 26 companies for 5 years as a population. By using purposive sampling method, a sample of 240 financial statements per quarter from 12 companies was obtained. The hypothesis testing method uses the F test, t test, and multiple linear regression analysis. The results of the study state that partially ROA, ROE, and PBV have a positive and significant effect on stock returns. And simultaneously ROA, ROE, and PBV have a positive and significant effect on stock returns with a coefficient of determination of 17%.*

Keywords : *ROA, ROE, PBV, Stock Return*

INTRODUCTION

In the current era of globalization, the capital market is one of the important factors in the economic development of a country, this is due to the fact that many companies use the capital market to absorb investment. The capital market is an activity related to the public offering and trading of securities, public companies relating to issued securities, as well as institutions and professions related to securities. The capital market is a medium or place where buyers and sellers can transact or negotiate the exchange of a commodity or group of commodities, and the commodity being traded is capital.

Investment in the form of shares is one of the activities to obtain foreign capital for entrepreneurs. Investment is a commitment to a number of funds or other resources that are carried out at this time with the main aim of obtaining a number of benefits in the future (Tandelilin, 2020 in Aisah and Mandala, 2016). Investors can invest their funds in a company. Investors will have the opportunity to choose investment alternatives that can provide an optimal rate of return (return) that is optimally possible by forming a portfolio in accordance with the risks that can be borne by the investor concerned. The main purpose of investment for investors is to get a high return.

Every company strives for the value of their Return On Assets (ROA) to be high. The greater the value of the ROA, it means that the better the company uses its assets to make a profit, with the increasing value of the ROA the profitability of the company increases. Return on Assets (ROA) is a profitability ratio that shows the comparison between the company's profit (before tax) and the bank's total assets, which shows the level of efficiency of asset management carried out by the bank concerned (Wahyuni, 2018). Kasmir in Putra and Kindangen (2016) explains that Return On Assets (ROA) is a ratio that shows the return on the total assets used in the company. In other words, Return on Assets (ROA) can be defined as a ratio that shows how much net income can be obtained from all the assets owned by the company. Meanwhile, according to Hanafi in Mangantar, et.al (2020), defining Return On Assets is a ratio that measures the company's ability to generate profits by using the total assets (wealth) owned by the company after adjusting for the costs to fund the wealth.

The higher the Return On Equity (ROE), the company's performance is getting better and has an impact on increasing the company's stock price. ROE is a ratio that describes the company's ability to earn profits through all existing capabilities and sources such as sales activities, cash, capital, number of employees, number of branches and so on. ROE is often referred to as the rate of return on net worth, namely the company's ability to generate profits with its own capital (Andansari, et.al, 2016). Brigham and Houston in Hidajat (2018), state that ROE is a ratio that measures the rate of return on net income compared to invested equity, especially ordinary shares and to measure the rate of return on investment made by shareholders. Profit that is calculated is the net profit withheld by taxes. The increase in ROE will also increase the selling value of the company which has an impact on stock prices, so this is correlated with an increase in stock returns.

Internal factors that can affect stock returns other than ROA and ROE are PBV or Price to Book Value. According to Tandelilin in Muzayin (2017) one of the methods often used among analysts and stock practitioners is the Price to Book Value (PBV) approach which is another alternative approach that can be used to assess the fair price of shares, because theoretically the fair price of shares must be reflects its book value. The PBV ratio provides an overview of the potential price movements of a stock. The point is that if a stock that performs well has a lower PBV compared to the average PBV of shares in its sector, the stock price still has the potential to increase and vice versa. Price to Book Value (PBV) is indicated by the comparison between share price and earnings per share. This ratio shows how far a company is able to create company value relative to the amount of capital invested, so the higher the Price to Book Value (PBV) which indicates the more successful the company is in creating value for shareholders. Companies with good performance usually have a Price to Book Value ratio of above one, this indicates that the stock market value is higher than the book value (Andansari, et.al, 2016). Companies that grow have a ratio of more than one, indicating that the market value of the stock is greater than its book value. The higher this ratio will have a positive effect on the stock price of the company concerned. The higher the ratio, the more successful the company is in creating value (return) for shareholders and the greater the PBV ratio, the higher the company is valued by investors.

One of the company sectors that can be studied are companies that are included in the Consumer Goods Industry category which are listed on the Indonesia Stock Exchange. Companies that fall into this category are stable companies despite the global crisis. This can be seen from the company's stock price index, which is one of the five sectoral indexes on the Indonesia Stock Exchange which has a fairly high stock price level. However, fluctuating economic conditions resulted in the instability of the company's financial performance.

Table 1 Financial performance and average stock returns of manufacturing companies in the food and beverage sector (%) in 2017-2021

Variabel	**Average**				
	2017	**2018**	**2019**	**2020**	**2021**
ROA	13	12	12	14	9
ROE	25	22	21	24	15
PBV	633	486	500	482	352
STOCK RETURN	-4	-1	5	0	11

Source: www.idx.co.id (Data processed, 2022)

Table 01 above shows that the financial performance indicated by the ROA, ROE, and PBV variables has increased and decreased. The most significant average decline occurred in 2021. ROA decreased to 9%, ROE reached 15%, and PBV reached 352%. However, the decrease in the three variables above was not followed by the stock return variable. The average stock return actually experienced the highest increase in 2021 by 11% and the lowest level occurred in 2017 of -4%, which means a loss.

THEORETICAL FRAMEWORK AND HYPOTHESES

Return On Assets (ROA)

Return On Assets (ROA) is an assessment of the profitability of total assets, by comparing the profit after tax with the average total assets. Return On Assets (ROA) shows the effectiveness of the company in managing assets both from capital own capital or from borrowed capital, investors will see how effective a company is in managing assets. The higher the level of Return On Assets (ROA), it will have an effect on the volume of stock sales, meaning that the level of Return On Assets (ROA) will affect investors' interest in investing so that it will affect the sales volume of the company's shares and vice versa. Mathematically Return On Assets (ROA) can be formulated as follows (Horne, 2005:224):

$$\text{Return On Assets} = \frac{\text{Net Profit Before Tax x 100\%}}{\text{Total Asset}}$$

***Return On Equity* (ROE)**

The definition of own capital rentability (ROE) according to Bambang Riyanto (2001; 44) is as follows: Return on Equity is a comparison between the amount of profit available to the owner of own capital on the one hand with the amount of own capital that generates the profit on the other hand. Agnes Sawir (2001; 20) defines Return on Equity as follows: Is a ratio that shows the extent to which the company manages its own capital (Networth) effectively measures the level of profit from investments that have been made by the owners of their own capital or shareholders. Meanwhile, according to Lukman Syamsudin (2004; 64) defines Return on Equity or Return on Owner's Equity as follows: Return on owner's equity (ROE) is a measuring tool of income (income) available to company owners (both ordinary shareholders and shareholders). preferred stock) on the capital they invest in within the company.

$$\text{ROE} = \frac{\text{Net profit}}{\text{Owner's equity}} \text{ x } 100$$

***Price to Book Value* (PBV)**

Price To Book Ratio (PBV) is a ratio that can be used in evaluating the company by comparing the market price per share with the book value per share of the company (Lukiman and Hafsari, 2018). PBV can also be an illustration of how much the market appreciates the book value of shares in a company. It can be said that if the PBV is high, it means that market confidence in the company's prospects is also high.

Stock Returns

Return or return from an investment is a person's main goal in carrying out investment activities. Understanding return itself according to Jogiyanto (2003) is the result obtained from investment. Stock return is one of the factors that motivate investors to invest and is also a reward for the courage of investors to take risks on the investments made (Tandelin, 2010:102). According to Jogiyanto (2003): "Returns can be in the form of realized returns that have occurred or expected returns that have not yet occurred but are expected to occur in the future". In this study, the stock return used is the realized return. The formula for stock returns can be written as follows:

$$R = \frac{Pt - P(t-1)}{P(t-1)} \, x \, 100\%$$

Information:

R = *Stock returns*

P_t = The closing price of shares in a certain period

$P_{(t-1)}$ = The closing price of shares in the previous period

Hypothesis

Since the hypothesis is a provisional assumption that still has to be proven true, based on the literature review and the framework described above, the following hypotheses can be put forward:

H1: ROA has a positive and significant effect on stock returns in manufacturing companies listed on the Indonesia Stock Exchange.

H2: ROE has a positive and significant effect on stock returns in manufacturing companies listed on the Indonesia Stock Exchange.

H3: PBV has a positive and significant effect on stock returns in manufacturing companies listed on the Indonesia Stock Exchange

RESEARCH METHODS

The type of data used in this research is quantitative data. Quantitative data is data that can provide a solid interpretation or in other words, this data is in the form of numbers obtained from financial statements of manufacturing companies in the food and beverage sector on the Indonesia Stock Exchange. The company's financial statements containing the Balance Sheet and Income Statement are part of the quantitative data of this study. This study uses secondary data, namely financial statement data obtained from the website www.idx.co.id.

The population of this study is the quarterly financial statements of manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the food and beverage sector from 2017 to 2021, amounting to 520. The sampling technique in this study used the purposive sampling method, namely the sampling technique with criteria In particular, the first is a manufacturing company in the food and beverage sector that is listed on the IDX from 2017-2021, the second is a company that does not have complete quarterly financial reports for the 2017-2021 period, the third is a company that does not have complete data related to research variables, the last company who suffered losses.

The data analysis technique used is multiple linear regression analysis. Linear regression analysis is an extension of simple linear regression, namely increasing the number of independent variables that were previously only one to two or more. Data analysis will be carried out with the help of the SPSS program. In this study, multiple regression analysis was used. The regression model is used to determine the effect of the independent variables, namely Return On Assets (ROA), Return On Equity (ROE), and Price to Book Value (PBV) on Stock Return as the dependent variable.

RESULTS AND DISCUSSION

This study uses a sample of quarterly financial statements of manufacturing companies in the food and beverage industry sector listed on the Indonesia Stock Exchange, as many as 240 financial statements from 12 companies in a row from 2017 to 2021. The initial stage of the analysis process in this research is to know in advance the results of Return On Assets (ROA), Return On Equity (ROE), Price to Book Value (PBV), and Stock Returns per manufacturing company. Meanwhile, in data processing, SPSS program assistance was used to test the hypothesis between ROA, ROA, and PBV on stock returns.

Table 1 Results of Multiple Linear Analysis

Model		Unstandardized Coefficients		Standardized Coefficients
		B	Std. Error	Beta
1	(Constant)	0,307	0,092	
	ROA	1,822	0,344	0,395
	ROE	0,26	0,127	0,183
	PBV	0,022	0,004	0,531

Source: Output PASW Statistics 18,(secondary data processed)

Based on the results of data processing in this study, the multiple linear regression equation was determined as follows.

$Y = \alpha + \beta 1(X1) + \beta 2(X2) + \beta 3(X3) + e$

$= 0,307 + 1,822 + 0,260 + 0,022 + e$

The following describes the interpretation of the multiple linear regression equation from the above equation model.

a. From the multiple linear regression equation above, it can be seen that the value of the constant for stock returns is 0.307. This means that if ROA, ROE, and PBV are constant, then the stock return is 0.372.
b. Effect of ROA (X1) on Stock Return (Y)
   From the multiple linear regression equation above, it can be seen that the regression coefficient of the ROA variable is 1.822 and is positive, which means that if there is an increase in ROA by one unit, it will cause an increase in stock returns of 1.822 assuming other variables in this equation are constant.
c. Effect of ROE (X2) on Stock Return (Y)
   From the multiple linear regression equation above, it can be seen that the regression coefficient of the ROE variable is 0.260 and is positive, which means that if there is an increase in ROE of one unit, it will cause an increase in stock returns of 0.260 assuming other variables in this equation are constant.
d. Effect of PBV (X3) on Stock Return (Y)

From the multiple linear regression equation above, it can be seen that the regression coefficient of the PBV variable is -0.036 and is negative, which means that if there is an increase in PBV of one unit, it will cause an increase in stock returns of -0.036 assuming other variables in this equation are constant. .

Hypothesis testing

Partial Significance Test (t Test)

Table 2 Results of Partial Significance Test (t-test)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0,307	0,092		3,33	0
	ROA	1,822	0,344	0,395	5,3	0
	ROE	0,26	0,127	0,183	2,05	0,04
	PBV	0,022	0,004	0,531	5,55	0

Source: Output PASW Statistics 18,(secondary data processed)

Based on the table above, it can be seen that the individual relationship between each variable ROA, ROE, and PBV on stock returns is as follows:

a. Return On Assets (ROA) on stock returns.
Based on the table from the t-test results above, the probability value of ROA is 0.000 which is smaller than 0.05 so it is said to be significant. The ROA variable has a t-count value of 5.302 with a coefficient value of 1.822 and has a positive direction explaining that any increase in ROA will be followed by an increase in stock returns. Thus the hypothesis which states that ROA has a positive and significant effect on stock returns is accepted.

b. Return On Equity (ROE) on stock returns.
Based on the table from the t-test results above, the probability value of ROE is 0.041 which is smaller than 0.05 so it is said to be significant. The ROE variable has a t-count value of 2.054 with a coefficient value of 0.260 and has a positive direction explaining that any increase in ROE will be followed by an increase in stock returns. Thus the hypothesis which states that ROE has a positive and significant effect on stock returns is accepted.

c. Price to Book Value (PBV) of stock returns.
Based on the table from the t-test results above, the PBV probability value is 0.000 which is smaller than 0.05 so it is said to be significant. The PBV variable has a t-count value of 5.554 with a coefficient value of 0.022 and has a positive direction explaining that every increase in PBV will be followed by an increase in stock returns. Thus the hypothesis which states that PBV has a positive and significant effect on stock returns is accepted.

Discussion

From the results of the t test that has been carried out, the results obtained regarding the effect of each variable on stock returns partially as follows:

a. Return On Assets (ROA) to Stock Return
The results of this study indicate that Return On Assets (ROA) has a significant effect on stock returns in food and beverage manufacturing companies listed on the Indonesia Stock Exchange. It is known that the calculated t value of ROA is 5.302 with a coefficient of 1.822 and a probability value of 0.000 which means it is smaller than the 0.05 significance level. The positive direction of the coefficient means that ROA has a directly proportional relationship to stock returns. This means that every increase in ROA will be followed by an increase in stock returns. The results of this study are in line with research conducted by Taufik, et.al (2016) which states that there is a positive effect of Return On Assets on stock returns because the company's ability to generate profits increases, the stock price will also increase.
ROA needs to be considered by investors in investing in stocks, because ROA acts as an indicator of the company's efficiency in using assets to earn profits. The higher the ROA of a company, the greater the

level of profit achieved by the company which will result in increased stock returns received by investors. A high ROA will certainly provide a positive issue for investors because the company is able to generate profits based on certain asset levels. This will increase investor interest and will have an impact on increasing stock returns that will be obtained by investors later.

b. Return On Equity (ROE) to Stock Return

The results of this study indicate that Return On Equity (ROE) has a significant effect on stock returns in food and beverage manufacturing companies listed on the Indonesia Stock Exchange. It is known that the calculated t value of ROE is 2.054 with a coefficient of 0.260 and a probability value of 0.041 which means it is smaller than the 0.05 significance level. The positive direction of the coefficient means that ROE has a directly proportional relationship to stock returns. This means that every increase in ROE will be followed by an increase in stock returns. The results of this study are in line with research conducted by Hidajat (2018) which states that Return on Equity (ROE) has a positive and positive effect on stock returns of agricultural companies listed on the Indonesia Stock Exchange.

ROE describes the size of the return on invested capital or the company's ability to generate profits for shareholders. The increase in ROE will also increase the selling value of the company which has an impact on stock prices, so this is correlated with an increase in stock returns. The increase in ROE reflects the level of return on investment obtained by investors by utilizing the capital owned by the company. This means that the company has a good ability to manage its capital so that it can generate high profits. The higher the level of profit that will be obtained by investors, it will increase investor interest in investing.

c. Price to Book Value (PBV) to Stock Return

The results of this study indicate that Price to Book Value (ROA) has a significant effect on stock returns in food and beverage manufacturing companies listed on the Indonesia Stock Exchange. It is known that the calculated t value of PBV is 5.554 with a coefficient of 0.022 and a probability value of 0.000 which means it is smaller than the 0.05 significance level. The positive direction of the coefficient means that PBV has a directly proportional relationship to stock returns. This means that every increase in PBV will be followed by an increase in stock returns. The results of this study are in line with research conducted by Handayani, et.al (2019) which states that partially and simultaneously, PBV has a positive effect on stock returns in property and real estate sub-sector companies listed on the Indonesia Stock Exchange (IDX) for the 2013 period. - 2017. The higher this ratio indicates the more trusted the company, meaning that the value of the company becomes higher, meaning that it attracts investors to invest and then the stock price becomes high and the impact of stock returns will increase in the future.

Investors in considering making decisions to buy or sell shares can be done by comparing the intrinsic value with the market value of the shares concerned. One approach in determining the intrinsic value of a stock is price to book value (PBV). Companies that grow have a ratio of more than one, indicating that the market value of the stock is greater than its book value. The higher this ratio will have a positive effect on the stock price of the company concerned. The higher the ratio, the more successful the company is in creating value (return) for shareholders and the greater the PBV ratio, the higher the company is valued by investors.

CONCLUSION

The conclusion of the first study, where Return On Assets (ROA) has a positive and significant effect on stock returns in manufacturing companies in the food and beverage sector listed on the Indonesia Stock Exchange. Second, Return On Equity (ROE) has a positive and significant effect on stock returns in food and beverage manufacturing companies listed on the Indonesia Stock Exchange. Third, Price to Book Value (PBV) has a positive and significant effect on stock returns in food and beverage manufacturing companies listed on the Indonesia Stock Exchange. Fourth, the variables Return On Assets (ROA), Return On Equity (ROE), and Price to Book Value (PBV) simultaneously have a positive and significant effect on stock returns in food and beverage manufacturing companies listed on the Indonesia Stock Exchange. Furthermore, based on the t-test, it can be shown that the most dominant variable affecting stock returns is Return On Assets (ROA) because ROA has the highest regression coefficient value. While the variable that has the weakest influence on stock returns is Price to Book Value (PBV) because it has the lowest regression coefficient value.

Based on the results of the research conducted, the authors try to provide suggestions to be considered both for further researchers, management, and for investors. The suggestions that the authors give are: For further researchers, it is hoped that it can be developed again with different types or groups of companies such as companies belonging to LQ45 and others. This research is expected to be used as an additional reference for further research in the same field in the future. will come to be developed and improved, for example by extending the observation period so that it can better reflect the research results and add other variables.

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