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The Effect of Financial Performance on the Stock Return of Consumer Goods Sector Companies

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ABSTRACT

This type of research is called comparative causal research. The population of this study is consumer goods companies for the period 2016-2020. Samples were taken using a purposive sampling technique. The sample consisted of 6 companies from 16 consumer goods companies listed on the Indonesia Stock Exchange in 2017-2020 so the research data analyzed amounted to 30. The data collection method used was documentation. The data analysis techniques used are descriptive statistics, classical assumption tests, and multiple linear regression analysis. Based on hypothesis testing using the t-test, it is concluded that the current ratio has a positive but not significant effect on stock return, the return on assets has a negative and insignificant effect on stock return, and the debt-to-equity ratio has a negative and insignificant effect on stock return.

INTRODUCTION

The company's financial performance describes the financial condition of a company that is analyzed with financial analysis tools so that it can be known about the good and bad financial condition of a company that reflects work performance in a certain period. This shows that financial performance is an indicator needed by the company's management to measure the effectiveness of company performance. In addition, financial performance is an indicator used by investors before investing. One of the pieces of information needed by investors is the financial statements published by the company. For investors, the annual financial report is a source of various kinds of information, especially the balance sheet and the company's income statement. Therefore, the publication of the company's financial statements is the moment that is awaited by investors in the capital market, because from the publication of the company's financial statements, investors can find out the development of the company, which is used as one of the considerations for investing in the capital market (Susilowati, 2011:2). For an investor, investing in the selected securities is certainly expected to provide a level of return (return) that is in accordance with the risks that must be borne by investors. This rate of return is the main factor because the return is the result obtained from investment (Jogiyanto, 2003: 109). Investors investing in the capital market do not only aim for the short term but also aim for the long term in increasing their total income.

In conducting a review of financial performance, investors must see how the financial statements of a company that the investor will invest in will get a return from the shares he has bought so that there is a measuring tool used in determining whether the financial performance of a company is good in this study. The intended financial performance indicators are profitability ratios measured by return on assets,

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solvency ratios measured by debt to equity ratios, and liquidity ratios measured by current ratios. The profitability ratios show the company's ability to generate profits; solvency ratios (leverage), indicating the company's ability to meet long-term obligations and liquidity ratios, namely the ratio that measures the adequacy of the company's cash resources to meet short-term cash-related obligations.

Research conducted by (Susilowati, 2011) and (Hermawan, 2012), shows that ROA has no significant effect on stock returns. Different results are expressed by (Chairatanawan, 2008), revealing that ROA has a significant effect on stock returns, while (Martani et al., 2009), in their research, conclude that ROA has a significant positive effect on stock returns. The results state that CR has a significant positive effect on stock returns, among others, carried out by Ulupui (2006). In addition, (Chairatanawan, 2008) revealed that CR has a significant effect on stock returns. Meanwhile, (Farkhan & Ika, 2013), (Martani et al. 2009), (Thrisye and Simu, 2013), and (Budilim, (2013) concluded that CR has no significant effect on stock returns. The influence or relationship of DER on stock returns has been carried out by (Chairatanawan, 2008), (Susilowati, 2011), (Nuryana, 2013), and (Hermawan, 2012), revealing that DER has a significant effect on stock returns. In addition, (These & Simu, 2013) revealed that DER has a significant negative effect on stock returns. Different results were expressed by (Ulupui, 2006); (Martani, et al., 2009); (Farkhan & Ika, 2013); and (Budilim, 2013); in their research, which concluded that DER has no significant effect on stock returns. Based on the explanation of the background above, the formulation of the problem that will be answered by the research to be carried out is as follows: Does return on assets affect stock returns of consumer goods companies for the 2016-2020 period? (2) Does the debt-to-equity ratio affect the return shares of consumer goods companies from 2016 to 2020? (3) Does the current ratio affect the stock returns of consumer goods companies for the 2016-2020 period?

In general, the company's goal is to earn a profit that can ensure its business continuity. Therefore, the company will try as much as possible to have its revenue be greater than the costs incurred so that maximum profit can be obtained. Profit is one indicator of a company's performance. To generate profits, companies must carry out operational activities. Activities, in order to earn this profit, can be carried out if the company has a number of resources. The relationship between the resources that make up these activities can be shown by financial ratios, conditions of profitability, liquidity, and solvency that affect stock returns for investors in food and beverage companies. This is because these conditions indicate the state of the company's resources that are able to generate optimal profits and how the company's ability to guarantee or pay obligations both long-term and short-term.

Return on Assets is used to measure how much profit can be obtained from all assets used, which means it involves investment decisions. Return on Assets (ROA) is a fundamental measure of the company's profitability that reflects how effective and efficient the assets are. A positive return on assets (ROA) indicates that the capital invested in the overall assets used for the company's operations is able to provide profits for the company, on the contrary ROA is Negative indicates that of the total assets used for the company's operations, it is not able to provide profits for the company which in the end the company will suffer losses. Debt to equity ratio (DER) is a solvency ratio that reflects the company's ability to meet all of its obligations (Subramanyam & John, 2010). According to (Keown, 2011), the solvency ratio shows the extent to which the company's funding is financed by debt compared to equity. A higher DER indicates more financing is coming from debt sources. As a result, more business risk is borne by creditors (borrowers in this case companies that owe). Current Ratio (CR). CR measures the company's ability to meet its short-term debt by using its current assets (assets that turn into cash within one year or one business cycle). CR is also a reserve of current funds, which is a measure of the level of security against uncertainty and surprises in the company's cash flows. A higher DER indicates more financing is coming from debt sources. As a result, more business risk is borne by creditors (borrowers in this case companies that owe). Current Ratio (CR). CR measures the company's ability to meet its short-term debt by using its current assets (assets that turn into cash within one year or one business cycle). CR is also a reserve of current funds, which is a measure of the level of security against uncertainty and surprises in the company's cash flows. A higher DER indicates more financing is coming from debt sources. As a result, more business risk is borne by creditors (borrowers in this case companies that owe). Current Ratio (CR). CR measures the company's ability to meet its short-term debt by using its current assets (assets that turn into cash within one year or one business cycle). CR is also a reserve of current funds, which is a measure of the level of security against uncertainty and surprises in the company's cash flows. CR measures the company's ability to meet its short-term debt by using its current assets (assets that turn into cash within one year or one business cycle). CR is also a reserve of current funds, which is a measure of the level of security against uncertainty and surprises in the company's cash flows. CR measures the company's ability to meet its short-term debt by using its current assets (assets that turn into cash within one year or one business cycle). CR is also a reserve of current funds, which is a measure of the level of security against uncertainty and surprises in the company's cash flows.

Return Shares are the expectations of investors from funds invested through shares, where the results are in the form of yields and capital gains (loss) (Hartono, 2010). Returns can be in the form of realized returns or expected returns. Realized returns are returns that have occurred which are calculated using historical data. Realized returns are important because they are used as a measure of the company's performance and are also used as a basis for determining expected returns and risk in the future Some of the most widely used measures of realized return are Total Return, Relative Return, Cumulative Return and Adjusted Return Expected return is the return that investors expect to get in the future. Expected return can be measured in several ways, namely based on the expected future value, historical return value, and the existing expected return model. Investors will buy a stock if it is predicted that it will increase beyond the minimum standard of return that has been set by the investor in the hope of getting again from the increase in stock. The conceptual framework in this research is as follows:

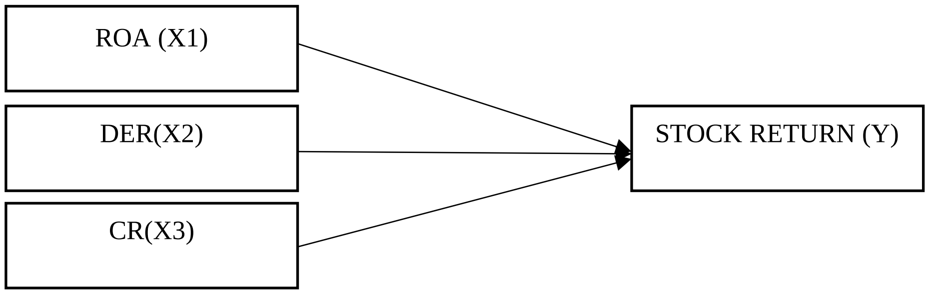

Figure 1. Conceptual Framework

Based on the framework that has been described, the authors propose a two-way hypothesis because from several relevant studies, the significant directions of the research results vary, so the hypothesis is obtained as follows: (1) There is a positive and significant influence between ROA on stock returns of industrial goods companies' consumption on the Indonesia Stock Exchange for the 2016-2020 period. (2) There is a negative and significant effect between DER on stock returns of consumer goods industry companies on the Indonesia Stock Exchange for the 2016-2020 period. (3) There is a positive but not significant effect between CR on stock returns of consumer goods industry companies on the Indonesia Stock Exchange for the 2016-2020 Period.

RESEARCH METHOD

The research applies a quantitative descriptive research approach. Understanding quantitative research, (Sugiyono, 2011:45) is research in the form of numbers and analysis using statistics. Quantitative research is used in this study because it relates to the object of research, namely in several companies

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within a certain period by collecting some data and information about the company that is tailored to the research objectives. The data used in this study include the type of secondary data, namely data that has been collected by other parties, which in this case is a data collection agency, and published in the data user community. The data sources are financial records and reports published by the Indonesia Stock Exchange through the website www.IDX.co.id.

The data taken includes stock prices and several financial parameters of companies roa, der, and cr, the selected sample is consumer goods companies listed on the Indonesia Stock Exchange from 2016 to 2020 respectively and have certain criteria that support the research. The test used in this research is multiple linear regression. This multiple linear regression analysis aims to test the extent and how the direction of the independent variable affects the dependent variable. According to (Sugiyono, 2014: 277), the multiple regression equation is set as follows:

$$\mathbf{Y = a + b1\ X1 + b2\ X\neg 2 + b3\ X3 + e}$$

Where:

Y = Stock Return
X1 = ROA
X2 = DER
X3 = CR
A = constant
b1, b2, b3 = regression coefficient
e = error

RESULTS AND DISCUSSION

After processing the data using SPSS 26, stock returns as the dependent variable and roa, der, and cr as independent variables, then hypothesis testing is carried out using multiple regression analysis. Hypothesis testing was conducted to determine the effect of roa, der, and cr on stock returns of consumer goods companies listed on the Indonesia Stock Exchange. The results of multiple regression statistical tests, using SPSS 26, can be seen in the following table.

Table 1 Results of multiple regression analysis

Coefficients[a]

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.	Collinearity Statistics Tolerance	Collinearity Statistics VIF
1	(Constant)	144,943	267,830		.541	.593		
	roa	-.025	.312	-.019	-.080	.937	.695	1.439
	der	-.142	.190	-156	-.748	.461	.855	1.169
	cr	.006	.016	.083	.380	.707	.793	1,260

Source: Data processed 2022

From the test results of multiple regression analysis obtained the following equation:

$$\mathbf{Y = 144.\ 943 - 0.025\ ROA - 0.142\ DER + 0.006\ CR + e}$$

a. The constant coefficient of 144,943 means that if the ROA, DER, and CR variables are constant, then the stock return (Y) of consumer goods companies on the IDX in 2016-2020 will increase by 144,943 units.
b. The regression coefficient for Return on Assets (ROA) -0.025 means that the ROA variable has a

negative and insignificant effect on stock returns of consumer goods companies on the IDX in 2016-2020. If ROA decreases by 1 unit, then the stock return of consumer goods companies on the IDX in 2016-2020 will decrease by -0.025 units assuming the conditions of other variables are constant.

c. The regression coefficient for the Debt to Equity Ratio (DER) of -0.142 means that the DER variable has a negative and insignificant effect on stock returns of consumer goods companies on the 2016-2020 IDX, which will decrease by -0.142 assuming the other variables are constant.

d. The regression coefficient for the Current Ratio (CR) of 0.006 means that the CR variable has a positive and insignificant effect on stock returns of consumer goods companies on the 2016-2020 BEI. If the CR increases by 1 unit, it will increase by 0.006 assuming the other variables are constant.

Table 2 Partial Test Results

Coefficients[a]								
		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
Model		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	144,943	267,830		.541	.593		
	roa	-.025	.312	-.019	-.080	.937	.695	1.439
	der	-.142	.190	-156	-.748	.461	.855	1.169
	cr	.006	.016	.083	.380	.707	.793	1,260

Source: *Data processed 2022*

H1: There is a positive and significant influence between ROA on stock returns of consumer goods companies on the Indonesian stock exchange for the 2016-2020 period. Based on table 2 the t-test shows that the probability value of ROA is greater with a significance level of (0.937 0.05) with a regression coefficient of -0.025 and a count of -.0,80. From these results it can be concluded that H1 is rejected, meaning that the ROA variable is not has a positive and insignificant effect on stock returns (Y). H2: There is a negative and insignificant effect between DER on stock returns of consumer goods companies on the Indonesian stock exchange for the 2016-2020 period. Based on table 2, the t-test shows that the greater DER probability value is equal to (0.461 0.05) with a regression coefficient of -0.142 and a count of -0. 748 From these results it is concluded that H2 is accepted because the DER variable has a negative and insignificant effect on stock returns (Y). H3: CR has a positive but not significant effect on stock returns (Y). Based on table 2, the t-test shows that the probability value of CR is greater than (0.707 0.05) with a regression coefficient of 0.06 and a count of 0.380. From these results, it is concluded that H3 is accepted because CR has a positive but not significant effect on stock returns (Y). CR has a positive but not significant effect on stock returns (Y). Based on table 2, the t-test shows that the probability value of CR is greater than (0.707 0.05) with a regression coefficient of 0.06 and a count of 0.380. From these results, it is concluded that H3 is accepted because CR has a positive but not significant effect on stock returns (Y). CR has a positive but not significant effect on stock returns (Y). Based on table 2, the t-test shows that the probability value of CR is greater than (0.707 0.05) with a regression coefficient of 0.06 and a count of 0.380. From these results, it is concluded that H3 is accepted because CR has a positive but not significant effect on stock returns (Y).

DISCUSSION

The impact of ROA on stock returns: ROA is a ratio that shows the size of assets' contribution to net income. In other words, this ratio is used to measure how much net profit will be generated from each rupiah of funds embedded in total assets. This ratio is calculated by dividing net income by assets. The higher the return on assets, the higher the net profit generated from each rupiah of funds embedded in the asset. In this study, it can be concluded that ROA has a negative effect on stock returns, which means that if ROA increases, stock returns will decrease, and vice versa. A high level of ROA indicates that the profit

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earned by the company is also high. But if the level of liability is also high, the profit for financing stock returns will be small. This means the interest of investors in investing their capital will decrease.

The Impact of DER on Stock ReturnsIn this study, it can be concluded that DER has a negative effect on stock returns, which means that if DER increases, stock returns will decrease, and vice versa. A high DER can pose a high risk to the company. The risk measure that is often used is the risk of default on debt or obligations. If the solvency ratio is high, it means that the company's debt burden is also getting higher, which means the company's ability to repay its obligations if they are associated with the company's assets or assets will be heavy and difficult. Therefore, the company must be able to keep the solvency ratio within acceptable limits, especially by the financier or investor. The proportion of company debt to assets or assets can affect stock returns. This is in line with research conducted by Dani Permana Putra et al. (2016) entitled "The Effect of Liquidity, Profitability, and Solvency on the Stock Return of Food and Beverages Companies on the IDX". shows that the DER variable has a negative effect on stock returns. The higher the ratio, the greater the risk of the company not being able to pay off its obligations, making investors less interested.

Effect of CR on Stock Returns Based on the research, it can be interpreted that CR has a positive but not significant effect on stock returns (Y) of consumer goods and industrial companies listed on the Indonesia Stock Exchange for the 2016-2020 period. The results of this study are supported by research conducted by Giovanni Budialim (2013). The existence of a positive but not significant effect of CR on stock returns means that a large CR in a company is interpreted in various ways by investors. Some investors will interpret that a high CR condition reflects a company with a liquid condition, which means that the company has a good ability to fund the company in the short term. However, some investors have different opinions on whether a high CR actually reflects the company's ability to optimize current assets in unfavorable conditions. Because of this high CR value, it turns out that the stock return generated by the company is only small.

Based on the results of the analysis and discussion regarding the effect of return on assets (ROA), debt to equity ratio (DER), and current ratio (CR) on stock returns (Y) of consumer goods industrial companies listed on the IDX for the 2016-2020 period, there are several things that can be taken into consideration and can be used by investors, managerial parties, and interested parties to determine the effect of the company's financial ratios to influence changes in stock returns in consumer goods industry companies on the IDX for the 2016-2020 period.

CONCLUSION

Based on the results of the analysis and discussion that have been carried out previously, the following conclusions can be drawn: (1) For the 2016-2020 period, the return on asset (ROA) variable has no positive and insignificant effect on the stock returns of consumer goods industry companies listed on the IDX. ROA describes the company's ability to generate profitability. The increasing return on assets means that the company's performance is in good condition because it can utilize its assets optimally. so that investors are interested in investing in shares of the company, which causes stock returns to increase. (2) The debt to equity ratio (DER) variable does not have a significant effect on stock returns of consumer goods industry companies on the IDX for the 2016-2020 period. This can indicate that the absence of a significant effect of DER on stock returns can mean that there are different assessments by investors on the importance of debt for the company. Some investors can think that a large DER will be a burden for the company because of the company's obligation to pay debts and the bankruptcy risk that will be borne by investors. (3) The variable current ratio (CR) has a positive but not significant effect on the stock returns of consumer goods and industrial companies on the IDX for the 2016-2020 period. The existence of a positive but not significant effect of CR on stock returns means that a large CR in a company is interpreted in various ways by investors. Some investors will interpret that a high CR condition reflects a company with a liquid condition, which means that the company has a good ability to fund the company in the short term. However, some investors have different opinions on whether a high CR actually reflects the company's ability to optimize current assets in unfavorable conditions. Because of this high CR value, it turns out that the stock return generated by the company is only small.

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Suggestion

Based on the conclusions, the authors provide the following suggestions:

(1) For investors and potential investors, the ROA variable should not be considered when making stock investment decisions because it produces insignificant results for changes in the stock returns of the consumer goods industry listed on the IDX for the period of 2016-2020.

(2) For companies, the results of this study can be used as input to continue to maintain and improve the company's ability to better maintain and improve the company's financial performance, so that the company is able to increase its value and so that the shares of consumer goods industry companies can attract investors to invest. This will eventually increase the stock price, followed by an increase in stock returns.

(3) For further researchers, to be able to add more variables from financial ratios, for example, such as total asset turnover and earnings per share, to measure the company's financial performance, that can affect changes in stock returns of the consumer goods industry companies. In addition, by adding macroeconomic variables such as inflation, SBI interest rates, and exchange rates, as well as adding a longer research period, it is hoped that the results obtained can produce better and more accurate analysis, especially to determine changes in stock returns in the consumer goods industry.

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