

## Analysis of Market Value and Profitability to Return Shares in Manufacturing Companies Listed on BEI

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### Abstract

The capital market acts as a source of financing for businesses and investment for investors. Therefore, it is necessary to assess the performance of the company that will be used as a place of investment by analyzing the company's financial statements. This study aims to analyze the Market Value and Profitability of Stock Returns on the Indonesia Stock Exchange. Market Value is proxied by Earning per Share, Price Book Value, and Price Earning Ratio, and Profitability is proxied by Return on Assets and Return on Equity. The population of this study are companies listed on the Indonesia Stock Exchange (IDX) for the 2017-2019 period. The sampling technique in this study used a purposive sampling technique. Analysis using Microsoft Excel 2013 using the E-Views 11 program to test the hypothesis with Panel Data Regression Analysis, and the confidence level used is 5%. The results of the *t* test show that only the ROA, ROE, and PBV variables have a significant effect on stock returns, while the EPS and PER variables have no significant effect on stock returns. Likewise, the results of the *F* test show that *roa*, *roe*, *PBV*, *EPS*, and *PER* simultaneously all affect stock returns.

### Keywords

market value; profitability;  
stock return



## I. Introduction

The development of the business world in Indonesia is strongly supported by the development of the capital market, so shares have become an attractive alternative for investors to be used as their investment object. Stocks have added options for local investors, who previously only invested their money in banking institutions. The expectation of investors on their investment is to obtain the greatest *return* (rate of return) with a certain risk. *Return* could be in the form of *the capital gain* or dividends for investments in shares and interest income for investments in debentures. A *return* is an indicator to increase *wealth* para *investors*, including shareholders. Dividends are one of the kinds of increases in shareholders' *wealth* (Suharli, 2004). Based on the situation, the company's financial ratio can be used as a fundamental factor that can affect the *return* shares of a company. This reason also makes researchers use the company's financial ratio as a fundamental factor affecting the *return* shares of a company in this study. Development is a systematic and continuous effort made to realize something that is aspired. Development is a change towards improvement. Changes towards improvement require the mobilization of all human resources and reason to realize what is aspired. In addition, development is also very dependent on the availability of natural resource wealth. The availability of natural resources is one of the keys to economic growth in an area. (Shah, M. et al. 2020)

Shares are the type of investment that has a very high level of risk of loss. Moreover, when you carry out stock investments without being accompanied by a proper assessment

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of stock quality. To minimize the risk of such losses, it is necessary to carry out an analysis aimed at determining the intrinsic value of the Stock with the method of fundamental analysis of the Stock. Fundamental financial statements such as balance sheets, income statements, and cash flow statements are important information that can assess the company's performance in a given period. However, this report cannot be said to be useful if the information cannot assist the user in making business decisions, so the information needs to be processed further. According to (Gitman, 2009), the Profitability ratio is a ratio that is used to measure the effectiveness of management based on the return from investment sales and the company's ability to generate profits, which will be the basis for the distribution of company dividends. The most common ratio that used to measure profitability are *return on assets*, *return on equity* and *return on investment*. According to Sundjaja, financial statements are a report that describes the results of the accounting process used as a communication tool for parties interested in financial data or company activities. Financial information from the financial statements is needed by parties with an interest in the financial position and condition. Financial statements must be prepared periodically for interested parties including: investors, employees, lenders, suppliers and other business creditors, customers, government, society and company management. The financial statements themselves have characteristics, characteristics that are possessed by the information in the financial statements to be useful for the user (Sundjaja, 2003). There are 4 (four) main qualitative characteristics of an information, namely: comprehensible, Relevant, reliable, and can be compared.

According to Prinsip Akuntansi Indonesia (PAI), the purpose of financial accounting and financial statements is intended to provide financial information about a business entity that will be used by interested parties as a consideration in economic decision making. In other words, it can be concluded that the main purpose of the financial statements is to provide information, especially financial information, to interested parties in order to make economic decisions. From these various definitions, it can be concluded that financial statements are the main accounting reports that communicate financial information to interested parties, as a material consideration in economic decision making. And the financial statements can be analyzed to see the company's ability through financial ratios. One form of accounting information processing is in the form of financial ratios (Tuasikal, 2002). The ratio related to this study is the Market Ratio which is this ratio gives information on how much people value the company or trust the company, so that they want to buy shares greater in value than the rights they will obtain (book value of shares). Included in the market ratio is *Earning per Share* (EPS), which describes the company's net income received by each share.

Although *Net Income* of the income statement provides information on the overall profitability of a company, investors are more interested in the company's performance based on its profit per share (Mumer, 2004). This ratio shows the profits made by the company from each share. *Earning Price Ratio* (PER) is used as a clue to the valuation of shares in the market (Mumer, 2004). The value PER share can be used to determine whether a stock's valuation is cheap or expensive. A high per-value indicates that the growth rate is high and A low per-value indicates otherwise. The overly high value PER share is not very attractive because the share price will not rise again. Profitability ratio is a ratio that measures how effectively the company operates so that it generates profits in the company, looking at the company's ability to generate profits (*profit*). What is included in the profitability ratio is *Return on Assets* (ROA) *Return on assets* or also called *return on investment* is a ratio that measures the company's profitability. ROA measures the company's ability to generate net income based on a certain level of assets (Murmer, 2004).

*Return on Equity* (roe) measures the company's ability to generate profits available to the company's shareholders and measures how effectively the company uses other resources for the benefit of the owner. Roe shows profitability from the point of view of shareholders without taking into account dividends and *capital gain* (Murmer, 2004). High roe values indicate good company performance, while low roe values indicate poor performance. *Return* shares is an income that investors are entitled to because they invest their funds. A rational investor will carefully check the return of shares because stock returns are one of the indicators to determine the success of an investment. According to the complete dictionary of economics (2000), *return* is the return on yield in securities or investments which is usually expressed in the form of a percentage rate. According to Jogiyanto (1998), *return* is the result obtained from investors. *return* can be in the form of *return* realization of the company in obtaining profits available to shareholders and measuring the level of company efficiency, which reflects the company's ability to utilize its capital. The higher the level of profitability, the higher the value of the company and vice versa. Information about the profitability of the company is very interesting for shareholders of a company (Tuasikal, 2002), this information allows investors to assess the current financial condition and results of the company's operations. This information will then affect and cause changes in the stock price. Stock price movements due to market reactions will have an impact on *return* shares. Atchyuthan (2017). The novelty of this study wants to analyze the entire manufacturing company and the impact of profitability and market value on stock returns, so that it can be a guideline for investors in investing in manufacturing companies. The main advantage of this study which also provides an element of novelty that distinguishes this research from previous research is with the important contribution of this research that is able to provide a comprehensive view of the importance of corporate profitability to maximize the value of companies in the manufacturing sector in Indonesia. This research is able to provide practical implications by producing recommendations that can be used as guidelines for investors who are interested in investing in the manufacturing sector, especially in Indonesia

Based on the above data according to Atchyuthan research (2017) entitled *Determinants of Share Prices: Evidence from Listed Manufacturing Firms in Si Lanka* states that EPS, DPS, and DAR have a significant influence on stock prices. While ROA and ROE have no significant effect on the stock price. Avdalovic and Milenkovi (2017) stated that *Company Size, Return on Assets, Return on Equity, Earnings Per Stock, Book Value, Price-Earning Ratio, Price-to-Book Ratio* and *Leverage* have a significant effect on stock prices. This research is a development of previous research by Dyah Ayu Savitri (2012), entitled *Analysis of the Influence of ROA, NPM, EPS, and PER on Return Stocks (Case Study in Manufacturing Companies Food And Beverage Sector Period (2007-2010))*. The result is variable ROA, NPM, EPS, and PER does not have a positive and insignificant influence on stock returns, while in NPM there are positive and insignificant to stock returns, and EPS and PER have a positive and significant influence on the stock return of food and beverages sector manufacturing companies.

## II. Review of Literature

The condition of the company is an important thing to be evaluated by investors and creditors before investing and lending funds, so it is necessary to evaluate carefully and carefully so that they get the right information. "Signaling Theory is a theory that shows the condition of the company from an action by management in conveying information to investors so as to change investor decisions"(Renald, 2018, p. 15).

According to Sugeng (2017, p. 30) prediction signalling theory, the negative perception arises because the management to issue the common Stock gives a message or signal to the market or investors that management is considered unsure of the profit prospects of the company it leads in the future.

In a company between shareholders and managers, there are various differences in interests in knowing the internal situation of a company.

Agency Theory is a concept where defining the relationship between shareholders and managers, in order to achieve shareholder objectives then shareholders authorize managers to make decisions (Supriyono, 2018, p. 63).

Agency Theory states that between the owner of the company and the manager has different interests, in this principle because of the different interests between shareholders and managers thus seeking to add personal advantage. (Indrarini, 2019,p. 2).

Companies that go public have the goal to prosper their shareholders by showing high stock price value. (Salim & Susilowati, 2020). If the value of the company increases, it means that the stock price has increased as well, this will have an impact on increasing shareholder prosperity. The increase in the stock price is an achievement for the company where the company is able to attract investors and make investors believe in the company's performance.

Stock price is the price of a stock that occurs in the stock market at a certain time determined by market participants and determined by the demand and supply of the shares concerned in the capital market (Jogiyanto- 2008: 167). Agus Sartono (2003:70), "Stock market prices are formed through a mechanism of demand and supply in the capital market. Success in making profits will provide satisfaction for rational investors. A high enough stock price will provide benefits, namely in the form of capital gains and a better image for the company, making it easier for management to get funds from outside the company.

Suryasari and Artini (2020). Research sample used was from 36 companies property and real estate listed on the Indonesia Stock Exchange in 2016-2018. The study tested stock prices measured using Total Asset Turnover (TAT), Current Ratio (CR), Return on Asset (ROA), and Price Earning Ratio (PER). Results where TAT and CR had no effect on stock prices. While ROA and PER have a significant effect on the stock price.

Research by Atchyuthan (2017) The research sample used was 25 manufacturing companies listed on the Colombo Stock Exchange in 2012-2016. Results where EPS, DPS, and DAR had a significant influence on stock prices. While ROA and ROE have no significant effect on the stock price.

Avdalovic and Milenkovic (2017) The research sample used was 42 Belexline Index companies listed on the Belgrade Stock Exchange in 2010-2014. The study tested stock prices measured using the variables Company Size, Return on Assets, Return on Equity, Earnings Per Stock, Book Value, Price-Earning Ratio, Price-to-Book Ratio and Leverage. The results where all variables had a significant effect on stock prices. This is evidenced by the statistically significant relationship between the company's performance and the stock price market.

### **III. Research Method**

#### **3.1 Data Collection Techniques**

This Study covers secondary data from 2017-2019. Secondary data is the object of research that not from the main source. In this research, the financial statements of manufacturing companies that have been audited by independent auditors on large trading

subsector companies from 2017-2019, which were published through the *website* Indonesia Stock Exchange (IDX) which is [www.IDX.co.id](http://www.IDX.co.id) and other sources.

$$\text{Stock Return} = \frac{P_t - P_{t-1}}{P_{t-1}}$$

### 3.2 Theoretical Framework Techniques

According to Sugiyono (2019, p. 206) is a collection of statistical data analyzed and then the conclusions are not generally accepted or generalized whose presentation is through diagrams, graphs, tables and pictograms, median calculations, mean, mode, and percentages. This research requires descriptive statistics Market Value (EPS) (PBV) and (PER), Profitability (ROA), (ROE). The equations of the data are:

$$Y_{it} = \beta_0 + \beta_1 X_{1it} + \beta_2 X_{2it} + \beta_3 X_{3it} + \mu_{it}$$

Information which:

- $Y_{it}$  = Company Stock Return
- $X_1$  = Market Value
- $X_2$  = Profitability
- $\beta$  = Constant
- $i$  = Manufacturing Company Name
- $t$  = Time Period
- $\mu$  = Tram Error

### 3.3 Methodology

According to Nuryanto & Pambuko (2018, p. 4) states that there are several types of data in econometrics, namely *cross-section*, *time series*, and panel data. The combination between *time series* and *cross-section* is a panel data. In this research There are three methods in the process with panel data *Pooled Least Square* (PLS), *Fixed Effect* (FE), and *Random Effect* (RE). In short of the 3 panel data methods, estimasi is often used in panel data, namely there are three tests consisting of F (Restricted Test) using the PLS and FEM method approaches to determine what methods are used, Hausman Test uses REM and FEM approaches to determine the method used and Lagrange Multiplier Test using PLS and REM approaches to determine the method used. With the regression analysis method through E-views 11 hypothesis testing in this study, and answering the hypothesis that has been determined then using the method, namely : Partial Test (Test t) and Determination Coefficient Test (R Test2).

## IV. Result and Discussion

### 4.1 Research Object Description

This research has is a Manufacturing company that is listed on the Indonesia Stock Exchange (IDX) from 2017 to 2019 and publishes annual financial statements or *annual reports*. There are 144 companies consisting of 3 sectors, namely the consumer goods sector of 36 companies, the miscellaneous sector of 41 companies and the chemical industry sector of 67 companies. Of the 144 there are some companies that do not have complete data and do not include the research criteria of this sample.



**Table 1.** Sample Criteria

| No | Description   | Sum  |
|----|---|------|
| 1  | Number of large trading sector companies listed on the Indonesia Stock Exchange during the period 2017-2019 | 144  |
| 2  | Companies that did not make a profit during the period 2017-2019  | (51) |
| 3  | Number of companies that meet the criteria  | 93   |
| 4  | Number of years of observation  | 3    |
| 5  | Total sample data   | 279  |

#### 4.2 Research Data Description

The object of the study was 93 manufacturing companies and 279 observational data over 3 years, the source of its data from the annual report. The data studied are: *return on assets, return on equity, earnings per share, price-book value and price earning ratio* year-end published by the Indonesia Stock Exchange (IDX) with 2017-2019.

#### 4.3 Descriptive Statistics

Statistical data described with tables, graphs, mean, median, mode, standard deviation, maximum, and drinking on each variable is called descriptive statistics. Stock return is a dependent variable. Profitability (ROA, ROE), Market Value (EPS, PBV and PER) are independent variables. The research data comes from the financial statements (*annual report*) published by the Indonesia Stock Exchange (IDX) because it is secondary data.

Based on data that includes Stock Return, Profitability, Market Value using the help of *Eviews Version 11*.

**Table 2.** Descriptive Statistic Results

|         | Return   | ROA      | ROE      | EPS      | PBV       | PER       |
|---------|----------|----------|----------|----------|-----------|-----------|
| Mean    | 17.04756 | 6.935341 | 12.78427 | 65135.47 | 63646.18  | 10879.42  |
| Median  | 0.360000 | 4.8200   | 8.90000  | 4880.000 | 603.0000  | 1800.000  |
| Maximum | 964.1700 | 49.470   | 128.110  | 5028000  | 1029900   | 1271751   |
| Minimum | 5.00000  | -103,000 | 0.03000  | 0.04000  | -500,0000 | -3311,000 |

a. Stock returns

The stock returns of 93 Manufacturing companies and 279 observational data in the 3 years of observation had an average of 17.04756. Highs of 964.1700 and lowest values -103,000 per cent

b. Return on Assets (ROA)

Average ROA of 279 observational data amounted to 6.935341, highest ROA of 49,470 and lowest value of 0.03000

c. Return on Equity (ROE)

Average ROE of 12.78427, highest ROE of 128.110 and lowest value of 0.04000

d. Earning variable per share (EPS)

Average of 65135.47, highs of 5028000 and -500,0000

e. Variable Price Book Value (PBV)

The average is 63646.18, the highest PBV in number. PBVr 5.000000 is the lowest value

f. Variable Price Earning Ratio (PER)

Per average of 10870.42, highest number of 1271751 and low -3311,000

#### 4.4 Hypothesis Test and Analysis

##### a. Data Regression Analysis Method Panel

This research is done testing with a panel data regression model in processing and analyzing data, then 2 models are carried out first, the F Restricted Test model and the Hausman Test.

##### b. Test F Restricted (Pooled Least Square Vs Fixed Effect Model)

Conducting the F Restricted Test is intended to determine between the PLS approach and FEM. Hypotheses for the F Restricted Test are:

$H_0 = \text{Pooled Least Square Model (PLS)}$

$H_1 = \text{Fixed Effect Model (FEM)}$

Accordance with the hypothesis criteria,  $H_0$  is rejected with a probability smaller than the confidence level ( $\alpha$ ) or the probability of *Chi-square*  $< 0.05$  and vice versa  $H_0$  is accepted when the probability of  $> 0.05$  from or *Chi-Square* probability is greater. Then the results of the F Restricted Test that can be obtained are:

**Table 3.** Test Result F Restricted

*Redundant Fixed Effects Tests*

*Equation: Untitled*

*Test cross-section fixed effects*

| <i>Effects Test</i>             | <i>Statistic</i> | <i>d.f.</i> | <i>Prob.</i> |
|---------------------------------|------------------|-------------|--------------|
| <i>Cross-section F</i>          | 1.621204         | (92,181)    | 0.0031       |
|                                 | 167.69364        |             |              |
| <i>Cross-section Chi-square</i> | 8                | 92          | 0.0000       |

Source: Output *Eviews 11*

Based on the table above, it can be known that  $H_0$  was rejected and  $H_1$  was accepted because the value of the Chi-square Cross-section was smaller at  $0.0000 < 0.05$  thus the best used model among the model *Pooled Least Square* and *Fixed Effect Model* is *Fixed Effect Model*

##### c. Hausman Test (Fixed Effect Model Vs Random Effect Model)

The results of this test are allowed to see which model to use whether FEM or REM. Criteria:

$H_0 = \text{Random Effect Model (REM)}$

$H_1 = \text{Fixed Effect Model (FEM)}$

In accordance with the hypothesis criteria, if *Cross Section Random* is smaller than the confidence level ( $\alpha$ ) or probability of *Cross Section Random*  $< 0.05$  then  $H_0$  is rejected and  $H_1$  is accepted, and vice versa if *Random Cross Section* is greater than the confidence level or *Random Cross Section*  $> 0.05$  then  $H_0$  is accepted  $H_1$  is rejected. From the results of the Hausman Test obtained the results:

**Table 4.** Hausman Test Results  
*Correlated Random Effects - Hausman Test*  
*Equation: Untitled*  
*Test cross-section random effects*

| <i>Test Summary</i>         | <i>Chi-Sq. Statistic</i> | <i>Chi-Sq. d.f.</i> | <i>Prob.</i> |
|-----------------------------|--------------------------|---------------------|--------------|
| <i>Cross-section random</i> | 38.260054                | 5                   | 0.0000       |

*Source: Output Eviews 11*

Based on the results of the hausman test, it can be known that  $H_0$  was rejected and  $H_1$  was accepted because the probability value of *Cross Section Random* of  $0.0000 < 0.05$  then the right model used for the hausman test between *Random Effect Model* and *Fixed Effect Model* is *Fixed Effect Model*.

**d. Used Panel Data Regression Method**

After conducting the F Test and the Hussman Test based on the results of both tests, the model used for this study was *Fixed Effect Model* (FEM). From the Fixed Effect Model, it can be known the influence of free variables on bound variables.

**Table 5. Fixed Effect Model**

| <i>Variable</i> | <i>Coefficien</i> |                   | <i>t-Statistic</i> | <i>Prob.</i> |
|-----------------|-------------------|-------------------|--------------------|--------------|
|                 | <i>t</i>          | <i>Std. Error</i> |                    |              |
| C               | 32.08121          | 24.67008          | 1.300410           | 0.1951       |
| ROA             | -11.50369         | 4.192972          | -2.743564          | 0.0067       |
| ROE             | 11.41642          | 2.705610          | 4.219538           | 0.0000       |
| EPS             | -0.000120         | 7.33E-05          | -1.633968          | 0.1040       |
| PBV             | -0.001140         | 0.000295          | -3.858616          | 0.0002       |
| PER             | -7.93E-05         | 9.54E-05          | -0.830763          | 0.4070       |

*Source: Output Eviews 11*

The test results of the panel data regression model with the help of the *Eviews 11* program, then it can be written the regression model equation as follows:  
 $PBV = 32.08121 - 11.50369 (ROA) + 11.41642 (ROE) - 0.000120 (EPS) - 0.001140 PBV - 7.93E-05 PER$

**4.5 Hypothesis Test**

**a. Test t (Partial)**

To find out the influence between free variables, namely Profitability, Market Value with bound variables is the return of shares then hypothesis testing is carried out using a t-test that measures and compares the value of the confidence level with the value of the krtisinya



With significance criteria  $< 0.05$  then  $H_0$  is rejected and  $H_a$  is accepted, while If  $t_{count} > t_{table}$ , then  $H_0$  is rejected and  $H_a$  is received.  $t_{table}$  statistics on significance 0.05 with degrees  $df = \text{number of observations (N)} - \text{number of variables (k)}$

**Table 6.** Test Result t

| Variable | Coefficien |            | t-Statistic | Prob.  |
|----------|------------|------------|-------------|--------|
|          | t          | Std. Error |             |        |
| C        | 32.08121   | 24.67008   | 1.300410    | 0.1951 |
| ROA      | -11.50369  | 4.192972   | -2.743564   | 0.0067 |
| ROE      | 11.41642   | 2.705610   | 4.219538    | 0.0000 |
| EPS      | -0.0001207 | 3.33E-05   | -1.633968   | 0.7602 |
| PBV      | -0.0011400 | 0.0000295  | -3.858616   | 0.0002 |
| PER      | -7.93E-05  | 9.54E-05   | -0.830763   | 0.4074 |

Source: *Output Eviews 11*

Sourced from the results of statistical data using the program *Eviews 11* can be seen the partial relationship of the influence of independent variables with dependent variables, namely:

a. The Impact of Profitability on Stock Return

Judging from the results of the analysis of the table above, it is obtained that the projected profitability with *Return On Asset (ROA)* shows a result of greater significance than  $\alpha$  which is  $0.0067 < 0.05$  and the value of  $t_{count} > t_{table}$  which is  $-2.743564 < -1.980$  and  $df = 93 - 5 = 88$  with a significance of 5%, meaning  $H_0$  received and  $H_a$  rejected. Furthermore, by looking at the direction that Profitability (ROA) has an effect and is significant on the return of shares.

b. Effect of Return on Equity (ROE) on Company Returns

Judging from the results of the analysis of the table above, then getting a Return on Equity projected by  $o$  (ROE) shows a smaller significance result than the  $\alpha$  which is  $0.0000 < 0.05$  and the value of  $t_{calculate} > t_{table}$  which is  $4.219538 > 1.980$  with  $df = 93 - 5 = 88$  and significance 5%, meaning  $H_0$  rejected and  $H_a$  received. Furthermore, by looking at the direction that return on equity (ROE) has a significant positive effect on stock returns.

c. Effect of Market Value (EPS) on Stock Returns

According to the results of the analysis of the table above, then getting earnings per share projected by (EPS) shows the result of greater significance than the  $\alpha$  which is  $0.7602 > 0.05$  and the value of  $t_{calculate} < t_{table}$  which is  $-1.633968 > -1.980$  with  $df = 93 - 5 = 88$  with a significance level of 5%, then  $H_0$  is received and  $H_a$  rejected. When looking at the direction, it can be interpreted that Earning per share (EPS) has no effect and is not significant on the Company's Value.

Judging from the results of the analysis of the table above, then getting the Price book Value projected by (PBV) shows the results of significance where the probabilities are smaller than the  $\alpha$  which is  $0.0002 > 0.05$  and the value of  $t_{calculate} > t_{table}$  which is  $-3.858616 > -1.980$  with  $df = 93 - 5 = 88$  with a significance level of 5%, then  $H_0$  is rejected and  $H_a$  is received. So that if you look at the direction, it can be interpreted that Earning per share (EPS) has an effect and significantly on stock returns.

Judging from the results of the analysis of the table above, then getting the Price Earning Ratio projected by (PER) shows a result of no significance where the

probabilities are greater than the  $\alpha$  which is  $0.4074 > 0.05$  and the value of  $t_{\text{calculate}} < t_{\text{table}}$  which is  $-0.830763 < -1.980$  with  $df = 93-5 = 88$  with a significance level of 5%, then  $H_0$  is accepted and  $H_a$  is rejected. So that if you look at the direction, it can be interpreted that Earning per share (EPS) has no effect and is not significant to the Stock Return.

#### b. Determination Coefficient Test (R<sup>2</sup>)

The criterion of this test is that if the value of this coefficient is greater, the greater the bound variable is explained by the free variable. And the results of the determination coefficient value are:

**Table 7.** Determination Coefficient Test (R<sup>2</sup>)

|                    |          |                    |         |
|--------------------|----------|--------------------|---------|
|                    |          |                    | 0.47443 |
| Root MSE           | 65.84337 | R-squared          | 2       |
| Mean dependent var |          |                    | 0.19277 |
|                    | 17.04756 | Adjusted R-squared | 4       |

Source: Output Eviews 11

The table above shows the results of the coefficient of determination by using *Adjusted R-Square* of 0.192774. It can be seen that Profitability, and Market Value are able to explain 19.27% on the amount of stock return variance. So that the remaining 80.7226% (100%-19.2774%) in other variables that were not studied in this study.

### 4.6 Discussion

#### a. The Impact of Profitability on Stock Return

In the table above, it is known that the Profitability variable (ROA) has a probability value of 0.0067 smaller than 0.05 or 5% with value  $t_{\text{calculates}}$  greater than  $t_{\text{table}}$  of  $-2.743564 > -1.980$  which means ROA has a significant relationship to Stock Return. This explains that the high or low of ROA affects the return of the Stock and if the ROA has a high value, then the Stock's return also has a high value of.

Basically, the increased ROA shows the effectiveness of the company's management in utilizing its assets to earn a profit of (Sukayasih et al, 2019). the higher the ROA, making investors interested in buying the company's shares and making the Stock Price to rise (Budiman, 2018). This is in line with this study in the observation period 2017-2019, the increase in ROA affects Stock Return.

#### b. Effect of Return on Equity on Stock Return

Test Results *Return on Equity* positively affect return shares shares This shows that return on equity information is important for investors to get profit-sharing from the capital invested in the company.

The results of the t-test showed a probability value of  $0.7602 > 0.05$ , indicating that ROE did not have a significant influence on the return of the Stock, meaning that the strength of shareholders' capital could not increase the return of the Stock. These results show that earnings per share information does not reflect its association with the number of shares being valuable information for investors. The results of this study are consistent with Atchyuthan's research (2017) examining the *Determinants of Share Prices: Evidence from Listed Manufacturing Firms in Si Lanka*. on manufacturing companies listed on the Colombo Stock Exchange states roe has no significant effect on stock returns.

### **c. Effect of Earning per Share on Stock Return**

Shareholders and potential investors will generally be interested in Earnings Per Share (EPS), because EPS is one indicator of a company's success. Earnings Per Share (EPS) is a ratio of comparison between net income before tax and price per share. EPS shows how much profit is given to investors from each share they own. In simple terms EPS describes the amount of money earned for each share. Variable EPS indicates that the value is sig. 0.7602 is greater than 0.05, then H0 is accepted and H1 is rejected. The value of t calculates -1.633968 with a negative sign, which means that the EPS variable has a negative relationship in the direction of variable Y. The results of this study support the results obtained by Sausan, et al entitled *The Effect of Return on Asset (ROA), Debt to Equity Ratio (DER), Earnings per Share (EPS), Total Asset Turnover (TATO) and Exchange Rate on Stock Return of Property and Real Estate Companies at Indonesia Stock Exchange* Period 2012-2017 where EPS has no effect against the return of the stock price.

### **d. Effect of Price Book Value on Stock Return**

This study the probability value of PBV of sig 0.0002 < 0.05 or 5% can be taken into consideration by determining which stocks to choose, because this will indirectly affect the profits obtained in making investments. For companies, the market ratio needs to be considered because it affects the return of the Stock for investors. The company must improve performance with the aim of being able to compete for investor confidence and facilitate in obtaining funds outside the company. Improving financial ratio performance can be done to improve the company's performance through efforts to improve financial ratios such as PBV and provide clearer information so that investors can be used as guidelines in decision making. This is in accordance with the research of Medyawati and Yunanto (2017) entitled *Factors determining stock returns in property, real estate and construction companies in Indonesia (Ratnasari 2003)* where pbv results have a significant relationship to stock returns.

### **e. Effect of Price-Earnings on Stock Return**

PER is used by investors to measure a company's ability to make a profit. The low PER ratio gives investors the opportunity to achieve capital gains when the stock price rebounds again or increases in price. PER is used by investors to see the company's ability to make profits in the future. The higher per means that the company's shares are in demand by investors where the stock price increases. The increase in stock prices from period to period to the next period causes stock returns will also increase. In this study, the probability of PER of 0.4072 > 0.05 means that H0 is accepted and H1 is rejected where PER has no effect on stock returns. This is in accordance with the research of Trias Kusuma Hastuti (2004), Yunan Helmi (2004) which states per has no effect on stock returns. This may be caused by other factors where investors prefer to take profits or profit taking when the stock price increases or it could be due to economic and political conditions. Investors can receive a per increase depending largely on the company's prospects.

## V. Conclusion

From the results of data analysis, hypothesis testing and discussion, the conclusions of this study can be drawn as follows:

Profitability ratios proxiated by Return on Assets (ROA) individually have a significant influence on returns of shares. Evidenced by the value of  $t_{\text{calculate}}$  (- 2.743564) greater than the value of  $t_{\text{table}}$  (1.980) or can be seen from the significance value of  $0.0067 < \alpha = 0.05$ . The Return On Equity ratio (ROE) individually has a significant influence on return shares. Evidenced by  $t_{\text{count}}$  (4.219538) greater than the value of  $t_{\text{table}}$  (1.980) or can be seen from the significance value of  $0.0000 < \alpha = 0.05$ . From the above results can be used as a reference for investors to assess stocks that are worth buying. These results are in accordance with research conducted by ligocká and stavárek (2019) where ROE exerted a significant influence on stock prices in Poland and Austria.

The Market Ratio proxiated by Price to Book Value (PBV) individually has a significant influence on return shares. Evidenced by the value of  $t_{\text{count}}$  (-3.858616) greater than the value of  $t_{\text{table}}$  (1.980) or can be seen from the significance value of  $0.0002 < \alpha = 0.05$ , Price to book value can help investors to see the valuation of a issuer's shares. And also became the focus of investors in making decisions whether to sell or buy shares . This research is in line with research conducted by Avdalovic and Milenkovic (2017) showed pbv results have an effect on stock prices.

The market ratio proxied to Earning Price Share (EPS) individually has no significant influence on return shares. Evidenced by the value of  $t_{\text{count}}$  (-1.633968) is smaller than the value of  $t_{\text{table}}$  (1.980) or can be seen from the significance value of  $0.7602 > \alpha = 0.05$ , this means that investors do not see EPS as a decision to buy shares. This result contradicts the research of Sadiyah, et al (2019) which states eps have a significant effect on stock prices.

And the Market Ratio proxiated by Price Earnings Ratio (PER) individually has no significant influence on return shares. Evidenced by the value of the value  $t_{\text{calculate}}$  (- 0.830763) is smaller than the value of  $t_{\text{table}}$  (1.980) or can be seen from the significance value of  $0.4074 > \alpha = 0.05$ . Benefits PER tsb for Investors can get a clear picture of whether a stock is overvalued (overvalued) or undervalued (undervalued).

The calculation result for the value of R Square (R) amounted to 0.474432 value adjusted R Square (R<sup>2</sup>) amounting to 0.192774. This shows that the variable return shares described by variables ROA, ROE, EPS, PBV and PER amounted to 19.2774%. While the rest ( $100\% - 19.2774\% = 80.7226\%$ ) is explained by other factors outside the study.

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