

The Influence of Financial Ratio Against the Stock Return of Bank Companies In Indonesian Stock Exchange In 2014-2017

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THE INFLUENCE OF FINANCIAL RATIO AGAINST THE STOCK RETURNS OF BANK COMPANIES IN INDONESIAN STOCK EXCHANGE IN 2014-2017

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ABSTRACT

The purpose of this study was to examine the effect of financial ratios such as Return on Equity (ROE), Current Ratio (CR), Debt to Equity Ratio (DER), Total Asset Turnover (TAT) and Price to Book Value (PBV) on stock returns on banking companies listed on the Stock Exchange in Indonesia. The number of samples in this study were 130 companies from 2014 to 2017 that had been selected by purposive sampling method. The research method used is multiple linear regression analysis using SPSS version 22.0. The results of this study indicate that the ROE variable partially has a positive and significant effect on stock returns.

Keywords: *Return on Equity, Debt to Equity Ratio, Current Ratio, Total Asset Turnover, Price to Book Value, and Stock Returns.*

INTRODUCTION

Banking has an indispensable activity for the economic activities in the real sector. The real sector will not be able to perform well if the monetary sector does not work properly. To overcome this it is expected that banks have strong capital in running their business. Capital Bank is a source of funding of the parties that the Bank must provide in sufficient quantities, because in addition to functioning as an indicator of public confidence in the bank, also serves as one of the health level meters of a bank (Irmayanto, 2004).

The source of bank funds used as operational tools can be obtained from: (1) The bank's own funds, consisting of funds derived from shareholders, profit reserve, bank profit that has not been shared, (2) funds originating from Public in the form of Giro, savings and Deposits, (3) funds sourced from other institutions, consisting of liquidity assistance Bank Indonesia (BLBI), call money, loans from foreign banks and money market securities. (Kasmir, 2004).

It determines the decision of investing in banking is crucial for prospective investors to know the state of the bank's financial performance by looking at the bank's financial statements published by means of capital markets. For investors, information from financial statements can be used as a basis for decision making, whether they will buy, hold or sell their securities. Expecting a return from a stock purchase is the main objective of the investor's trading activity in the capital market. One of the factors considered by investors in investing their funds from financial statements is the profitability that illustrates the comparison of assets or capital used to generate profit. Profitability can be reflected in the banking financial ratios. (Siburian, 2013)

The company's profit is expected to increase annually to support the company's business continuity. One of the factors that affects profit growth is the financial ratio. The financial ratios serve to analyse, estimate profits, and make decisions on the growth of profit that will be achieved in the

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future. (Aryanto, 2018)

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The ratios used in this study are, Return on Equity, Current Ratio, Debt to Equity Ratio, Total Assets and Price to Book Value.

Problem Formulation

Based on the background, the problem formulation in this research is: 1) Does ROE impact positively and significantly on the return of shares in the Bank's company in IDX? 2) Does CR impact positively and significantly on the return of shares in the Bank's company in IDX? 3) Does DER impact positively and significantly on the return of shares in the Bank's company in IDX? 4) Does TAT impact positively and significantly on the return of shares in the Bank's company in IDX? 5) Does PBV impact positively and significantly on the return of shares in the Bank's company in IDX?

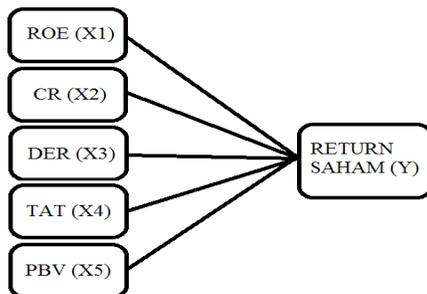
Objectives

The purpose of this study is:

1. Effect of Return on Equity (ROE) of the company on the return of shares in the company Bank in the Indonesia stock Exchange
2. Effect of Current Ratio (CR) of the company on the return of shares in the company Bank in the Indonesia stock Exchange
3. Effect of Debt to Equity Ratio (DER) of the company on the return of shares in the company Bank in the Indonesia stock Exchange
4. Effect of Total Asset Turnover (TAT) of the company on the return of shares in the company Bank in the Indonesia stock Exchange
5. Effect of Price to Book Value (PBV) of the company on the return of shares in the company Bank in the Indonesia stock Exchange

THINKING FRAMEWORK

Figure 1. Thought Framework



From figure 1 the research framework explains that the effect of financial ratios consists of return on equity (X1), current ratio (X2), debt to equity ratio (X3), total asset turnover (X4) and price to book value (X5) on the stock return (Y) of bank companies listed in Indonesian Stock Exchange in 2014-2017.

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Formulation of Hypotheses

Effect of Return on Equity (ROE) on the return of shares

The ROE ratio has an influence on the return of shares can occur because the higher the ROE value indicates that the management of the company is getting better because the higher the ROE value, indicating that the company has successfully managed the capital Invested by the investor in the form of shares according to Gejali (2013). This is in accordance with the research of Wijesundera (2015), that is, the ROE has positive and significant return on shares. Based on the previous research, the hypotheses proposed in this study are as follows:

H₁ : Return of Equity influences the bank company that listed in Indonesia Stock Exchange.

Effect of Current Ratio (CR) on the return of shares

The CR ratio has an influence on the return of shares because when a high company's CR value indicates that the company's ability in short-term debt repayment will be higher. With the higher ability of the company in short-term debt repayment shows investors that the company can operate well and the lower the risk that investors must bear. So the investor will be interested to invest in the company's shares (Gejali, 2013). This is in accordance with the research of Tumonggor (2017) explaining that Current Ratio has a positive and significant impact on the return of shares. Based on the previous research, the hypotheses proposed in this study are as follows:

H₂ : Current Ratio influences the bank company that listed in Indonesia Stock Exchange.

Effect of Debt to Equity Ratio (DER) on the return of shares

The DER (Debt to Equity Ratio) is a ratio that shows how far away the company can restore its long-term debts or can also be interpreted as a ratio that illustrates the comparison between total debt and equity (Samsul, 2006). This is in accordance with the research conducted by Asmi (2014) the results show that DER (Debt to Equity Ratio) has a significant positive effect on return shares. Based on the previous research, the hypotheses proposed in this study are as follows:

H₃ : Debt to Equity Ratio influences the bank company that listed in Indonesia Stock Exchange.

Effect of Total Asset Turnover (TAT) on the return of shares

This ratio shows how many times the funds were instilled in a fixed asset spinning in a period (Munawir, 2007). Total Asset Turn Over (TATO) is the ratio used to measure the company's efficiency and regulates and fixed assets (Fraser, 2004). This is in accordance with the research conducted by Novitasari (2015), Muchlis (2016) concluded that Total Assets Turnover has a positive influence on the return of shares. Based on the previous research, the hypotheses proposed in this study are as follows:

H₄ : Total Asset Turnover influences the bank company that listed in Indonesia Stock Exchange.

Effect of Price to Book Value (PBV) on the return of shares

Price to Book Value (PBV) that increasingly shows the market price of the stock is getting higher anyway. If the market price of a stock is getting higher, then the capital gain (actual return) will also be higher. The company which performs well is usually the value of Price to Book Value which is owned above one, this indicates that the value of the stock market is higher than the value of the book (Andansari, 2016). This is in accordance with the research Andansari (2016), Asmi (2014) which mentions that only the PBV ratio is positive to the return of shares. Based on the previous research, the hypotheses proposed in this study are as follows:

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H₅ : Price to Book Value influences the bank company that listed in Indonesia Stock Exchange.

RESEARCH METHODOLOGY

The samples used in this research were the banking companies listed on the Indonesia Stock Exchange in 2014-2017. Sampling using the Purposive sampling method. Based on the sampling method obtained by 130 banking companies that meet the sample criteria.

RESULT AND DISCUSSION

In a multiple linear regression models must meet several test of classical assumptions, namely normality test, multicollinearity, heteroscedasity test, data autocorrelation test. If these assumptions have been fulfilled, you will get an accurate and good regression equation.

Normality Test

Test normality aims to know the residual has a normal distribution or not. In testing there is no problem of normality used method One Sample Kolmogorov-Smirnov with the following results:

Table 1. Normality Test Results

Variabel	Sig	Std	Description
<i>Unstandarized residual</i>	0,236	>0.05	Distributed Data Normal

Multicollineary Test

The multicholinerity test aims to test whether a regression model used is found to be a correlation between independent variables. A good regression Model should not occur in correlation between the free variables. In this study to detect the presence of multicholinerity of the value of tolerance and VIF (Variance inflantion factor). The multicholinerity results can be seen in the following table:

Table 2. Multicollineary Test Results

Variabel	Tolerance	Std	VIF	Std	Description
ROE	0.914	>0,01	1.094	<10	No Multicholinerity
CR	0.998	>0,01	1.002	<10	No Multicholinerity
DER	0.922	>0,01	1.085	<10	No Multicholinerity
TAT	0.961	>0,01	1.041	<10	No Multicholinerity
PBV	0.972	>0,01	1.029	<10	No Multicholinerity

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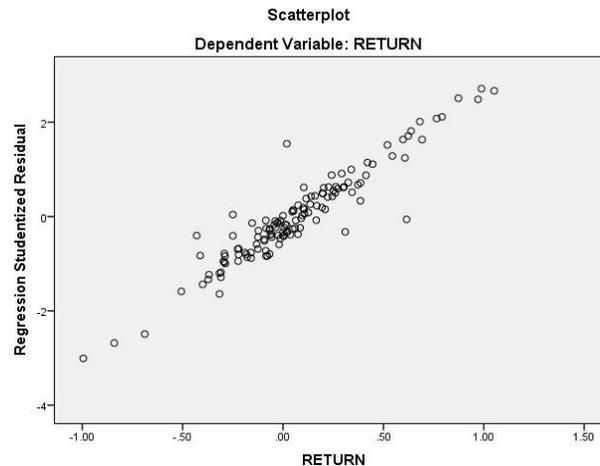
Heteroscedasticity Test

The heteroscedasticity test tests whether in a regression model occurred variance inequality from the residual one observation to another observation (Ghozali, 2016). If the variance of the residual one observation to another observation remains, it is called homoscedasticity and if different is called heteroscedasticity. A good regression model is the homoscedasticity or does not occur heteroscedasticity.

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Figure 2. Heteroscedasticity Test Results



Autocorrelation Test

An autocorrelation test is used to be able to find out if in a linear regression model there is a correlation between disruptor errors in the T-period with disruptor errors in the T-1 period (formerly).

Tabel 3. Autocorrelation Test Results

D- W	DL	DU	4- DU	Kriteria	Keterangan
1.992	1.667	1.650	2.333	$1.650 < 1.992 < 2.333$	Tidak terjadi autokorelasi

The Durbin-Watson value of 1,992 will be compared to the table value using a 5% confidence degree, the sample amount of 130 and the number of free variables 4 (dU 1.650 and dL 1,667) then it can be concluded that there is no problem with the autocorrelation is both positive and negative.

Multiple Linear Regression Regression Model

Multiple regression analyses were used to forecast variable changes one caused by other variables and expressed in the form of mathematical equations (Irawan, 2006). The specs for equation of multiple regression analysis in this study are as follows:

The Results Multiple Linear Regression

Table 4. Linear Regression Test Results

Variabel	B
Constant	-.106
ROE	.006
CR	.004
DER	.019
TAT	.251

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From the results of linear regression test with the help of SPSS program version 20, so the description obtained the regression equation as follows: $Y = -0.106 + 0.006 \text{ ROE} + 0.004 \text{ CR} + 0.019$

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DER + 0.251 TAT + 0.000 PBV. The equation of the above linear regression analysis has the following sense: 1) The constant value of -0.106 indicates the value of the share return of -0.106 when ROE, CR, DER, TAT, and PBV have not been upgraded. 2) value of ROE coefficient or X1 = 0.006 the ROE coefficient of positive value indicates that the Return On Equity variable has a positive influence on the Return of shares in the banking sector company in Indonesia. 3). Value of CRS coefficient or X2 = 0.004. The coefficient X2 positively value indicates that the Current Ratio variable has a positive influence on the Return of shares in the banking sector company in Indonesia. 4) coefficient value DER or X3 = 0.019. The positive-value X3 coefficient indicates that the variable Debt To Equity Ratio has a positive influence on the Return of shares in the banking sector company in Indonesia. 5) value of TAT coefficient or X4 = 0.251. X4 coefficient of positive value indicates that the variable Total Asset Turnover Ratio has a positive influence on Return of shares in the banking sector company in Indonesia. 6) coefficient value of PBV or X5 = 0.000 X5 coefficient is 0 indicates that the variable Price to Book Value Ratio does not affect the Return of shares in the banking sector company in Indonesia.

Feasibility Test Model

Table 5. Feasibility Test Results Model

F _{hitung}	F _{tabel}	Sig.	Standard	Keterangan
2,790	2,29	,020 ^b	< 0,05	Model feasibility

Because F compute > F table (2.79 > 2.29) and the value of sig. Test F of 0.020 is smaller than 0.05, Ha means acceptable, generally, the Return On Equity, Current Ratio, Debt To Equity Ratio, Total Assets Turnover and Price To Book Value significantly influence Return of shares in the banking sector company in Indonesia.

Hypothesis (t test)

Table 6. Test Results

Hypothesis	t _{count}	t _{table}	Sig	Standard	Description
H1	3,049	>1,978	.003	< 0,05	H1 Accepted
H2	1,531	>1,978	.128	< 0,05	H2 Declined
H3	1,673	>1,978	.097	< 0,05	H3 Declined
H4	0,939	>1,978	.349	< 0,05	H4 Declined
H5	0,568	>1,978	.571	< 0,05	H5 Declined

Coefficient of determination (R²)

Table 7. The coefficient of determination (R²)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,318 ^a	,101	,065	,33074

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Based on the results of the above print, it can be noted that the adjusted value of R Square (R^2) in the study was 0.101. So it can be interpreted that variations of independent variables consisting of Return On Equity, Current Ratio, Debt To Equity Ratio, Total Assets Turnover and Price To Book

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Value to Return shares are partially amounted to 10.1%. While the remaining 89.9% is influenced by other factors that are not researched in its influence on the return of shares in the company's banking sector in Indonesia.

DISCUSSION

Effect of return on equity on stock return (H1)

Based on the results of the ROE analysis positively impacted the return of the shares in a banking company in IDX, so the stock return can be predicted using the ROE ratio. It can be proved that the high net profit resulting from the capital is owned and affects the increase in return that investors receive. The high ROE reflects the company's successful profit-making effectiveness by utilizing its equity. The results of this research in accordance with the research of Wijesundera (2015), namely ROE positive and significant to the return of shares. Meanwhile, according to Tumonggor (2017), Andansari (2016), Aditya (2013) ROE simultaneously has a positive influence on the return of shares.

Influence of current asset to return of shares (H2)

Current Ratio, no significant influence on the Return of shares in the banking sector company in Indonesia. This indicates that the low CR value does not mean that the banking company is incapable of paying off a short term debt, a low CR because a company manages money to create to improve the company's capabilities. It is not in accordance with the research of Tumonggor (2017) explaining that Current Ratio has a positive and significant effect on return shares. And according to Ariyanti Research (2016) shows that CR has a positive effect on return of shares.

Influence of debt to equity ratio on return of shares (H3)

Debt to Equity Ratio, is not significantly influential on the Return of shares in the Bank Syariah sector company in Indonesia. This can be said because of the composition of total debt to the capital owned by the banking company. With the high total debt a company has an impact on the increasing costs incurred in fulfilling its obligations, which is to pay the debt and interest. This makes the company less interested investors in investing. It is not in accordance with the research conducted by Asmi (2014) Data analysis results show that DER (Debt to Equity Ratio) has a significant positive effect on return shares. Similarly, the research conducted by Susilowati (2011). With the result that DER has significant positive effect on return of shares.

The total asset turnover effect on the stock return (H4)

Total Asset Turnover, does not significantly affect the Return of shares in the Bank Syariah sector company in Indonesia. This indicates that the TAT is low and indicates that the banking company cannot utilize its owned assets to benefit. This causes investors to undo the intention to invest in companies that have low TAT values. It is not in accordance with the research conducted by Novitasari (2015), Muchlis (2016) concluded that Total Assets Turnover has a positive influence on return shares.

Influence of price to book value against stock return (H5)

Price to Book Value, does not affect the partial Return of shares in the sharia Bank sector company in

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Indonesia. It is shown the lower the profits gained by the company, in other words the performance of the company's stock banks are lacking good, so it is difficult to influence

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investors to invest. It is not in accordance with the research Andansari (2016), Asmi (2014) which mentions that only PBV ratio is positive and significant to the return of shares.

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

The results in this research are only ROE that significantly affect the return of shares. While the ratio of CR, DER, TAT, and PBV has no significant effect on the stock price. Based on the results coefficient of the R² determination indicates that the independent variable in this study gave a positive contribution of 10.1%., and the remaining 89.9% is explained by other variables not used in this study.

Suggestion

For further researchers should use a sample of all companies listed on the Indonesia Stock Exchange so that the results can be generalized to other companies and expected to conduct a longer observation period and Updates of this research in hopes of the results gained will be better. For further researchers are expected to add more variables that can affect the return of shares such as Gross Profit Margin (GPM) and Earning Per Share (EPS) ratios.

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