



# The Effect of Growth Assets, Earning Per Share, Leverage, Return on Investment, Yield Dividend on Share Return of Go-Public Banking Companies, 2012 – 2017

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## A B S T R A C T

In the investment sector, there is a familiar topic to discuss, there are various kinds of views and theories related to investment. Investments can be made through various means and media. One form of investment that is commonly carried out is through the media of shares in a company. When investing, investors expect a return on that investment. The yield in the form of shares is dividend income and an increase in the value of the shares if the shares are marketed on the stock exchange floor. The calculation of the increase in share prices depends on the performance of a company in generating profits in its operational activities. One way to evaluate company activities in making a profit is by analyzing the company's financial ratios. In this study, the author wants to describe the return of a banking stock to the variables of financial ratio analysis whether it will give a significant influence on the company's stock returns. The purpose of this research is to describe to users, the impacts and effects that need to be considered for investing in order to get the expected results. Based on the results of data testing and discussion of research results on the effect of asset growth, earning per share, leverage, Return on Investment and dividend yield on stock returns in banking organizations recorded on the Indonesia Stock Exchange, it can be seen that asset growth does not significantly affect stocks return, earning per share has a significant effect on stock returns, leverage has no significant effect on stock returns, Return on Investment has no significant effect on stock returns, dividend yield has an insignificant effect on stock returns.

## 1. INTRODUCTION

### 1.1. Research Background

The very rapid development of the digital world in recent years has had an impact on economic activity. The development of the digital world provides easy access to information and trade transaction processes. Access to the capital market has also become easier and the tendency of people to invest in the capital market has increased.

One way to provide an accountable assessment of both conditions of financial performance and conditions of operational performance is to interpret the financial statements concerned. An overview of the effectiveness of company performance is by analyzing and interpreting financial statements.

Investors will own stocks that have a good and optimal reputation, because from this, a high rate of return will be obtained from the investment that has been made. The good and bad performance of the company can also be used as a benchmark for investors to find the difference between actual and expected profits by diverse company stock investments. Investors will be amenable to invest their funds through the capital market in

transparent and accountable companies, because their financial performance can be continuously monitored and allow investors to speculate to get the desired return on shares.

There are a number of fundamental factors that can cause stock returns to rise or fall. In general, these elements are divided into two factors: internal variables and external factors. Internal factors are those that arise from within the organization.. Shareholders and potential investors are greatly concerned about the profitability of a company because it will be related to the share price and dividends that will be received at a later date. The rate of return on shares given by investors is in conformity with the company's business profitability performance.

From the phenomenon of the importance of stock returns for investors in investment, especially investment in common stocks and the role of the banking industry in maintaining the stability of money flows in a country, this study plans look into the effect of monetary execution elements on stock returns of banking companies that go public on the IDX in 2012 - 2017.

Based on the statements above, the main problems in this study are:

1. How does asset growth affect stock returns in go-public banking companies on the IDX for the 2012-2017 period?

2. How is the effect of earnings per share (EPS) on stock returns in go-public banking companies on the IDX for the 2012-2017 period?

3. How is the effect of leverage on stock returns in banking companies going public on the IDX for the 2012-2017 period?

4. How is the effect of Return on Investment (ROI) on stock returns in go-public banking companies on the IDX for the period 2012-2017?

5. How is the effect of dividend yield on stock returns in go-public banking companies on the IDX for the 2012-2017 period?

6. How are the effects of asset growth, EPS, leverage, Return on Investment and dividend yield on stock returns in the go-public banking companies on the IDX for the period 2012-2017?

## 1.2. Literature Review

### 1.2.1. Agency Theory

Agency theory in the company identifies the existence of parties in the company who have various interests to achieve goals in company activities. This theory arises because of the relationship between the principal and the agent. Agency theory that all individuals act in their own best interests. Investors as directors are assumed to be primarily interested in extended money related results or brand intrigued within the organization. The agents are considered to obtain fulfillment in the form of monetary compensation and the parameters of the partnership. This theory seeks to describe the main factors that are otherwise considered in designing conflict incentives [1].

### 1.2.2. Signaling Theory

Ref. [2] stated that signal hypothesis is a mechanism the company leaders used to inform financial backers about how the board views the company's prospects. As a result, company's managers with very good prospects will want to avoid selling stock and instead hunt for any new capital required in other ways, including counting the use of obligation that exceeds the objective capital design. Organizations with minimal chances will be graded to sell their stock with the intention of sharing the losses with new shareholders. The announcement of a company's share issuance is usually an indication that the organization's future is being questioned by the administration [3]. If a company proposes to sell new stock more frequently than expected, its stock price will drop since making fresh offers sends a negative message, which might cause the stock price to fall.

Signaling theory points out the importance of information provided by the company on speculative decisions made outside the company. Data is the most crucial component for financial backers and finance managers since it provides data, notes, or depictions of past, present, and future conditions for an organization's long-term viability and how the securities market operates. As a scientific equipment for deciding on venture selections, financial backers in the capital market required entire, significant, exact, and timely data.

### 1.2.3. Arbitrage Pricing Theory (APT)

Arbitrage Pricing Theory (APT) is a theory that explains the level of security and risk returns. Return on shares is one of the factors that motivates financial backers to donate, as well as a reward for their mental toughness in the face of adversity. for their investments [4]. Arbitrage pricing theory applies a number of risk measuring variables to identify the relationship between return and risk. To put it another way, Arbitrage Pricing Theory does not illustrate what factors affect pricing [5].

### 1.2.4. Efficiency Market Hypothesis Theory

Ref. [6] first put forward the concept of an efficient capital market. The market floor is said to be productive if no one, whether individual investors or institutional investors, wants to get an extraordinary return after adapting to chance and using established exchanging procedures. This means that the prices created in the market are a reflection of available information about assets or securities.

### 1.2.5. Fundamental Analysis

According to Ref. [7], fundamental factors are factors related to the status of the organization, which includes administration, association, human resources department, and organization finance itself which are reflected in company performance. Fundamental analysis itself is often used to predict future stock price forecasts and their volatility. Fundamental factors include: (1) Management's ability to manage operational activities; (2) The ability of the organization to generate benefits; (3) Benefits for the national economy.

In this study, the fundamental factors used to make these predictions are financial ratios consisting of Asset Growth, Earning per Share, Debt to Total Asset, Return on Investment, and Dividend Yield.

### 1.2.6. Research Hypothesis

The research hypothesis are as follow (Fig.1):

- A. There is an impact of asset growth on stock returns
- B. There is an impact of Earning per share on stock returns.
- C. There is an impact of leverage on stock returns.
- D. There is an impact of Return on Investment on stock returns.
- E. There is an impact of dividend yield on stock returns.

## 1.3. Research Objectives

The research aimed to be accomplished in this exploration incorporate:

1. To analyze the effect of asset growth on the return on stock value of go-public banking companies on the IDX 2012-2017 period.
2. To analyze the effect of EPS on the return on stock value in go-public banking companies on the IDX 2012-2017 period.
3. To analyze the effect of leverage on the return on stock value in go-public banking companies on the IDX 2012-2017 period.
4. To analyze the effect of the Return on Investment on the return on stock value in go-public banking companies on the IDX 2012-2017 period.

5. To analyze the effect of Dividend Yield on stock value returns in go-public banking companies on the IDX 2012-2017 period

6. To analyze the effect of asset growth, EPS, leverage, Return on Investment and dividend yield on stock returns in publicly traded banking companies on the IDX 2012-2017 period. [4].

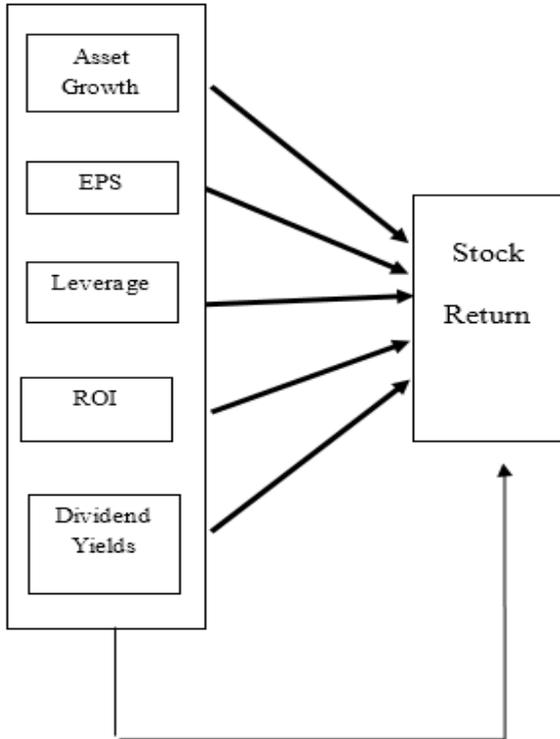


Fig. 1. The scheme of research hypothesis

**2. MATERIALS AND METHODS**

The sort of information utilized in this exploration is auxiliary as time arrangement and cross area. This study makes use of information sources obtained indirectly or secondary. Secondary data is the banking organizations’ fiscal summaries as recorded on the Indonesian stock exchange and was selected as a sample for the 2012 - 2017 period through various sources. Data related to internal factors of banking organizations as recorded on the Indonesian stock exchange were obtained through the financial reports of each banking company published annually and annual reports through each bank’s website from 2012 - 2017.

**2.1. Population and sample**

In this study, a purposive testing strategy was utilized, and with this technique, we got 10 samples of organizations, which reliably showed their monetary reports for 6 continuous years. The sample used is banking organizations as recorded on the Indonesia Stock Exchange (IDX) from 2012 to 2017 (Table 1).

**Table 1.** Trading code and Banking Company Entity which is used as a sample in this research

| No | Trading Code | Banking Company Entity              |
|----|--------------|-------------------------------------|
| 1  | BBNI         | Bank Negara Indonesia, Tbk          |
| 2  | BMRI         | Bank Mandiri, Tbk                   |
| 3  | BBRI         | Bank Rakyat Indonesia, Tbk          |
| 4  | BBCA         | Bank Central Asia, Tbk              |
| 5  | NISP         | Bank OCBC NISP, Tbk                 |
| 6  | BNLI         | Bank Permata, Tbk                   |
| 7  | BDMN         | Bank Danamon Indonesia, Tbk         |
| 8  | BBKP         | Bank Bukopin, Tbk                   |
| 9  | MAYA         | Bank Mayapada Internasional, Tbk    |
| 10 | BBTN         | Bank Tabungan Negara Indonesia, Tbk |

**2.2. Data Analysis**

In light of the linear regression output above, The numerous regression models that were used in this study are as follows:

$$Y = a + X1 + X2 + X3 + X4 + X5 + e$$

Remarks:

- Y = Stock Return
- X1 = Asset Growth
- X2 = Earnings Per Share
- X3 = Leverage
- X4 = Return on Investment
- X5 = Dividend Yield
- e = Error

**3. RESULT AND DISCUSSION**

**3.1. Descriptive Statistics**

Descriptive statistics are used to see a summary of the data that was used. A statistical description of each variable regarding the total minimum, maximum, average, and standard deviation values. The number of observations in the study was 60 samples.

1. The stock return variable (Y) has a minimum value of -0.8 and a maximum value of 1.38, an average value of 0.133833 and a standard deviation value of 0.369943.
2. The asset growth variable (X1) has a minimum value of -0.2 and a maximum value of 0.75, an average value of 0.155667 with a standard deviation of 0.139798.
3. The variable earning per share (X2) has a minimum value of -368 and a maximum value of 1071.51, an average value of 352.3777 and a standard deviation value of 314.8650 happened all air (oxygen and other trace gases) would be taken out from pipes, gas holders, and fermenters by rubber aspirator to insure anaerobic condition Figure 1. The gas produced was measured equal to the volume of water decreased from gas holders. Those experiments were run until the methane generation from the system discontinued.
4. The leverage variable (X3) has a min value of 0.78 and a max value of 93.72, an avg value of 79.28667 and a std dev value of 26.51437.
5. The variable ROI (X4) has a minimum value of -4.9 and a maximum value of 5.15, an average value of 2.338833 and a standard deviation of 1.510781.
6. The dividend yield variable (X5) has a minimum value of 0 and a maximum value of 45, an average value of 20.97667 and a standard deviation of 13.52577.

### 3.2. Panel Data Model

#### 3.2.1. Common Effect Model

The catch and inclination are continuous throughout time in this assessment approach, and the disturbance variable assumes the difference between the capture and the slant. The regression results of the common effect model in this study are as follows:

$$Y = -0.092428 + 0.160411 * X1 - 0.000632 * X2 - 0.000242 * X3 + 0.138761 * X4 + 0.005649 * X5 + e$$

Remarks:

Y = Stock Return  
 X1 = Asset Growth  
 X2 = Earnings Per Share  
 X3 = Leverage  
 X4 = Return on Investment  
 X5 = Dividend Yield  
 e = Error

#### 3.2.2. Fixed Effect Model

The fixed effect model approach does not pay attention to the time dimension or individual dimensions. This approach assumes that the data behavior between companies is the same over time. The linear regression model fixed effect model is as follows:

$$Y = 4.661704 + 0.1391 * X1 - 0.000634 * X2 - 0.061065 * X3 + 0.149217 * X4 + 0.007931 * X5 + e$$

Remarks:

Y = Stock Return  
 X1 = Asset Growth  
 X2 = Earnings Per Share  
 X3 = Leverage  
 X4 = Return on Investment  
 X5 = Dividend Yield  
 e = Error

#### 3.2.3. Random Effect Model

The random-effect model approach is based on differences between the intercept and the slope as a result of differences between individuals or objects. The following are the results of the random effect model regression in this study:

$$Y = -0.092428 + 0.160411 * X1 - 0.000632 * X2 - 0.000242 * X3 + 0.1388761 * X4 + 0.005649 * X5 + e$$

Remarks:

Y = Stock Return  
 X1 = Asset Growth  
 X2 = Earnings Per Share  
 X3 = Leverage  
 X4 = Return on Investment  
 X5 = Dividend Yield  
 e = Error

## 4. CONCLUSIONS

### 4.1. Conclusion

The effect of Asset growth, Earning per share, Leverage, Return on Investment and Dividend yield on stock returns in banking organizations as recorded on the Indonesia Stock Exchange are as

follow:(1) Asset growth coefficient value is 0.668011 which indicates that Asset growth has a positive influence on stock returns. The significance value is 0.8664 > 0.05, which means that asset growth has no significant effect on stock returns; (2) The coefficient of Earning per share is -0.416942, which indicates that Earning per share has a negative effect on stock returns. The significance value is 0.0201 < 0.05, which means that earning per share has a significant effect on stock returns; (3) The value of the Leverage coefficient is -0.001473 which indicates that Leverage has a negative effect on stock returns. The significance value is 0.5375 > 0.05, which means that leverage has no significant effect on stock returns; (4) The coefficient value of Return on Investment is -0.017539 which indicates that Return on Investment has a negative effect on stock returns. The significance value is 0.6193 > 0.05, which means that the return on investment has no significant effect on stock returns; (5) The dividend yield a coefficient value is -0.004961 which indicates that dividend yield has a negative effect on stock returns. The significance value is 0.6110 > 0.05, which means that dividend yield has no significant effect on stock returns; (6) The significance value is 0.005213 < 0.05, which means that Asset growth, Earning per share, Leverage, Return on Investment and Dividend yield together have a significant effect on stock returns. The adjusted R-Square value is 0.399510 which means that the coefficient of determination is 0.399510, this means that the independent variable explains the dependent variable by 39.9510%. Other variables outside the regression model in this study, such as inflation, influence the remaining 60.049%. Based on the results of data testing and discussion of research results regarding the effect of Asset growth, Earning per share, Leverage, Return on Investment and Dividend yield on stock returns in banking organizations recorded on the Indonesia Stock Exchange, the following conclusions can be drawn:

a) Asset growth coefficient value is 0.668011 which indicates that Asset growth has a positive influence on stock returns. The significance value is 0.8664 > 0.05, which means that asset growth has no significant effect on stock returns.

b) The coefficient of Earning per share is -0.416942, which indicates that Earning per share has a negative effect on stock returns. The significance value is 0.0201 < 0.05, which means that earning per share has a significant effect on stock returns.

c) The value of the Leverage coefficient is -0.001473 which indicates that Leverage has a negative effect on stock returns. The significance value is 0.5375 > 0.05, which means that leverage has no significant effect on stock returns.

d) The coefficient value of Return on investment is -0.017539 which indicates that Return on Investment has a negative effect on stock returns. The significance value is 0.6193 > 0.05, which means that Return on Investment has no significant effect on stock returns.

e) Dividend yield a coefficient value is -0.004961 which indicates that dividend yield has a negative effect on stock returns. The significance value is 0.6110 > 0.05, which means that dividend yield has no significant effect on stock returns.

f) The significance value is 0.005213 < 0.05, which means that asset growth, earning per share, average, Return on Investment and dividend yield together have a significant effect on stock returns. The adjusted R-Square value is 0.399510, meaning that the coefficient of determination is 0.399510; this means that the independent variable explains the dependent

variable by 39.9510%. Other variables outside the regression model in this study, such as inflation, influence the remaining 60.049%.

#### 4.2. *Limitation of Study*

This study still has several limitations including the following (1) The independent variables in this research are only asset expansion, earning per share, leverage, Return on Investment and dividend yield. There are still many other factors outside the model that affect Systematic Risk such as inflation, economic value added, or other financial ratios that have not been included.; (2) The study only used a period of 6 years with a limited research sample, namely only 10 research samples.

#### 4.3. *Suggestion*

Prospective investors who wish to invest in banking companies should pay attention to information that is indicated to have a significant influence on systematic risk. Earnings per share can be used as a basis for investing, because this variable has a significant influence in research. After potential investors can estimate beta, potential investors can determine their investment options in the company according to investor preferences.

Before investing, investors and potential investors must be able to see what factors can affect stock returns by analyzing the factors that can affect stock returns. Fundamental and technical factor analysis is an analysis that can be done, because it is important for investors to know the financial performance that can be seen from the financial decisions made by the company (especially investment decisions), financial ratios and also the macro / monetary conditions that occur at the time. that.

Further research is necessary to add or replace several variables that may affect systematic risk such as inflation, economic value added and so on.

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