THE DYNAMICS OF CHANGES IN RETURN OF STOCKS ON FOOD AND BEVERAGES COMPANIES REGISTERED IN INDONESIA STOCK EXCHANGE

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Abstract

Fluctuation of stock investment results it is important to know for an investor, when fluctuations in the results is very high then investors will hesitate. Some research says that the return of stocks affected by the ROA, but some are saying has no effect. In addition DER also has significantly to stock return and vice versa. In the meantime there are researchers who say that CR and EPS also influence on stock return and vice versa. The purpose of this research is to know whether the influential variables significantly to return the shares. This type of research included quantitative research techniques, data collection done by tracing the financial report, annual report and the report on sustainable corporate social information or selected samples. The population used in this company is manufacturing companies listed on the Jakarta Stock Exchange, the sampling technology used is purposive sampling. The conclusion from these studies is variable ROA, DER, CR and EPS effect significantly to return shares.

Keywords: *return the stock, ROA, DER, CR, EPS.*

Abstrak

Fluktuasi hasil investasi saham merupakan hal yang penting untuk diketahui bagi seorang investor, bila fluktuasi hasil tersebut sangat tinggi maka investor akan ragu-ragu. Beberapa penelitian mengatakan bahwa return saham dipengaruhi oleh ROA, namun ada juga yang mengatakan tidak berpengaruh. Selain itu DER juga berpengaruh secara signifikan terhadap return saham dan sebaliknya. Sementara itu ada peneliti yang mengatakan bahwa CR dan EPS juga berpengaruh terhadap return saham dan sebaliknya. Tujuan dari penelitian ini adalah untuk mengetahui variable apakah yang berpengaruh signifikan terhadap return saham. Jenis penelitian ini termasuk penelitian kuantitif, teknik pengumpulan data dilakukan dengan cara menelusuri laporan keuangan, laporan tahunan (annual report) dan laporan berkelanjutan atau informasi sosial perusahaan yang terpilih menjadi sampel. Populasi yang digunakan dalam perusahan ini adalah perusahaan manufaktur yang tercatat di Bursa Efek Jakarta, teknologi sampling yang digunakan adalah purposive sampling. Kesimpulan dari penelitian ini adalah variabel ROA, DER, CR dan EPS berpengaruh signifikan terhadap return saham.

Kata Kunci: *return saham, ROA, DER, CR, EPS.*
JEL: G10

1. Research Background

Investors invest in obtaining returns in the future but these returns are rarely difficult to predict precisely because there is a risk involved (Ulupui 2005), the actual returns always deviate from the expected, the returns anticipated at the beginning of the investment period can be assumed that investors will choose investments with high returns according to the expected risk.

For every investment, the investor will get a return that can be enjoyed (Jogiyanto 2007 and Tandelilin 2010). The types of *return* obtained can be in the form of *capital gain* or dividend for stock investment and interest of income for investment in debt securities (Murhadi 2012). That *return* becomes the indicator for increasing the wealth of the investors, including the shareholders (Suharli 2004). However, getting a high stock *return* is not easy because there are many factors influence it, therefore this research is important to do, so investors can understand about the stock *returns* (Bagherzadeh 2005).

Obtaining high profitability is the company's goal in doing business (Gitman 2009), so keeping the level of profitability is the most important thing for companies because it can affect returns and this research is supported by the results of research by Arista and Astohar (2012), Kristiana (2012) and Sriwidodo (2012) who stated that profitability has a significant impact on stock return. Meanwhile, Fama & French (2008) and Anwaar (2016), showed that profitability is not significant on stock return.

According to Juminang (2005), Current Ratio can show the ability of company to pay short term debt. However, it does not guarantee that companies with high current ratio would be able to pay debt on the due date because the profits could be for other purposes. Eljelly (2004) explained that efficient liquid management involves planning and controlling current assets in such a way that it eliminates the inability to fulfill short-term obligations and avoids excessive investment, in this case assets. Other parameters such as liquidity have shown a positive correlation with stock returns while other studies have concluded that liquidity is negatively correlated with stock returns (Marshal and Young 2003).

DER or solvability is linked to the condition of stock return and DER has different condition depending on the nature of the business and cash flow variability (Prihantini 2009). The comparison of DER among companies with the similar ones gives us the common indication about the value of credit and financial risk of that company itself (Brigham and Houston 2009). If the company has *debt to equity* with small ratio, it would be better or safer that debt is anticipated by using own capital (Arista and Astohar 2012). Debt can increase bankruptcy and at the end this would make it easier for manager to use organization resources efficiently and reduce consumption allowances (Khan 2007).

Muradoglu and Sivaprasad (2008), revealed that there is positive impact between leverage and return of stocks, and it is similar with the research of (Acheampong 2014) which did research on the impact of *leverage* on *return of stocks* on those manufacturer companies registered in Ghana stock trading in 2006 – 2010, and the result shows factually significant that leverage corresponds negatively on return of stocks.

Earning per share is one of the market ratio which measure the ability of the company in producing net profit of each outstanding stock (Saleh 2009). This ratio also shows the ability of the company to achieve net profit for shareholder based on the shares invented.

The research result of (Ratnawati 2009) and (Ansor 2009) stated that *earning per share* (EPS) has positive significant impact on *return of stocks* of manufacture companies which *go public* in BEI. Meanwhile, Khan (2007) found that profit per share has positive impact on return of stocks on textile companies in Pakistan in 2003 – 2009.

Food and Beverages companies in Indonesia should have fast growth because it has large population and it is supported by the climate condition, however, the fact shows different data. Several aspects experience decline, such as the number of businesses and manpower in food and beverages; and if this is ignored and the solution of the problem is not sought, it would give a great impact on the continuity of the company.

The purpose of this research is to analyze the food and beverages sector, to find out the kinds of variables influence the fluctuating dynamics of return of stocks that cause the decline.

2. Research Method

The population is the manufacture companies registered in BEI in 2012 – 2016, the choice of sample uses the method of *purposive sampling*. At first, there were 16 companies which meet the desired criteria, however, through the selection process, those which have data of the stock price and finance in the period of research do not perform stock dividend, and at the end, there are only 7 companies.

The variable used is the stock price (Y) which is measured by using the percentage of today's return compared to one day before (Jogiyanto 2007). There are 4 independent variables and those are Return On Asset-ROA, Earning Per Share-EPS, Current Ratio-CR and Debt to Equity Ratio-DER. ROA is measured from net profit to total assets (Brigham & Houston, 2009). EPS is measured from net profit divided by the number of outstanding shares (Tandelilin 2010). CR is measured from the comparison of current assets to liabilities (Juminang 2005). Meanwhile, DER is measured from total debt to company equity.

Quantitative data analysis techniques use statistics (Sugiyono 2017). The research use data analysis techniques with the help of *software Eviews* version 9. Before the estimation model test is conducted, the classic assumption test needs to be done; including normality, mulcholinearity, autocorrelation, and heterokedacity tests. Meanwhile, the choice of Panel Data Regression Estimation test includes Chow, Hausman and LM tests. From those tests, the most suitable model can be found in hypothesis analysis (Sugiyono 2017).

3. Result and Discussion

Descriptive statistic is used to see the overview of data used in table 1 below :

Table 1. Descriptive Statistic

	Return of Stocks	ROA	CR	DER	EPS
Mean	0.398044	0.149962	1.947214	1.073041	235.4390
Maximum	1.002786	0.646734	4.843633	3.028644	839.3177
Minimum	0.060484	0.031929	0.345035	0.214937	1.115000
Std. Dev.	0.208039	0.137900	0.952092	0.605355	202.7744
Observations	35.000000	35.000000	35.000000	35.000000	35.000000

Source: Processed by using Eviews 9.

This study aims to look at the dynamics of changes in *stock returns* in *food and beverages* companies registered in the Indonesian Stock Exchange, in order to obtain these, a number of classic assumption tests must be conducted. From normality test on residual, the value of Jarque Bera is 0.08, which means data is normally distributed. For multicolinearity test for all variables, the VIF value is below 5, which means it is free from multicolinearity. Based on the test on heteroscedasticity, the probability result is not significant, which means there is no heteroscedasticity. The autocorrelation test uses durbin Watson and gets the result of 1.999 in the 3rd quadrant, which means there is no autocorrelation. Considering that the research uses panel data, the chow test is carried out and the results are not significant which means the common method is the best model.

Table 2. The Results of Data Processing

Variable	Beta	Significance
Constanta	0.158771	0.0501
ROA	0.729545	0.0023
CR	-0.064445	0.0191
DER	0.190202	0.0001
EPS	0.000218	0.0098
R Squares		0.892165
Adjusted R-Squared		0.877787

Source: Processed by using Eviews 9.

3.1. Profitability (*Return On Assets*) on Return of Stocks

Based on hypothesis test, if t_{count} = 3,404727> t_{table}=1,69552, H_0 is accepted and H_a is rejected with Sig 0 , 0023 < 0 , 05 which means there is positive impacts significantly on the variable of *Return On Asset* towards Return of Stocks. This statement is supported by the result of research conducted by (Har and Ghafar 2015) that Return of Asset (ROA) has significantly positive impacts on Return of Stocks (Allozi and Obeidat 2016). Maintaining the level of profitability is very important for companies because high profitability is the aim for companies. If it is seen from the profitability ratio, it shows the increase, so the company performance is efficient (Martono 2009). The smaller the ROA, it is not that good, as it indicates the lacking of management capability in managing assets to improve income or to reduce cost. Those companies which are able to produce high profit, will attract investors to do investment in those companies, so there will be lots of investors make investment and the price of stocks will increase, which cause the companies' return of stocks also increase.

3.2. The liquidity (Current Ratio) on Return of Stocks

Based on the hypothesis test, if t_{count} = –2.511773 < t_{table} = 1.69552, so H_0 is accepted and H_a is rejected, with level of Sig 0,0191< 0,05, so it means there is significant negative impact on *Current Asset* variable. The research of Yahyazadehfar et al. (2010) related to the return of stocks liquidity in Teheran, examine the relationship between stocks turnover as liquidity criteria, and the development of stocks in Teheran stock exchange from 2002 until 2008 in 269 companies; and this research shows positive significant relationship between independent and dependent variables (Safania et al. 2013). Meanwhile, Mehrani and Rasaiian (2014) did research between stocks liquidity and annual stock returns in Teheran stock exchange from 2002 until 2007 in 156 companies; and the result showed that there was no significant relationship. According to Ulupui (2005), in general, the liquidity value shows the company ability to pay short term debt, if CR has small value, the return of stock is decreasing; however, if CR is too high, it is considered not good because there are few assets and it reduces the ability of company profits. Therefore, company has to maintain the optimal CR, which shows the capability of company to fulfill the operational needs; especially for working capital; to maintain the working performance, so it will affect the return of stock performance (Olweny

2018).

3.3. Leverage (*Debt Equity Ratio*) on Return of Stocks

Based on the hypothesis test, if t_{count} = 4,675852> t_{table}=1,69552, H_0 is accepted and H_a is rejected with the level of Sig 0,0001< 0,05 so it means there are positive significant impacts on *Debt Equity Ratio* variables on Return of Stocks, and this result is supported by (Sadaf 2017). It is different from the research done by (Muradoglu and Sivaprasad 2008), they found that leverage is negatively related to stock returns in consumer goods, consumer services and industrial services. Debt Equity Ratio (DER) includes leverage or solvency ratios, investors are interested when a company has a small DER value, it gives impacts on the increase of return of stocks because companies do not have to pay so much for the debt, this will also make the investors believe that the companies' management can manage the companies well. Investors also need to consider the amount of debt to equity ratio (DER), the bigger the DER of the company, the bigger the risks the company has to face and bankruptcy is one of them. High DER has bad value for the company, because the level of interest will be high and it gives bad impact for the company, it can reduce profit; and it would be better for the company that debt should not be more that its own capital, so the fixed load will not be so high (Adamia et al. 2010).

3.4. Earning Per Share on Return of Stocks

Based on the hypothesis test, if t_{count} = 2 , 807317 > t_{table} = 1 , 69552, so H_0 is rejected and H_a is accepted with the level of Sig 0 , 0098 < 0 , 05 ; so it means there is positive significant impact on Earning Per Share variables on Return of Stocks (Wajid and Shabeer 2013).

The finding of this study is that the increase in the value of stocks on return of stock is caused by the earning per share owned by investors, which it can cause the increase in return of stocks (Basu 1983). The increase in return from earning per share will attract other investors to buy that share, the more shares needed by people, the law of supply and demand will apply as the more shares needed, while the available share is limited, it will affect to the increase price of share and will increase the return of stocks. Different from the opinion of (Jasman and Kasran 2017), the earning per share will give negative signal to the return of stocks, while companies with good profit per share will increase the return of stocks with great assets. Because EPS shows that company's net profit which is ready to be distributed to the shareholders will have bigger EPS value, investors will assume that company has very good prospect in the future, so it will affect the level of demand for that company's shares (Astohar 2010). If EPS is low, it shows that the company fails to give benefit as it is expected by shareholders and the shares can be shunned anytime by the investors, so the movement also tends to decrease, it can give negative impacts to the company's development in the future (Horasan 2009).

4. Conclusion

Based on the analysis of statistic and literature review, it can be concluded that there are several stimulant variables which together cause the dynamic change of return of stocks. Those variables are return on asset, debt equity ratio, current ration and earning per shares. The most dominant variable in affecting the return of stocks is return on asset.

Based on the result of this research, it is recommended for companies to maintain the changes of return of stocks so it will not decrease, management should have strategic steps in handling those problems by maximizing the asset capacity that is owned, do not let the use of assets not be maximal and if it continues like that, the company will suffer losses. Moreover, company needs to maintain the ratio of its debt, so it will not be too much, because it will burden the company and reduce the company's profit.

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