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Stock Return Analysis and Influencing Factors

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ABSTRACT

Stock return is one of the main goals expected in investment activities. In the capital market, banking companies are a sector that is in great demand considering the important role of banks in a country so that investors pay great attention to stock returns of banking companies on the capital market. This study analyzes stock returns with various factors that in theory can affect the high or low returns received, namely accounting profit, funding cash flow, profitability, liquidity and firm size. The research sample was determined by purposive sampling method and obtained 38 banking companies as samples. The research stages include data collection, processing using multiple linear regression analysis, data analysis and conclusions.

Keywords: Accounting Profit, Investment Cash Flow, Profitability, Liquidity, Firm Size, Stock Return

INTRODUCTION

The capital market generates the greatest amount of investment activity. By trading securities, the capital market connects those with additional financial resources to those who need it (Tandelilin, 2010). Teoh et al. (2021) stated that the company needs financial support from investors. A capital market is a place where enterprises can look for cash to support their operations and serve as a direct conduit for public monies by investing in well-run businesses. The primary purpose of the capital market is to calculate or accumulate the financing amounts needed by a company. The capital market plays a major part in sustaining the economy since it may link funders and borrowers of capital.

Investors must feel secure in their investment for them to be willing to channel their finances through the capital market. According to Annisa (2017) stated that one of the purposes of the capital market is to provide a way to bond monies obtained from the general public to various sectors that engage in investments. These monies can be used to purchase raw materials, labor, physical infrastructure, technology, and management skills, among other production-related inputs. These elements are considered during production, adding value for the company's shareholders. Therefore, Marjohan and Supratika (2022) stated that every company needs good management to achieve company goals. The stronger performance of the Composite Stock Price Index (IHSG), LQ45, Jakarta Islamic Index (JII), and Indonesian Sharia Stock Index (ISSI), which reflect the country's actual financial circumstances, shows that investment in Indonesia has increased.

One of the accomplishment goals for investors is the return on their stock holdings. The profit or outcome of an investment is known as the stock return. Financial assets may harbor the expectation of receiving stock returns. Financial assets show a fund owner's or investor's willingness to contribute money now in exchange for a flow of money later on as a gift or recompense for the amount of time the money is invested for and the risks taken, for the fund managers or investors to carry a value today for a value they expect to have in the future. Stock returns are rewards received from investments in the field of investment management. Each return value from securities/companies is different; not all will share the same return for fund owners or investors. A return from securities can be determined from various things, such as the company's profit management and firm performance. When a firm cannot pay its obligations at maturity, the firm is considered a failure. Because it will make investors and creditors worry about companies that are experiencing distress and will lead to bankruptcy. When a firm cannot pay its obligations at maturity, it is considered a failure.

Stock returns are generally divided into realized returns, Specifically, those that have already occurred but are anticipated to do so. Return realization is crucial because the organization uses it as one of its performance indicators. Realized or historical returns are also helpful as a foundation for calculating expected returns. Two elements make up the source of investment return: yield and capital gain (loss). Capital gains (losses) are the second return component, whereas yield is a periodic return component of investment. Every stakeholder or shareholder needs to know every factor that can affect the return on investment.

One source of information that is of concern to investors in investment analysis is financial reports. The financial statements include, among others, a statement of total income, cash flows, and all related items. The income statement of the legal entity shows the business's profit. The parameter most frequently used to gauge an improvement or decline in firm performance is the company's income statement. Financial reports indicate a business's financial state and can also be used to describe the company's financial performance, according to Fahmi (2011). Information will have meaning or be considered informative for investors if the existence of such information is able to change the beliefs of decision-makers.

LITERATURE REVIEW

Profit and cash flow are the performance parameters that attract enough attention in the financial statements. Febriani, Yunilma, and Muslim (2015) state that the importance of profit information in assessing management performance can also be used to estimate earning capacity and assess investment and credit risk. Accounting profit is defined as a gain in numerous economic benefits during an accounting period that does not originate from investment contributions, such as an increase in assets or a decrease in liabilities that results in an increase in equity. Accounting profit has the advantage of allowing you to evaluate business performance. Investors in the capital market are very interested in information relating to firm performance,
H1: Accounting profit has a positive effect on stock returns of banking companies in Indonesia

Cash flow is another element in the financial statements that can affect investment decisions. The cash flow statement attempts to give some insight into the acquisition and disposal of a unit over a period (Sa'adah, 2014). Cash receipts and distributions in Cash flows from operating, investing, and financing activities make up the cash flow statement. The degree of correlation between cash flows and stock returns can be used to gauge the information content of cash flows. Cash flow information will have

meaning if publishing a cash flow report causes investors to react by buying or selling shares, which is then reflected in stock returns (Utomo, 2012).
H2: Investment cash flow has a positive effect on stock returns of banking companies in Indonesia

In addition to the willingness of a corporation to seize opportunities with investment activities, the company's ability to generate profits is no less important. Profit or profitability ratios have many influences besides assessing management performance as well as influencing firm stock returns. When profitability is high, the firm is considered capable of running the company's operations optimally. This ratio has several indicators that can be used, such as comparing earnings with equity, investment, or the firm's comprehensive collection of assets. Investors and potential investors will be drawn to a profitable business and will invest money there. Because of this attraction, many investors will want the company's shares. If there is a lot of demand for a company's shares, the share price will increase. Rahmawati (2019) explains that an increase in stock prices has an impact on increasing returns obtained by investors because stock returns are the discrepancy between a stock's current price and its former price.
H3: Profitability has a positive effect on stock returns of banking companies in Indonesia

A different ratio that can also affect stock returns is liquidity. For investors and potential investors, profit is not the only success in management's performance in operations. The company's capacity to fulfill its commitments must also be considered. Phenomena that often occur in companies and lead to bankruptcy or firm bankruptcy originate from a neglect of a business to live up to its responsibilities. Liabilities, in general, consist of long-term and short-term liabilities. The liquidity ratio can be used to find out how a firm is carrying out its current obligations. The higher this ratio, the better the firm is in fulfilling its current liabilities, and when the firm is able to fulfill all of its obligations, It can be claimed that the fiscal health of the business is sound.
H4: Liquidity has a positive effect on stock returns of banking companies in Indonesia

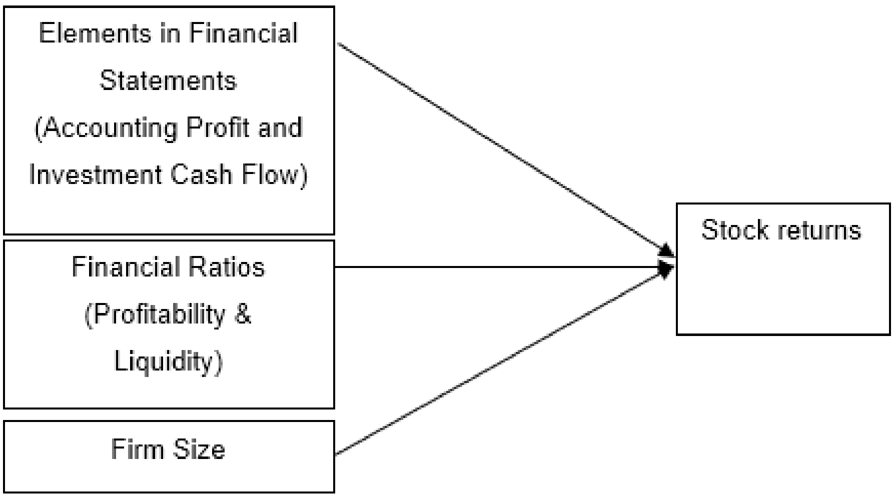
Another factor that influences the acquisition of returns is firm size. Companies can be considered micro, medium, and large, as seen from their turnover, sales and overall assets owned. The total assets held by the business are used to calculate the firm size in this study. The size of the firm has a significant impact on activities in the capital market. In terms of reputation and sales, micro companies often experience results that are not as high as large companies, so returns are not as significant as large companies forming returns. Larger companies will be able to easily access the capital market to obtain greater funding for their companies so that more giant enterprises can pay out more distributions than smaller ones.
H5: Firm size has a positive effect on stock returns of banking companies in Indonesia

This study uses signaling theory as the basic foundation of the research. This theory explains that every party has the right to the information disclosed by the company. Any information disclosed can be captured as good news or bad news. When a firm has an excellent ability to pay off its financial obligations, namely paying dividends, interest, and loan principal, and can maintain its operational capabilities properly, then that is a signal that the firm has good performance. This can be seen from the financial statements, especially cash flow and its income statement, therefore, when the company's cash flow and profits increase, the firm has progressed and this is good news for parties interested in financial reports, one of which is external parties, namely investors. In addition to signaling theory, this research also uses stakeholder theory which explains the relationship between the firm and all stakeholders. Stakeholders essentially have the power to direct or sway how the company uses its financial resources. The amount of control that stakeholders have over various sources determines stakeholder power. According to this view, a company's capacity to strike a balance among its numerous stakeholders' interests determines whether it will succeed or fail. Stakeholders essentially have the power to direct or sway how the enterprise uses its financial resources. The amount of control that stakeholders have over various sources determines stakeholder power. According to this view, the ability of a business to strike a balance among its numerous stakeholders' interests determines whether it will succeed or fail. Stakeholders essentially have the power to direct or sway how the company uses its financial resources. The amount of control that stakeholders have over various sources determines stakeholder power. According to this view, an organization's ability to strike a balance among its numerous stakeholders' interests determines whether it will succeed or fail.

RESEARCH METHOD

Banking companies that exist in Indonesia and go public on the capital market are used as research locations. The financial statements of banking companies are also the object of this research. The stages of research include theory, hypothesis, research design, information gathering, processing, presentation, and conclusions. The sample selection uses several specific criteria so that the sample can represent the sector well. The criteria include the registration of banking companies on the capital market from 2018 to 2020, and the firm has complete financial reports that can be accessed. This also gives all information relevant to the study's factors so that 38 businesses can be recruited as samples. Data analysis used multiple linear regression analysis, classical assumptions, and model feasibility tests.

Figure 1. Research Framework



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RESULTS

Classical Assumption Test Results

Table 1. Normality Test

Test Statistics	0.233
asymp. Sig. (2-tailed)	0.131

Considering the previous table's normalcy test outcomes, the research model has been normally distributed because of the statistical test and Asymp numbers. Signification (2-tailed) exceeds the normality test standard, which is 0.05.

Table 2. Multicollinearity Test

	tolerance	VIF
LA	0.398	2,516
IC	0.657	1,523
ROA	0.751	1,331
CR	0.751	1,332
FZ	0.498	2009

On the collinearity statistics value of the variable accounting profit, investment cash flow, profitability, liquidity, and firm size have a tolerance value and a VIF number over 0.10 (10%) or less than 10. It has been said that the model beneath the study did not exhibit any multicollinearity symptoms. In the autocorrelation test, the Durbin-Watson value of 2.154 is greater than 1.6042 (du), and the value of 4-du (4-1.6042) is 2.3958. Calculation of the statistical value is obtained from the total sample data of 114 (n = 114) and the number of independent variables as much as 5 (k = 5), with the equation 1.6042 <2.154 <2.3958 We conclude that results from residuals in regression models demonstrate no autocorrelation.

Table 3. Heteroscedasticity Test

	Sig
LA	0.765
IC	0.656
ROA	0.544
CR	0.719
FZ	0.301

The regression model in this study is free from symptoms of heteroscedasticity. Based on the tests in the table above, each variable's significance value tested in accounting profit, investment cash flow, profitability, liquidity, and firm size is greater than 0.05.

Results of Multiple Linear Regression Analysis

If at least two independent variables are sufficient, linear regression analysis will be relied on (Sugiyono, 2019). The outcomes of multiple linear regression analysis are shown in the table below, and these are based on what comes out of data processing:

Table 4. Multiple Linear Regression Analysis Test and t Test

	B	t	Sig	Conclusion
Constant	0.338	0.352	0.725	
LA	0.003	0.353	0.725	H1 Rejected
IC	0.001	0.430	0.668	H2 Rejected
ROA	0.555	11,746	0.000	H3 Accepted
CR	0.403	9,884	0.000	H4 Accepted
FZ	-0.024	-0.780	0.437	H5 Rejected

The revenue from the accounting variable does not impact the stock returns of banking companies, as indicated by the results of the regression test, the t-test, the investment cash flow test, and the firm size test, which all demonstrate significance values above the significant level of 0.05. Additionally, profitability, as determined by ROA, with a significance value of 0.000, and liquidity, as determined by the current ratio, with a significance value of 0.000, have both been shown to impact banking stock returns positively.

DISCUSSION

The Influence of Accounting Profits on Stock Returns of Banking Companies in Indonesia

The discoveries of the first hypothesis's testing demonstrate that accounting profit has no bearing on stock returns. This clarifies whether or not the company's large or low accounting profit has an impact on stock returns. it is suspected that investors assume that companies with high accounting profits will not necessarily be able to provide good stock returns. High to investors, so accounting profit is not a top priority for investors in predicting stock returns. This analysis's insights parallel Hartono's (2010) study, which found no connection between accounting profit and stock returns.

The Effect of Investment Cash Flow on Stock Returns of Banking Companies in Indonesia

The second theory was tested, and the results show that investment cash flows have no impact on stock returns. This shows that investors should not use information about cash flows from investing activities as the basis for their investment decisions. Investors could be unaware that cash flows from investments, such as the procurement of fixed assets, proceeds from the sale of fixed assets, proceeds from the sale of other long-term assets, dividend payments, and others, can gauge the company's performance. No matter how large the cash flows involved in investing activities are, it is inconceivable to anticipate when profits will be made from such endeavors. The return on investment may occur in the following year, but it is possible that the benefits of this investment can only be reaped five years later. This uncertainty makes investors hesitate to determine the amount of expected return. In addition, information about the purchase and sale of fixed assets is not an activity that occurs continuously, so investors consider this information unimportant for making investment decisions. The preliminary results of this analysis align with those of Pratiwi, Kusumawardani, and Sari's (2019) study, which found no causal connection between investment cash flow and stock returns.

The Effect of Profitability on Stock Returns of Banking Companies in Indonesia
Our results of testing the third prediction demonstrate that profitability affects stock returns favorably. Profitability is a ratio that assesses a business' capacity to achieve profits or the effective functioning of its management. The capacity of a business to make profits is measured by its profitability. Stock returns are substantially and positively dependent on changes in profitability values, with higher profitability values also contributing to higher stock returns. In this regard, investors will predict stock returns from a profitability standpoint. This is owing to the fact that if the business in question can produce high profitability, both the stock return and the demand for the industry's shares would rise. Return on assets is used in this study as a proxy for profitability. The more effective a company uses its assets to produce net profit after taxes, the greater the return on assets. As a return on assets rises, so does the company's profitability, permitting it to earn a larger return. The results of this study corroborate those of Rahmawati's (2019) earlier research.

The Effect of Liquidity on Stock Returns of Banking Companies in Indonesia
The fourth concept was tested, and what was discovered shows that liquidity positively impacts stock returns. A company's liquidity reflects its capacity to fulfill its immediate obligations. The better an enterprise performs in the short term, the more liquidity it has, and the more investors are confident in it (Bintara, 2020). This confidence will translate into higher stock prices and higher stock returns. By comparing the company's current assets and liabilities, liquidity analyzes the short-term capacity of the organization. The ratio known as current illustrates how well current assets and liabilities are offset. The more liquid the company is, the better the current ratio represents it, and the better it can fulfill its short-term obligations, which will raise its reputation with investors and boost stock returns.

The Influence of Firm Size on Stock Returns of Banking Companies in Indonesia
The fifth possibility has been examined, and the findings show that firm size has minimal impact on stock returns. The outcome of this insignificant test show that utilizing firm size alone to gauge a company's performance is insufficient. Investors feel that major companies cannot always offer a high rate of return, whereas smaller enterprises ought not to rule out the potential of doing so. In light of the research outcomes, it can be suggested that a company's expansion is measured not only by its size but also by the size of an asset it owns. If a company cannot manage an asset effectively for its operations, it will not be able to make substantial income, which will cause the stock price to fall. Permadi, Bagiana, and Putri (2022) stated that stock prices in the capital market will always fluctuate following market development conditions and other variables. The findings of this study are consistent with those of Darmayanti's (2015) prior study.

CONCLUSIONS

The current study tries to figure out and gauge the variables that can stock returns in investment activities by using factors from the fiscal statement components as well, which involves accounting profit and investment cash flow by using financial ratios, namely profitability and liquidity and firm size. Overall examination findings disclose that accounting profit, investment cash flow, and firm size do not significantly affect stock returns of banking companies listed on the Indonesia Stock Exchange for the study period of 2018 to 2020, while profitability and liquidity do. Resulting results of this study also amply demonstrate that a company's capacity to earn profits and meet its obligations is a crucial factor in determining investment returns in the capital market, serving as a reference for future researchers who pursue related themes., especially in banking companies so that potential investors can use this ratio. Further researchers can add or use other factors to be tested and use other sectors as research samples.

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DECLARATION OF CONFLICTING INTERESTS
The authors declared no potential conflicts of interest.

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