

**THE INFLUENCE OF PROFITABILITY RATIO, LIQUIDITY RATIO,
ACTIVITY RATIO & SOLVENCY RATIO ON STOCK RETURNS
(EMPIRICAL STUDY OF FINANCIAL SECTOR LISTED ON
INDONESIA STOCK EXCHANGE IN 2015-2020)**

A THESIS

**Presented as a Partial Fulfilment of the Requirements to Obtain Bachelor
Degree in Accounting Department**



By:

LUTHFA ZAHRO

Student Number: 17312090

**INTERNATIONAL PROGRAM
ACCOUNTING STUDY PROGRAM
FACULTY OF BUSINESS AND ECONOMICS
UNIVERSITAS ISLAM INDONESIA
YOGYAKARTA
2021**

**THE INFLUENCE OF PROFITABILITY RATIO, LIQUIDITY RATIO,
ACTIVITY RATIO & SOLVENCY RATIO ON STOCK RETURNS
(EMPIRICAL STUDY OF FINANCIAL SECTOR LISTED ON
INDONESIA STOCK EXCHANGE IN 2015-2020)**

Written by:

LUTHFA ZAHRO

Student Number: 17312090


Content Advisor,



Ayu Chairina Laksmi, SE, M.AppCom., M.Res.,
Ph.D., Ak., CA.

August 09th, 2021

Language Advisor,



Alfi Zakiya, S.Kom., S.Pd.

August 09th, 2021



BERITA ACARA UJIAN TUGAS AKHIR/SKRIPSI

SKRIPSI BERJUDUL

The Influence of Profitability Ratio, Liquidity Ratio, Activity Ratio and Solvency Ratio
on Stock Returns (Empirical Study of Financial Sector Listed on Indonesia Stock
Exchange Period 2015-2020)

Disusun oleh : Luthfa Zahro

Nomor Mahasiswa : 17312090

Telah dipertahankan didepan Tim Penguji dan dinyatakan Lulus pada hari,
tanggal: Jumat, 20 Agustus 2021

Penguji/Pembimbing Skripsi : Ayu Chairina Laksmi, SE., M.AppCom.,
M.Res., Ak., CA., Ph.D

Penguji : Rifqi Muhammad, SE., SH., M.Sc., Ph.D., SAS.


.....

.....

Mengetahui

Dekan Fakultas Bisnis dan Ekonomika

Universitas Islam Indonesia



Prof. Jaka Sriyana, Dr., M.Si

**THE INFLUENCE OF PROFITABILITY RATIO, LIQUIDITY RATIO,
ACTIVITY RATIO & SOLVENCY RATIO ON STOCK RETURNS
(EMPIRICAL STUDY OF FINANCIAL SECTOR LISTED ON
INDONESIA STOCK EXCHANGE IN 2015-2020)**

A BACHELOR DEGREE THESIS

Written by:
LUTHFA ZAHRO

Student Number: 17312090

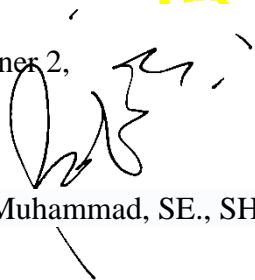
Defended before the Board of Examiners
on August 20th, 2021 and Declare Acceptable

Board of Examiners
Examiner 1,

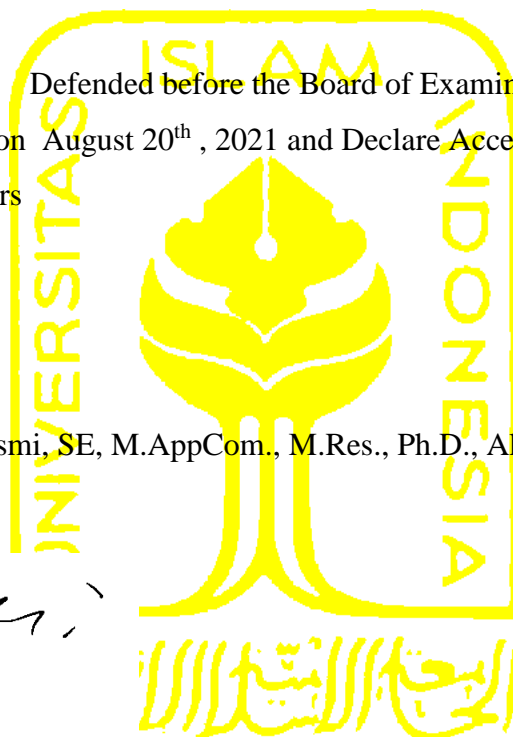


Ayu Chairina Laksmi, SE, M.AppCom., M.Res., Ph.D., Ak., CA. August 20th,
2021

Examiner 2,



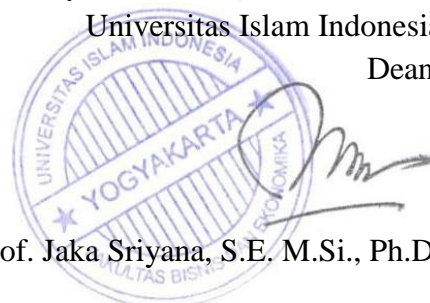
Rifqi Muhammad, SE., SH., M.Sc., Ph.D., SAS. August 20th, 2021



Yogyakarta, August...., 2021

International Program
Faculty of Business and Economics
Universitas Islam Indonesia
Dean,

Prof. Jaka Sriyana, S.E. M.Si., Ph.D.



DECLARATION OF AUTHENTICITY

Hereby I declare to the originality of this thesis; I have not presented someone's work to obtain my university degree, nor have I presented anyone else's words, ideas, or expression without acknowledgment. All quotation is cited and listed in the references of the thesis.

If in the future this statement is proven to be false. I am willing to accept any sanction complying with the determined regulation or its consequences

Yogyakarta, August 9, 2020



Luthfa Zahro

ACKNOWLEDGEMENT

Assalamu 'alaikum warrahmatullahi wabarakatuh,

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

All praises to Allah SWT, the Lord and the Creator of every single thing in this universe, for His blessings and mercy in helping the researcher complete this thesis entitled “**The Influence of Profitability Ratio, Liquidity Ratio, Activity Ratio and Solvency Ratio on Stock Returns (Empirical Study of Financial Sector Listed on Indonesia Stock Exchange in 2015-2020)**”. This research was conducted to fulfill the requirements for completing the bachelor’s degree (S1) in the International Program, Faculty of Business and Economics, Universitas Islam Indonesia. Additionally, *Shalawat* and greetings to Prophet Muhammad SAW who has given his instructions to make use of life for eternal happiness in the hereafter.

The process of preparing this thesis certainly cannot be separated from the help and support from various parties. Therefore, on this occasion the researcher would like to express his gratitude to:

1. Allah SWT who has given His mercy, health, convenience and every single blessing to the researcher to finish this thesis on time.
2. Prophet Muhammad Shallallahu 'Allaihi Wassalam, the Last Prophet that gives his life for Islam and his Ummah.
3. My father and my mother, I would not finish this thesis if it wasn't because your prayers, support, motivation and believes you put on me. Your kindness and life knowledge you taught me with gentleness and love, which led me to become a better person for myself and for everyone surround me

as well as your prayers that never broke up for your children to always be good and right to finish this thesis on time.

4. My beloved sister and brother, thank you for always supporting me, your prayers, and your advices for me for this university life and to finish this thesis on time.
5. Ms. Ayu Chairina Laksmi, SE, M.AppCom., M.Res., Ph.D., Ak., CA as my content advisor, who always give me suggestion and guided me with patience, diligence, and sincere so I can complete my thesis.
6. Ms. Alfi Zakiya, S.Kom, S.Pd. as my language advisor, who always provided me advices and suggestions about good writing in the process of preparing my thesis.
7. All the lecturers and staff in the International Program, Faculty of Business and Economics, Universitas Islam Indonesia for all guidance, knowledge and kindness given so far.
8. My beloved best friends in university, Tya, Ocak, Shofiya, Farids, Ayak, Vega and Sinta. I cannot imagine if I don't have you guys, thank you for all the good time we've through together, thank you for always understanding me and help me to be a better person. I'm so thankful that I have you guys by my side along the journey. I love you guys so much.
9. My good friends in university; Masifa, Nadifa, Amel, Nisfi, Hanan, Tasya, Dila, etc. I'm not sure if you have given your love to me or not but I would like to say thank you for always be there. Thank you for bringing colors in my uni life.

10. My kamar 12 mates; Yuyu, Sandra, Nahda and Zahra etc. who always be with me since junior high school. Thank you for all the good memories we've create together.
11. For the men of his existence, Jeon Jungkook, Min Suga, Park Jimin, Kim Namjoon, Kim Seok Jin, Jung Hoseok and Kim Taehyung. Thank you for coming to my life at the right time.
12. All parties that cannot be mentioned one by one who genuinely help and support me.

Wassalamualaikum warrahmatullahi wabarakatuh.



Yogyakarta, Agustus 20th, 2021

A handwritten signature in black ink, appearing to be 'Luthfa Zahro', is located to the right of the date. The signature is stylized and includes a small number '2' at the end.

Luthfa Zahro

TABLE OF CONTENT

ACKNOWLEDGEMENT	v
TABLE OF CONTENT	viii
LIST OF TABLES	xi
LIST OF FIGURES	xii
LIST OF APPENDICES	xiii
ABSTRACT	xiv
<i>ABSTRAK</i>	xiv
CHAPTER I INTRODUCTION.....	1
1.1 Research Background.....	1
1.2 Research Questions	6
1.3 Research Objectives	6
1.4 Research Contributions	7
1.5 Systematic of Writing	7
CHAPTER II THEORETICAL REVIEW.....	8
2.1 Literature Review	8
2.1.1 Signaling Theory	8
2.1.2 Capital Market.....	9
2.1.3 Investment	10
2.1.4 Financial Ratio Analysis	11
2.1.5 Stock Returns	16
2.1.6 Financial Services Authority.....	18
2.3 Previous Studies	18
2.3 Hypothesis Development	25

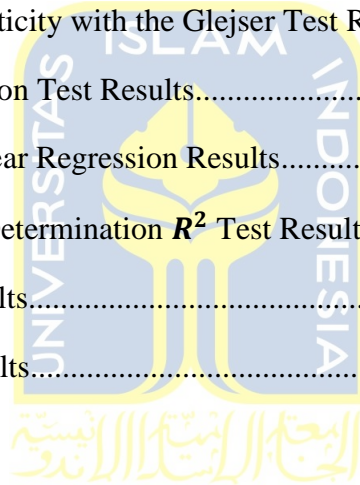
2.4 Conceptual Framework	29
CHAPTER III RESEARCH METHOD	33
3.1 Research Design.....	33
3.2 Population and Sample.....	33
3.4. Research Variables.....	35
3.4.1 Independent Variable	35
3.4.2 Dependent Variable.....	37
3.5. Data Analysis Method.....	38
3.5.1 Descriptive Statistics.....	38
3.5.2 Classical Assumption Test.....	38
3.5.3 Multiple Linear Regression.....	40
3.5.4 Hypothesis Testing.....	41
CHAPTER IV RESULTS AND DISCUSSION.....	45
4.1 Statistics Descriptive Analysis.....	46
4.2 Classical Assumption Tests	50
4.2.1 Normality Test	50
4.2.2. Multicollinearity Test.....	51
4.2.3. Heteroscedasticity Test	52
4.2.4. Autocorrelation Test	54
4.3 Statistical Analysis	55
4.4 Hypothesis Testing.....	57
4.4.1 Coefficient of Determination	57
4.4.2 F-Test	58
4.4.3 T-Test	59
4.5 Discussion	61

4.5.1 The Effect of Return on Asset on Stock Returns	61
4.5.2 The Effect Current Ratio on Stock Returns	63
4.5.3 The Effect of Total Asset Turnover on Stock Returns.....	64
4.5.4 The Effect of Debt-to-Equity Ratio on Stock Returns	65
CHAPTER V CONCLUSIONS & IMPLICATIONS	67
5.1 Conclusions	67
5.2 Implications.....	68
5.3 Limitations	69
References	70
Appendix.....	75



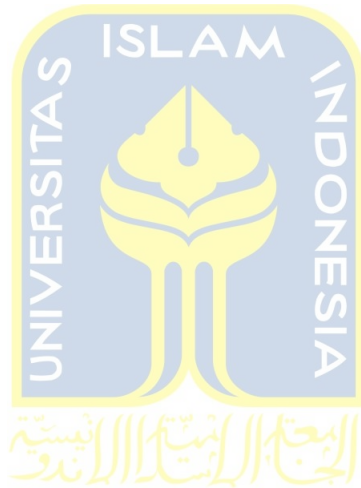
LIST OF TABLES

Table 2.1 Previous Studies	12
Table 4.1 Sample Characteristic.....	43
Table 4.2 Company List.....	44
Table 4.3 Descriptive Analysis Results.....	45
Table 4.4 Normality Test Results.....	48
Table 4.5 Multicollinearity Test Results.....	49
Table 4.6 Heteroscedasticity with the Glejser Test Results.....	51
Table 4.7 Autocorrelation Test Results.....	52
Table 4.8 Multiple Linear Regression Results.....	53
Table 4.9 Coefficient Determination R^2 Test Results.....	55
Table 4.10 F-Test Results.....	56
Table 4.11 T-Test Results.....	57



LIST OF FIGURES

Figure 2.1 Conceptual Framework.....	30
Figure 4.1 Heteroscedasticity Test with Scatterplot.....	50



LIST OF APPENDICES

APPENDIX 1: Return on Asset.....	72
APPENDIX 2: Current Ratio.....	73
APPENDIX 3: Total Asset Turnover	74
APPENDIX 4: Debt-to-Equity	75
APPENDIX 5: Stock Return	76
APPENDIX 6: Descriptive Analysis Data.....	77
APPENDIX 7: The Normality Test.....	77
APPENDIX 8: Multicollinearity Test	77
APPENDIX 9: Heteroscedasticity with Scatterplot Test.....	78
APPENDIX 10: Heteroscedasticity with The Glejser Test.....	78
APPENDIX 11: Autocorrelation Test.....	79
APPENDIX 12: Multiple Linear Regression Test	79
APPENDIX 13: Coefficient Determination R^2 Test.....	80
APPENDIX 14: F-Test Results.....	80
APPENDIX 15: T-Test Results.....	80

ABSTRACT

The aim of this research is to find out whether the independent variable which were Return on Asset, Current Ratio, Total Asset Turnover and Debt-to-Equity had an effect on Stock Returns. The type of this research was quantitative descriptive research. The population used for this research was financial company in banking sector that was listed on Indonesia Stock Exchange in 2015-2020. For sample, the researcher used purposive sampling where 14 companies out of 47 was selected according to the criteria of the sample. This research used multiple liner regression as the data analysis technique. The result of this research shows that profitability ratio and liquidity ratio had an effect on stock returns, while activity ratio and solvency ratio had no significant effect on stock returns.

Keywords: profitability ratio, liquidity ratio, activity ratio, solvency ratio, stock returns, ROA, CR, DER, TATO

ABSTRAK

Tujuan dari penelitian ini adalah untuk mengetahui apakah variabel bebas yaitu Return on Asset, Current Ratio, Total Asset Turnover and Debt-to-Equity mempunyai pengaruh terhadap return saham. Jenis penelitian ini adalah deskriptif kuantitatif. Populasi yang digunakan adalah perusahaan keuangan di sektor perbankan yang terdaftar di Bursa Efek Indonesia (BEI) pada tahun 2015-2020. Sampel yang digunakan oleh peneliti adalah purposive sampling yang mana 14 perusahaan terpilih dari 47 perusahaan berdasarkan kriteria pada sampel. Penelitian ini menggunakan multiple linear regression sebagai Teknik analisis data. Hasil yang diperoleh adalah rasio profitabilitas dan rasio likuiditas mempunyai pengaruh terhadap return saham, akan tetapi rasio aktivitas dan rasio solvabilitas tidak mempunyai pengaruh yang signifikan terhadap return saham.

CHAPTER I

INTRODUCTION

1.1 Research Background

Since Covid-19 was declared as a pandemic by the World Health Organization (WHO) on March 02, 2020, many business sectors were affected by it. According to the survey conducted by the Ministry of Manpower, for the last six months there are 88% of the company which is affected loss by this pandemic (Barenbang, 2020). Therefore, many companies are looking for alternatives for surviving and expanding their business. The company needs to distinguish how to gather the fund's source to keep the company running during this pandemic.

Supriantikasari and Utami (2019) defined the capital market as a place where two parties with different interests meet. There a person who has fund or investor and another person who needs fund or the issuer. A company can offer its stock to the capital market with the belief that it will gain capital from the investor. The company can use the fund they obtain from the investor to pay the debt, business development, additional working capital, and expansion (Baktiar, Asmirantho & Azhar, 2019). The company must also share their information in terms of financial as a reference for the investor for making a decision. Despite that, by knowing the return and risk, it can help the investor decide the investment.

The capital market has several kinds of offer for the investor; one of them is stock. Stock is an indication of capital support of investors for go public company. Many investors preferred stock rather than any kind of capital market

because stock can give a good return if the investors know which company can provide a positive return.

The investor also has goals for making the stock investment to gain a return. This return can be dividend or capital gain. The difference between these two is that dividend is the result of profit-sharing of the company. Capital gain is the result of the difference between the stock's purchase price and the price of the stock now. According to Atika (2020), investor could get capital gain when the investor buys the stock at a low price and sell it when the price of the stock is increasing. It means that investors should have the ability to read the market if they want to sell the stock when it is at the best price. Therefore, the investor will get a return which is the result of the capital gained.

An investor should do several studies before deciding to invest their money because it is for the long term. The aims of the analysis are to minimize the chance of loss and to have a vision of how the company is going in the future. There are two types of analysis, fundamental and technical analysis. Fundamental analysis is well known as company performance analysis while technical analysis is an analysis using graphic and previous history.

Fundamental analysis is an analysis from inside the company. This analysis shows the company's financial performance. According to Drakopoulou (2016), fundamental analysis is how to figure out this company's stock value for investing their money. There are several ratios in the fundamental analysis used for the investor to see the company's financial performance, such as profitability, liquidity, activity, and solvency. The ratios that will be used in this research are profitability

using return on asset (ROA), liquidity using current ratio (CR), activity using total asset turn over (TATO), and solvency using debt to equity ratio (DER).

Return on asset is the ability of the company to use its assets to make a profit. The more the company can increase the profit; the more the investor is willing to invest their money to the company. The investor will be more likely to invest in the company with a good or positive investment return. According to Anwaar (2016), return on assets had got a significant positive impact on the stock returns. However, on the other hand, the research conducted by Atidhira and Yustina (2017) implied that return on asset has a negative and insignificant influence on the stock returns. Not only the investor who sees the return on asset as a factor for investing but also for the Management. According to Nurlia and Juwari (2019) management is using return on asset to evaluate the effectiveness of the company's management in handling their asset.

The liquidity ratio in this research is using current ratio. Current ratio is a ratio that shows the company's ability to fulfill its short-term debt obligation. It is an essential aspect for the investor to review this ratio because this ratio will show how well the company can handle their asset for paying their short-term obligation and funding their operational activity. Research done by Christian, Saerang, and Tulung (2021) shows that the current ratio positively and significantly impacts stock returns. It can be concluded; the investor can use this ratio to analyze the stock returns. Besides, a research done by Octovia and Winarsa (2021) mentioned that there is no significant effect of current ratio on stock returns.

Total asset turnover is the ability of the company to make a profit from their asset. Total asset turnover will show how the company handles their asset that will be rolling to gain profit. Based on research conducted by Dewi (2016), this ratio has a positive and significant effect on stock returns. Other research done by Hasbullah et al. (2018) stated that total asset turnover has no effect on stock returns. The investor will see this ratio as a factor for deciding the investment, this ratio will tell how the company handles its asset; if the total asset turnover is low that means the company cannot use the asset effectively.

Debt-to-equity ratio is the ability of the company to pay the debt. DER is essential to be analyzed because if DER is higher, it means that the company needs to pay their interest more, so it will be risky for the investor to invest in the company. Pradiana and Yadhya (2019) stated that debt-to-equity ratio has a positive and significant effect on stock returns. Meanwhile, research done by Puspitasari, et al. (2017) stated that DER did not have any effect on stock returns.

As stated above, those variables still have many inconsistencies and different results. It makes the researcher did the research because this variable will help the investor to analyze the stock returns. The subject of this research is a financial company that is listed on Indonesia stock exchange in 2015-2020. The reason of using financial companies in this research is financial sector tend to be stable during this pandemic rather than any other sectors because they receive the most liquidity assistance from the government (Tari, 2020). Even though the risk has increased during this pandemic, investing in stocks for long-term goals can be an option for investors. According to Widodo (2020) as Head of Indonesia Research

and Strategy JPMorgan, several sectors still have good prospects and are expected to survive in the long term, such as the financial and consumer goods industries. As we know, the financial sector is crucial for the country because the financial sector can reflect how well the nation's economic activity, especially during this pandemic. Therefore, the good performance will provide convenience for banking sector for gaining more capital. Financial Services Authority, which has the function of making rules and supervisors issuing POJK (Financial Services Authority Regulations) mention that there are several business activities that can be carried out by Commercial Banks one of them is Investment. According to Financial Services Authority Regulations number 36 / POJK.03 / 2017 about prudential principles in capital participation activities mention that whereas in order to increase the resilience, competitiveness and efficiency of the national banking system, it is necessary to restructure the provision of funds in the form of equity participation as one of the bank's business activities. Therefore, the more funding that the bank gets from the operational activity for example investment, the more trustworthy the bank.

Based on the background stated above, the research is entitled **“The Influence of Profitability Ratio, Liquidity Ratio, Activity Ratio and Solvency Ratio on Stock Returns (Empirical Study of Financial Sector Listed on Indonesia Stock Exchange in 2015-2020)”**.

1.2 Research Questions

Based on the background above, the research questions of this research are as follows:

1. Does Profitability Ratio Influence Stock Returns on Financial Sector listed on the Indonesia Stock Exchange in 2015-2020?
2. Does Activity Ratio Influence Stock Returns on Financial Sector listed on the Indonesia Stock Exchange in 2015-2020?
3. Does Liquidity Ratio Influence Stock Returns on Financial Sector listed on the Indonesia Stock Exchange in 2015-2020?
4. Does Solvency Ratio Influence Stock Returns on Financial Sector listed on the Indonesia Stock Exchange in 2015-2020?

1.3 Research Objectives

1. To examine whether Profitability Ratio influences Stock Returns on Financial Sector listed on the Indonesia Stock Exchange in 2015-2020.
2. To examine whether Activity Ratio influences Stock Returns on Financial Sector listed on the Indonesia Stock Exchange in 2015-2020.
3. To examine whether Liquidity Ratio influences Stock Returns on Financial Sector listed on the Indonesia Stock Exchange in 2015-2020.
4. To examine whether Solvency Ratio influences Stock Returns on Financial Sector listed on the Indonesia Stock Exchange in 2015-2020.

1.4 Research Contributions

1. For investors, this research is expected to be used as a material consideration in forming investment strategies and references in making decisions for investing the capital market.
2. For companies, this research can help the management evaluate their effectiveness on financial performance and increase the credibility of a company listed on the stock exchange and as input in making policies.
3. For future researcher, this research can be used as a reference and provides a comprehensive understanding of fundamental factors on stock returns.

1.5 Systematic of Writing

The research consists of five chapters that will be explained as below:

CHAPTER I: INTRODUCTION

In the introduction, the researcher discusses the research background, the research question, the objective of this research, the research contribution, and its systematic writing.

CHAPTER II: LITERATURE REVIEW

In the literature review, the researcher discusses the theories used as the basis for the research, review some previous studies as references, conceptual frameworks, and hypotheses in the research.

CHAPTER III: RESEARCH METHOD

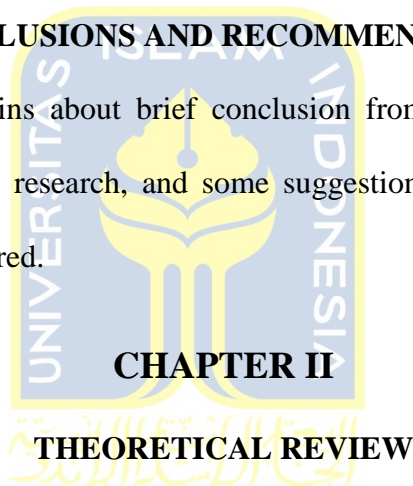
In the research method, the researcher discusses the research method including the research variables and measurements, population, and sample. This part also describes the data collection method, the data quality test, and the analysis technique of this research.

CHAPTER IV: RESEARCH FINDINGS AND DISCUSSION

Research findings and discussion show the result of the finding and discussion. In addition, it also contains the various results of the data collection and the analysis of these results.

CHAPTER V: CONCLUSIONS AND RECOMMENDATIONS

The last chapter explains about brief conclusion from the research result, the limitation faced by the research, and some suggestions which is related to the conclusion that is acquired.



2.1 Literature Review

2.1.1 Signaling Theory

Signaling theory was developed by Ross (1977), she stated that the company executives who have better information about their company would be motivated to convey the information to potential investors. Signaling theory describes how the company is willing to share its information with external parties or interest parties. According to Brigham and Houston (2001), A signal is an action taken by company's management for guiding the investors on how management views the company's prospects in the future. This theory describes how a company brings up

the importance of disclosure information on investment decisions and implies something with the expectation that market or external parties will change the company's assessment. In signaling theory, managers (agents) qualitatively have more information than outside parties or investor and they use certain measurement to imply the quality of their firm. The quality of investors' decisions is influenced by companies' quality of the information in the financial statements (Nurmiati, 2016). It can be concluded that investors need information that is complete, relevant, accurate, and timely.

One of the information released by companies is financial reports. Financial reports are used to make decisions for investors. Financial reports are the most crucial part of a company's fundamental analysis. Companies that already listed on the stock exchange are required to report financial reports to the public, this has been regulated in Act no. 8 year 1995 on Capital Market. The report should contain relevant information and disclose information that is important to report users, both inside and outside the company.

2.1.2 Capital Market

The capital market has an essential role in the economy of the country. It can be a measurement for knowing whether the country is in a good or bad economic situation. The existence of a capital market can help the company who needs external funds can survive and grow. According to Act no. 8, year 1995 on Capital Market, the capital market is an activity related to public offering and securities trading, public company or the issuer, the institution and profession

related to the securities. A capital market is a place where people that have an interest meet, it can be a form of person who needs the fund and person who invest the fund. The instrument that they offer primarily in terms of the long-term fund, such as share, bond, etc. Therefore, the investor can choose which instrument that can give a good return to the investor. There are two types of capital markets which are primary market and secondary market. A primary market is a market that sells the share directly to the investor without going through the capital market while a secondary market is a market that the issuer already offers their share through the capital market.

2.1.3 Investment

According to Yusuf, Ichsan, and Saparuddin (2021), the effort that Indonesia can make for increasing the quality of the economy is an investment in the capital market. Investment can be defined as part of the activity that people do by saving an amount of their money on something with some expectation that it will give a good return in the future. Meanwhile, the definition of investment is the commitment to several amounts of money or any resource that is used right now, the target is there will be a return in the future (Tandelilin, 2017). It can be concluded that investment is one of the efforts that people can do to increase their assets by delaying their consumption of money on the current period and investing it for the future. A study conducted by Iswahyudi (2019) stated that the main purpose of doing investment is to get a return either directly or indirectly. An investor has to consider the risk that will occur when owning some share. According

to Hendayana (2016), when investors invest in shares, it will be given the uncertainty in the result compared to other investments such as bonds, deposits, and savings. By having knowledge in doing investment, it will be beneficial for the investor to minimize the risk that will occur in the future.

2.1.4 Financial Ratio Analysis

Financial ratio analysis is used to help the investor to know about the condition of the company. According to Sasongko and Shaliza (2019), financial statement data & the company's past conditions are used to analyze the financial ratio analysis for knowing the company performance condition. The financial ratios contribute approximately (53%) when making the decision for the investment (Alqam & Hamshari, 2021). Not only for the investor but also financial ratio analysis can be used for management to evaluate their performance in terms of the cost that they used for the operational or non-operational. According to Fahmi (2014), there are some benefits using financial ratio:

- a. Financial ratio analysis is used as a reference for the management to make plans.
- b. Financial ratio analysis can be a tool for evaluating the company's condition from a financial perspective.
- c. Financial ratio analysis is also helpful for creditors to estimate the potential risks faced by the creditor in the future.
- d. Financial ratio analysis is very useful to assess financial performance and company performance.

2.1.4.1 Types of Financial Ratio

There are several types of financial ratios that can be used either for investors or management. Each of the ratios will give a different meaning depends on the company's needs and the parties who are conducting the analysis. There are four standard basic financial ratios, namely:

A. Profitability Ratio

The profitability ratio is used to know the ability of the company to get profit in a certain period. According to Hapsari and Saputra (2018), profit could be a factor that determines the success or failure of a company in running its business. The increasing profitability ratio will show the excellent quality of the company's ability to get high profits. Nurmasari (2018) stated that when the company can achieve profit, it means that it has good profitability. Profitability ratio has several kinds of measurement, namely:

- Return on Asset
- Return in Equity
- Return on Investment
- Operating Ratio
- Net Profit Margin
- Operating Profit Margin
- Gross Profit Margin, Etc.

The profitability ratios used in this research is as follows:

1. Return on Asset

In this research, ROA is used as an assessor of the company's ability to generate profits. Return on asset shows the ability of the company's asset to generate a profit and shows the ability of the company to handle the equity given by the investor to run the company. Ang (1997) stated that ROA is the most crucial ratio among the profitability ratios to predict the stock returns. The higher the ROA, the bigger the chance of the investor's trust in the company. As an investor, he believes that if the ROA is higher, there is a chance of increasing stock returns in the future. ROA can be measured using the following formula (Husna & Satria, 2019):


$$ROA = \frac{\textit{Profit Before Tax}}{\textit{Total Asset}}$$

B. Liquidity Ratio

A company should be able to maintain their cash for fulfilling their obligation or any operation. According to Ika and Listiorini (2020), a liquidity ratio is a ratio that shows the company's ability to maintain its cash for fulfilling its short obligation. The liquidity ratio is essential for the investor because this ratio will show the company's condition when they are billed for its debt or when they are they able to pay it, especially the debt that is due. The company can be called liquid if it can manage the financial obligation at the right time. If the company could not handle it, it means that it is in a difficult economic condition. Liquidity ratio has several kinds of measurement, namely:

- Current Ratio

- Quick Ratio
- Cash Ratio
- Cash Turnover Ratio

The Liquidity ratios used in this research is as follows:

1. Current Ratio

According to Meryati (2020), the current ratio is a ratio that shows the company's ability to pay its debt using current asset on the due date. When the company has the current asset in a larger amount for paying its short-term debt, it reflects that the company has a good condition and has a higher value on current ratio. It will show that the company has a slight chance of failure because this ratio will guarantee the investor that the company can pay its short-term debt. Meanwhile, the higher current ratio will also have a weakness. It will negatively impact the company for earning profit because most of the working capital is not moving. Current ratio can be measured using the following formula (Utami, 2017):

$$\text{Current Ratio} = \frac{\text{Current Asset}}{\text{Current Liability}}$$

C. Activity Ratio

Activity ratio is a ratio that will show the company's ability to manage, utilize, and organize the resources they have. Activity ratio is essential for the investor to look for because it can show how efficient the company is in using its asset for its operation. Activity ratio has several kinds of measurement, namely:

- Inventory Turnover

- Total Asset Turnover
- Cash Turnover
- Fixed Asset Turnover
- Receivable Turnover
- Working Capital Turnover

The activity ratio used in this research is as follows:

1. Total Asset Turnover

Total asset turnover is a ratio that will show how effective the activity of the company. According to Widodo (2019), TATO is the ratio between sales (net) to total assets used by the company's operations. The higher value of TATO will positively impact the company because it shows that the company can handle their asset for generating the total net sales. Therefore, it has the potential to attract investors to invest in the company. Total asset turnover can be measured using the following formula (Utami, 2017):

$$Total\ Asset\ Turnover = \frac{Sales}{Total\ Asset}$$

D. Solvency Ratio

Solvency ratio is essential to be known because it will show the company's ability to pay all the obligation. Solvency ratio is different from liquidity ratio. This ratio is more focused on the long-term debt or debt that will be due more than one year. According to Widodo (2019), solvency ratio is a ratio that compares funds

provided by the owner with expenditures from creditors. Solvency ratio has several kinds of measurement, namely:

- Debt to Equity Ratio
- Debt to Asset Ratio
- Fixed Charge Coverage
- Cash Flow Coverage
- Times Interest Earned

The solvency ratio used in this research is as follows:

1. Debt-to-Equity Ratio

Debt-to-equity ratio is used to analyze a company's financial leverage. DER is a ratio that shows the company's ability to fulfill its obligation, which is indicated by how much part of its capital to pay debts. According to Sasongko and Shaliza (2019), this ratio will attract the investor if DER is lower because it will show that the lower the DER ratio, the lower the company's chance to fail or bankrupt. When the ratio of DER is higher, it indicates that company could not really handle for paying its debts, and it shows that the company rely on outside parties. It makes the level of company risk getting bigger in fulfilling its obligations. Debt-to-equity ratio can be measured using the following formula (Husna & Satria, 2019):

$$\text{Debt to Total Equity} = \frac{\text{Total Liabilities}}{\text{Total Shareholder's Equity}}$$

2.1.5 Stock Returns

The purpose of investment is to gain a return. Stock returns can be a motivation for the investor to make an investment. According to Sasongko and Shaliza (2019), stock returns is the result being expected from their stock investment. Meanwhile, according to Nurmasari (2018), stock returns is a profit that will be received by the investor or shareholder that already invest their money in the capital market. Stock returns is crucial because it will give information about company performance that can be used as references to decide investing in the company. According to Meryati (2020), investors will receive the return differently depends on which instrument they buy/invest. Thus, investors need to be clever to pick/select which instrument will give a good return. Nurmasari (2018), stated that there are two kinds components of returns:

- Capital Gain
- Dividend Yield

Capital gain is the result obtained from the difference between the purchase price (purchase rate) and the selling price (selling rate). If the price of the investment instrument for the current period is greater than the price for the investment instrument in the previous period, the investor will get in the form of a capital gain, and vice versa if the price of the investment instrument for the current period is lower than the price for the investment instrument in the previous period, the investor will receive a loss in the form of capital loss (Tandelilin, 2017). Dividend yield is the profits that will be obtained by shareholders that are obtained from the company's net income which will be distributed to shareholders (Nurmasari, 2018).

In this research using capital gain for measuring the stock returns. The value of the stock returns can be calculated using the formula (Nurmasari, 2018):

$$R_T = \frac{P_T - P_{T-1}}{P_{T-1}}$$

2.1.6 Financial Services Authority

The Financial Services Authority (OJK) is a state institution established under Law Number 21 of 2011 whose function is to organize an integrated regulatory and supervisory system for all activities in the financial services sector. The task of OJK, is one of them is the task of making regulations. The regulation can be made based on the background of the problem, in this research the background of formulating the regulation is that commercial banks are based on the spirit and purpose so that Indonesian banks can become more competitive, adaptive and contributive to the national economy, as well as encourage the banking industry to reach a higher level of economy of scale, more efficient and can serve as a guide in the development of the banking industry, particularly related to bank institutional aspects.

2.3 Previous Studies

There are several previous researches that is used as a reference for this research as follows:

The research conducted by Jaya (2015) is entitled *The Effect of Loan to Deposit Ratio, Return on Assets, Capital Adequacy Ratio, Exchange Rate and*

Interest Rate on Stock Returns. ROA, Loan to Deposit Ratio, Capital Adequacy Ratio, Exchange Rate and Interest Rate were the independent variables in the research. The result showed that variable ROA had positive & significant influence on return stock. Meanwhile, loan to deposit ratio, capital adequacy ratio, exchange rate & interest rate had no influence and significant on stock returns.

The research conducted by Kristina et al. (2015) is entitled *The Effect of EPS, ROE, DER, and TATO on Stock Returns in Insurance Company Listed on Indonesia Stock Exchange (IDX)*. Earnings Per Share, Return on Equity, Debt-to-Equity Ratio and Total Asset Turnover Ratio were the variables used in this research. The result showed that those variables had an influence on stock returns simultaneously. Meanwhile, only EPS & DER that had an influence on stock returns partially.

The research conducted by Raningsih and Putra (2015) is entitled *The Effect of Financial Ratios and Firm Size on Stock Returns in Food and Beverages Companies on The IDX for The 2010-2013 Period*. Activity ratio, leverage ratio, profitability ratio, liquidity ratio and firm size were the financial ratio used in this research. Based on the result, profitability ratio and leverage ratio had a positive influence on stock returns which means that company could handle properly and optimally the debt and turned it into greater return. Meanwhile, liquidity ratio had a negative influence on stock returns and activity ratio and firm size had no effect on stock returns.

The research conducted by Hendayana (2016) is entitled *Profitability Ratios, Leverage Ratios, and Systematic Risk of Stock Returns in The Mining Sector*. Profitability Ratio, Leverage Ratio & Systematic Risk were the independent variables used in this research. The research was conducted in mining industry and showed that leverage ratio had a significant influence on stock returns. Meanwhile, systematic risk did not have any significant influence on stock returns.

The research conducted by Dewi (2016) is entitled *The Effect of Liquidity, Profitability, Solvency, Activity Ratio and Market Valuation on Stock Returns in Manufacturing Companies on The Indonesia Stock Exchange for The Period 2011-2015*. Liquidity, Profitability, Solvency, Activity and Market Valuation were the independent variables used in the research. The research found out that in manufacture company, it showed that partially profitability, liquidity, activity ratio and market valuation had a positive and significant effect on stock returns. Meanwhile solvency ratio had negative and significant effect on stock returns.

The research conducted by Trisca and Mungniyati (2017) is entitled *The Effect of Financial Ratios on Stock Returns in Public Manufacturing Companies*. Return on Sales, Current Ratio, Asset Turnover Ratio, Financial Leverage, the Proportion of Profit Margin before Interest, Tax and Depreciation, Working Capital Turnover, Inventory Turnover, the Ratio of Market Value to Book Value of Equity and Earnings Yield are the variables used in the research. The result of the research showed that ROS, TATO & Earnings Yield affected stock returns. Meanwhile, Current Ratio, Financial Leverage, The Proportion of Profit Margin before Interest,

Tax and Depreciation, Working Capital Turnover, Inventory Turnover, the Ratio of Market Value to Book Value of Equity had no effect on stock returns.

The research conducted by Nurmasari (2018) is entitled *The Effect of Financial Ratios and Income Growth on Stock Returns in Plantation Companies on The Indonesia Stock Exchange in 2010-2017*. CR, ROE, DER and Revenue Growth were the independent variables used in this research. The research found out that debt to equity ratio had a negative and significant effect on stock returns. Meanwhile, simultaneously CR, ROE, DER and Revenue Growth had significant effect on stock returns about 29% and partially CR, ROE and Revenue Growth had no significant effect on stock returns.

The research conducted by Simorangkir (2019) is entitled *The Effect of Financial Performance on Stock Returns of Mining Companies*. He found out that partially ROE & Net Profit Margin had influence on stock returns and ROA had a negative and significant effect on stock returns. Meanwhile, ROA, ROE & Net Profit Margin had a significant influence on stock returns. In this research, the variables were ROA, ROE & Net Profit Margin.

The research conducted by Sasongko and Shaliza (2019) is entitled *The Effect of Leverage, Profitability and Economic Value Added on Stock Returns in The Food and Beverage Industry Listed on The Indonesia Stock Exchange in 2012-2016*. Leverage Ratio, Profitability Ratio & EVA were the independent variables. The result showed that leverage, profitability & EVA influenced stock returns simultaneously. Leverage ratio had significant influence on stock returns. Meanwhile, profitability and EVA had not affected stock returns.

The last research conducted by Christian, Saerang and Tulung (2021) is entitled *The Effect of Current Ratio, Debt to Equity and Return on Equity on Stock Returns in Telecommunication Companies Listed on the IDX (2014-2019 Period)*. Current ratio, debt to equity ratio and return on equity were the independent variables. The result showed that CR, DER and ROE had no influence on stock returns simultaneously. Meanwhile, CR and DER had influence on stock returns partially, while ROE had no influence on stock returns. Table 2.1 below summarizes the previous studies used as reference in this research.

The research conducted by Ika and Listiorini (2020) is entitled *The Effect of Financial Performance on Islamic Stock Returns with Interest Rates as Moderating*. The result showed that all variables X had no significant effect on sharia's stock returns simultaneously. Meanwhile, TATO, CR, DER and Price Earnings Ratio had no significant influence on stock returns and ROA showed that it had a significant influence on sharia's stock returns.

The research conducted by Meryati (2020) is entitled *The Effect of Fundamental Factors on Stock Returns and Their Impact on The Value of Automotive Companies in Indonesia*. DER, CR, PBV, ROA & ROA are the independent variables. The result showed that ROA, ROE & PBV had a positive effect on stock returns. Meanwhile, DER & CR negatively affected stock returns.

Table 2.1
Previous Studies

No.	Name & Year	Variables	Results
1.	Jaya (2015)	<ul style="list-style-type: none"> • ROA, Loan to Deposit Ratio, Capital Adequacy Ratio, Exchange Rate & Interest Rate (X Variables) • Stock Returns (Y Variable) 	Based on the result, it showed that ROA had positive and significant influence on stock returns. Meanwhile CAR, LDR, and Exchange rate had no influence and significant on stock returns. Interest rate had negative and significant effect on stock returns. He mentioned that only tendency if LDR, CAR & Exchange rate increased, the stock returns will also increase.
2.	Kristina et al. (2015)	<ul style="list-style-type: none"> • EPS, ROE, DER & TATO (X Variables) • Stock Returns (Y Variable) 	The result of this research showed that all X variables had significant effect on stock returns simultaneously while EPS and DER influenced stock returns partially. In the other hand, TATO & ROE had no significant effect on stock returns.
3.	Raningsih and Putra (2015)	<ul style="list-style-type: none"> • Activity Ratio, Leverage Ratio, Profitability Ratio, Liquidity Ratio & Firm Size (X Variables) • Stock Returns (Y Variable) 	The result of this research showed that profitability and leverage ratio had positive influence on stock returns while liquidity ratio had negative influence on stock returns. Activity ratio and firm size had no effect on stock returns.
4.	Dewi (2016)	<ul style="list-style-type: none"> • Liquidity, Profitability, Solvency, Activity and Market Valuation (X Variables) • Stock Returns (Y Variable) 	The result showed that profitability, liquidity, activity and market valuation had a positive and significant effect on stock returns partially while solvency ratio had negative and significant effect on stock returns.
5.	Hendayana (2016)	<ul style="list-style-type: none"> • Profitability Ratio, Leverage Ratio & Systematic Risk (X Variables) 	The result of this research showed that leverage ratio had significant influence on stock returns while

		<ul style="list-style-type: none"> • Stock Returns (Y Variable) 	systematic risk did not have significant influence on stock returns.
6.	Trisca and Mungniyati (2017)	<ul style="list-style-type: none"> • Return on Sales, Current Ratio, Asset Turnover Ratio, Financial Leverage, The Proportion of Profit Margin before Interest, Tax and Depreciation, Working Capital Turnover, Inventory Turnover, The Ratio of Market Value to Book Value of Equity & Earnings Yield (X Variables) • Stock Returns (Y Variable) 	The result showed that Return on Sales, Asset Turnover Ratio, & Earnings Yield affected stock returns. Meanwhile, Current Ratio, Financial Leverage, the Proportion of Profit Margin before Interest, Tax and Depreciation, Working Capital Turnover, Inventory Turnover, the Ratio of Market Value to Book Value of Equity had no effect on stock returns.
7.	Nurmasari (2018)	<ul style="list-style-type: none"> • CR, ROE, DER & Revenue Growth (X Variable) • Stock Returns (Y Variable) 	Partially CR, ROE & Revenue Growth had no significant effect on stock returns. Thus, DER has a negative significant effect on stock returns, moreover CR, ROE, DER & Revenue Growth had significant effect on stock returns simultaneously of 29%.
8.	Sasongko and Shaliza (2019)	<ul style="list-style-type: none"> • Leverage Ratio, Profitability Ratio & EVA. (X Variables) • Stock Returns (Y Variable) 	The result of this research showed that leverage ratio had significant influence on stock returns. Besides, profitability & EVA did not affect stock returns. Leverage, profitability & EVA influenced stock returns simultaneously
9.	Simorangkir (2019)	<ul style="list-style-type: none"> • ROA, ROE & Net Profit Margin (X Variables) • Stock Returns (Y Variable) 	The result of this research showed that ROA, ROE and Net Profit Margin had a significant influence on stock returns. Meanwhile, ROA had negative and significant effect on stock return partially. ROE & Net Profit Margin influenced stock returns partially.

10.	Christian, Saerang and Tulung (2021)	<ul style="list-style-type: none"> • CR, DER, and ROE (X Variables) • Stock Returns (Y Variable) 	The result showed that CR, DER and ROE had no influence on stock returns simultaneously. Meanwhile, CR and DER influenced stock return partially, while ROE had no influence on stock returns.
11.	Ika and Listiorini (2020)	<ul style="list-style-type: none"> • TATO, CR, DER, ROA & Price Earnings Ratio (X Variables) • Syariah's Stock Returns (Y Variable) 	According to the research, TATO, CR, DER and Price Earnings Ratio had no significant influence on stock returns while ROA showed that it had a significant influence on sharia's stock returns. All X variables had no significant effect on sharia's stock returns simultaneously.
12.	Meryati (2020)	<ul style="list-style-type: none"> • DER, CR, PBV, ROA & ROA (X Variables) • Stock Returns (Y Variable) 	The research found out that DER & CR negatively affected stock returns, while ROA, ROE & PBV had positive effect on stock returns.

2.3 Hypothesis Development

2.3.1 The Influence of Profitability Ratio on Stock Returns

Profitability ratio will show the ability of the company to generate a profit. Profitability ratio can be a reference for the investor for making a decision. The research that supports this statement is conducted by Kaddumi (2017) that stated the profitability ratio shows a significant positive effect on investment decisions at 5% level. It can be concluded that higher profitability ratio can have a positive effect on stock returns because the investor is willing to invest.

Based on signaling theory, if the company has a higher profit amount, it will make the company disclose their information widely to show the investor or other

interest parties that the company is feasible to invest. It can be seen when the companies have succeeded in increasing profits, it indicated that the company has a good performance; thus, it can create positive sentiment from investors and it can make the company's stock price increase.

Research conducted by Meryati (2020) is entitled *the effect of fundamental factors on stock returns and their impact on the value of automotive companies in Indonesia*. It stated that return on asset gave positive effect on stock returns. A study conducted by Jaya (2015) in his research the entitled *the effect of loan to deposit ratio, return on assets, capital adequacy ratio, exchange rate and interest rate on stock returns* found that Return on asset had a positive and significant influence on stock returns. A research conducted by Raningsih and Putra (2015) found out that profitability ratio had positive influence on stock returns. Therefore, based on the explanation above, the hypothesis can be formulated as follows:

H1: Profitability ratio has a positive influence on stock returns.

2.3.2 The Influence of Liquidity Ratio on Stock Returns

According to Ika and Listiorini (2020), the liquidity ratio showed how the company used or maintained their cash for paying the short-term obligation. The company needs to maintain this ratio because it will show that they can handle the situation that is farther from financial distress. The relationship between signaling theory and liquidity ratio is a high liquidity ratio that indicates a good company prospect. Thus, investors will respond positively to this signal and the return stock will increase because of the motivation of investors to invest in the company.

The increasing value of stock price will tell that there is an increase in company performance. It will impact investors because the return of the investment will also increase. If the company can meet short-term obligations, it can affect its credibility, and it shows that the company is in the good business condition. Meanwhile, the lower the company's liquidity, the less the company can afford to pay its short-term obligations on time.

Research conducted by Dewi (2016) entitled *the effect of liquidity, profitability, solvency, activity ratio and market valuation on stock returns in manufacturing companies on the Indonesia Stock Exchange for the period 2011-2015*, the result is profitability that proxied by current ratio has a positive and significant influence on stock returns partially. Other research conducted by Christian, Saerang and Tulung (2021) entitled *the effect of current ratio, Debt to Equity and Return on Equity on Stock Returns in Telecommunication Companies Listed on the IDX (2014-2019 Period)* found out that current ratio has an effect on stock returns partially. The research conducted by Dewi (2016) stated that liquidity ratio has a positive and significant effect on stock returns. Therefore, based on the explanation above, the hypothesis can be formulated as follows:

H2: Liquidity ratio has a positive influence on stock returns.

2.3.3 The Influence of Activity Ratio on Stock Returns

Activity ratio is a ratio that shows the company's ability to manage the resources for the company's operation. When activity ratio increases, the company can handle their sale very well and show good company performance. According

to signaling theory, the company is motivated to convey the information for potential investors. The increasing of activity ratio can be good information that the company will share with the investor and this information will attract investors to invest in the company. It can be concluded that the disclosure of the information has an impact on the return of stock that was influenced by the increase of activity ratio. The more information disclosed by the company can give signals for investors to make investment decisions.

Based on the research conducted by Trisca and Mungniyati (2017) entitled *the effect of financial ratios on stock returns in public manufacturing companies* stated that Total asset turnover ratio affected the stock returns. A research conducted by Dewi (2016) found out that activity ratio proxied by total asset turnover has a positive and significant effect on stock returns. Therefore, based on the explanation above, the hypothesis can be formulated as follows:

H3: Activity ratio has a positive influence on stock returns.

2.3.4 The Influence of Solvency Ratio on Stock Returns

The signaling theory explains that the high value of the solvency ratio is a sign that the company has the potential to pay more debt. Thus, investors will respond negatively to these signals and investor interest will decrease. Solvency ratio is a ratio that tells the ability of the company to pay all the obligations. The investor wants to know whether the company has funding from internal parties or external parties. It will be better for the company if they fund their operation using

equity or internal funding. Solvency ratio will show the source of the company funding for its operational activity.

The higher the solvency ratio, the higher the amount of debt that the company will pay. A high solvency ratio can have a negative impact on the company's financial condition. The higher the solvency ratio, the more it shows the company's poor financial performance. It will reduce investor's interest in investing their funds in the company because of the higher risk. The decrease in investor interest will impact the loss in stock prices. Thus, returns will also get affected.

Research conducted by Ika and Listiorini (2020) stated that the solvency ratio that proxied with debt-to-equity ratio has no significant influence on stock returns. The research conducted by Nurmasari (2018) entitled *the effect of financial ratios and income growth on stock returns in plantation companies on the Indonesia Stock Exchange in 2010-2017* stated that solvency ratio that proxied by DER has a negative and significant effect on stock returns. The research also conducted by Meryati (2020) stated that debt to equity ratio negatively affects stock returns. Therefore, based on the explanation above, the hypothesis can be formulated as follows:

H4: Solvency ratio has a negative influence on stock returns.

2.4 Conceptual Framework

The research is conducted to determine whether or not there is an effect of the financial ratio on stock returns. The most reason people do the investment is to

make a profit. In this context, the profit is a return. Return is one of the factors that motivates investors to invest. To obtain these returns, investors need an analysis that can be used to measure how much potential of return that the company provides. Financial ratio analysis is used by the investor to know the condition of the company. The financial ratios contribute approximately (53%) when deciding for the investment (Alqam & Hamshari, 2021). The financial ratio used in this research is profitability ratio, liquidity ratio, activity ratio, and solvency ratio. This research used signalling theory, where signalling theory describes how the company is willing to share its information with external parties or interest parties. One of the information that can be used as a signal is an announcement made by an issuer that can influence the stock returns.

Profitability ratio shows the company's ability to make a profit. The higher profitability ratio can positively affect stock returns because the investor is willing to invest in this research, profitability ratio proxied by return on asset. Based on the signaling theory, the higher the ratio, the greater the value of the company's profitability which turns to be a positive signal for investors to invest in the company. Therefore, the hypothesis can be formulated as profitability ratio has a positive influence on stock returns.

Liquidity ratio showed how well a company to fulfill their financial obligation. Based on signalling theory, when the liquidity ratio increases, the company will disclose its information widely to show the investor or other interest parties. This information can be used by the investor to make a decision. Therefore,

the hypothesis can be formulated as liquidity ratio has a positive influence on stock returns.

Activity ratio shows the company's ability to manage the resources for the company's operation. The increasing of activity ratio indicates that the company can handle their sale very well and show good company performance. This information can be a positive signal for the investor. Based on signaling theory, the availability of information can affect the willingness of the investor to invest. Therefore, the hypothesis can be formulated as activity ratio has a positive influence on stock returns.

Solvency ratio is a ratio that shows the company's ability to pay all the obligations. An increase in debt can affect investment decision-making by investors. The higher the solvency ratio, the higher the amount of debt that the company will pay. This information can be a negative signal for the investor because there will be a potential risk faced by the investor. Therefore, the hypothesis can be formulated as solvency ratio has a negative influence on stock returns.

H1: Profitability ratio has a positive influence on stock returns.

H2: Liquidity ratio has a positive influence on stock returns.

H3: Activity ratio has a positive influence on stock returns.

H4: Solvency ratio has a negative influence on stock returns.

The conceptual framework of this study is presented as follows:

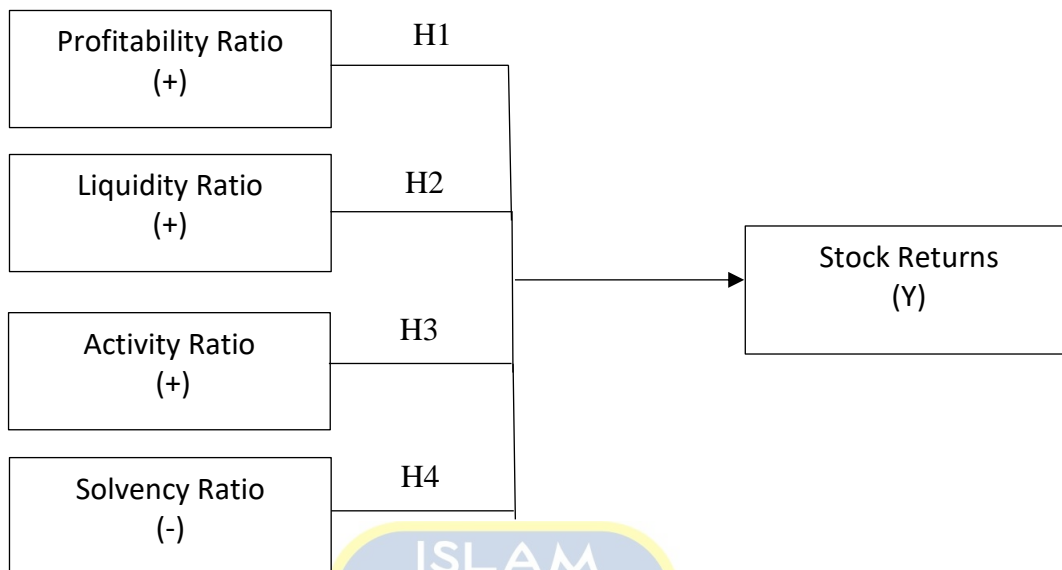
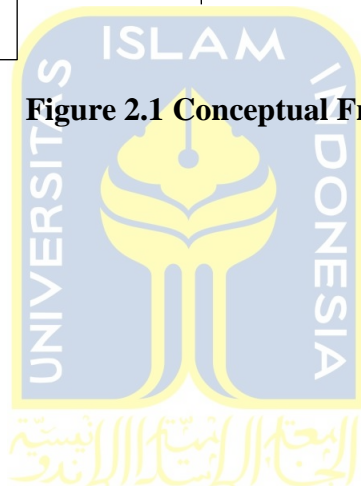


Figure 2.1 Conceptual Framework



CHAPTER III

RESEARCH METHOD

3.1 Research Design

This research aimed to get the detailed view and result of the issue that already stated on the research question. The quantitative approach was used in this research. Quantitative is described as the methods of explaining an object through gathering data in numerical form (Apuke, 2017). In other words, this approach showed the validity and reliability of data supported by quantitative data by doing analysis using statistical tools.

3.2 Population and Sample

Population is known as the whole object of the research, it could be in the form of group of people, characteristic, animals, and events (Hardani et al., 2020). The population used in this research is Financial Sector Listed on the Indonesia Stock Exchange. The sample used in this research is purposive sampling, which means this method was using sampling selection based on specific criteria according to the research objectives. The sample must reflect the condition of the population because the conclusion result of the sample should be based on the result of the population (Hardani et al., 2020). These populations consisted of 47 financial company in banking sectors that was listed on the Indonesia stock exchange in 2015-2020 and examined based on several criteria of the sample, such as:

1. Financial sector companies listed on the Indonesia Stock Exchange in banking sector for the in 2015-2020.

2. Financial sector companies on the Indonesia Stock Exchange in banking sector that do not publish audited financial statements for the 2015 – 2020 period.
3. Financial sector companies on the Indonesia Stock Exchange in banking sector that do not submit complete data in accordance with the information required in this research.

3.3 Data Collection Method

The data collection method section explains sources of data and data collection method employed in this study.

3.3.1. Sources of Data

This research used secondary data as one of the data collection methods. Secondary data presented any data which was collected or gathered by someone else, and the data can be used for the new research question (Martins et al., 2018). The data collected by the company was already listed on the Indonesia Stock Exchange period 2015, 2016, 2017, 2018, 2019, and 2020. The research data was taken from the official website of Indonesia Stock Exchange, the official website of the company, and Indonesia capital market dictionary.

3.3.2. Data Collection Method

This study used documentation as its data collection method. The documentation technique is a technique by collecting secondary data from

documents in the form of financial reports which was published by the Indonesia Stock Exchange from 2015 to 2020. The documentation method of this study involves collecting data by recording the existing data and all of the data are secondary data (Hardani et al., 2020).

3.4. Research Variables

There are two types of variables in this research such as independent variable and dependent variable. These variables consisted of profitability ratio as independent variable (X1), liquidity ratio as independent variable (X2), activity ratio as independent variable (X3), solvency ratio as independent variable (X4), and stock returns as dependent variable (Y1).

3.4.1 Independent Variable

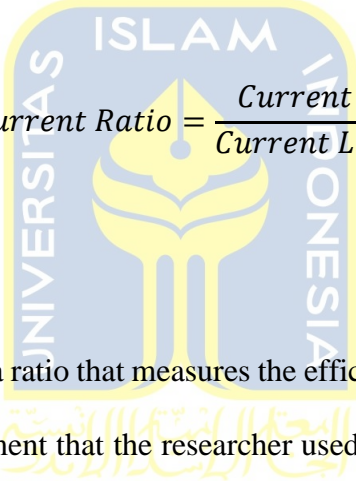
3.4.1.1 Profitability Ratio

Profitability ratio showed how the company can make a profit. In other words, profitability ratio is a ratio that shows how well the company uses their asset to generate profit. According to Sukmawati and Garsela (2016), if a company has a good ROA, it will have a better company's financial performance. There are several measurements for calculating profitability ratio, but this research will focus on return on asset (ROA). Return on asset showed how well the company make a profit from the equity that the investor gives. ROA can be measured using the following formula (Husna & Satria, 2019):

$$ROA = \frac{\textit{Profit Before Tax}}{\textit{Total Asset}}$$

3.4.1.2 Liquidity Ratio

Liquidity ratio shows how well a company to fulfill their financial obligation. Current ratio is used to measure this ratio. Current ratio is a ratio that shows the company's ability to meet its short-term debt obligation. According to Oktrima (2017), the current ratio can be seen as a measurement of the company's safety level. In other words, it shows the financial health of the company and it indicates whether or not the company is capable of managing their current asset to cover their current debt. Current ratio can be measured using the following formula (Utami, 2017):


$$\text{Current Ratio} = \frac{\text{Current Asset}}{\text{Current Liability}}$$

3.4.1.3 Activity Ratio

Activity ratio is a ratio that measures the efficiency of a company managing its assets. The measurement that the researcher used for activity ratio is total asset turnover (TATO). Based on Nur'aidawati (2018), TATO is ratio that shows the ability of company to utilize their fixed asset to increasing their profit. Total asset turnover can be measured using the following formula (Utami, 2017)

$$\text{Total Asset Turnover} = \frac{\text{Sales}}{\text{Total Asset}}$$

3.4.1.4 Solvency Ratio

Solvency ratio shows the ability of the company to pay all the obligations. The investor currently used this ratio to know whether the company is worth enough

to be invested. The investor needed to know if the company's cash flow can fulfill its long-term and short-term obligation. The measurement for this ratio is debt-to-equity ratio. According to Widodo (2019), debt to equity ratio shows the comparison between obligation and equity in funding the company and shows the ability of the company's capital to fulfill its obligation. Debt-to-equity ratio can be measured using the following formula (Husna & Satria, 2019)

$$\text{Debt} - \text{to} - \text{Total Equity} = \frac{\text{Total Liabilities}}{\text{Total Shareholder's Equity}}$$

3.4.2 Dependent Variable

3.4.2.1 Stock Returns

The dependent variable used in this research is stock returns. According to Meryati (2020), stock returns is a value that we gain after stock investment. There are two kinds of stock returns, dividend yield and capital gain. The research focused on the capital gain where the value was obtained by comparing the current price of the stock and the previous stock price. It could be measured using this formulation (Nurmasari, 2018):

$$R_T = \frac{P_T - P_{T-1}}{P_{T-1}}$$

Descriptions:

R_T : Stock Returns

P_T : Current Stock Price

P_{T-1} : Previous Stock Price

3.5. Data Analysis Method

3.5.1 Descriptive Statistics

Descriptive statistic describes the basic information of data in the research and provides summaries (Mishra et al., 2019). Descriptive statistics provides the interpretation of the independent variable in this research about profitability ratio, liquidity ratio, activity ratio, and solvency ratio. According to Sugiyono (2013), descriptive statistic is used to analyze the data and describe it without making any own conclusion.

3.5.2 Classical Assumption Test

The research used more than two independent variables which used the data analysis method in the form of multiple linear regression. The purpose of this test is to know whether or not the data being used in a multiple linear regression are feasible and meets the requirements of the classical assumptions for making a good conclusion without any bias. The classical assumption test in this research includes normality, multicollinearity, heteroscedasticity and autocorrelation tests.

3.5.2.1 Normality Test

Normality test is used to examine whether the data which are independent and dependent variable or both of them are normally distributed. Normality test helps the researcher in doing the statistical analysis easier but if this assumption is violated, the statistical test will be invalid for a small sample size. The method for normality test in this research used the Kolmogorov-Smirnov test. The concept of

Kolmogorov-Smirnov test is to compare the distribution of variable data with the standard normal distribution ($\alpha = 5\%$ or 0,05).

3.5.2.2 Multicollinearity

Multicollinearity is used to test whether the regression model determines the correlation among independent variables. If there is a correlation among them, there is a multicollinearity problem. A test that could be used for multicollinearity test are the tolerance value and Variance Inflation Factor (VIF). According to Ghozali (2016), regression models that are free of multicollinearity are: Tolerance Value ≥ 0.10 or equal to the Variance Inflation Factor (VIF) value ≤ 10 .

3.5.2.3 Heteroscedasticity Test

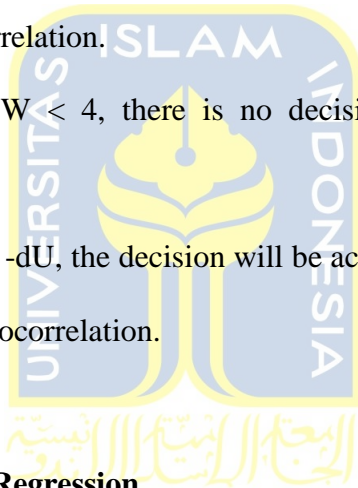
The purpose of heteroscedasticity test is to discover whether in the regression model there is an inequality of variance from the residuals of one observation to another. To find out whether there is heteroscedasticity or not, it could be seen through a form of certain pattern on the scatterplot graph. If there is a pattern that is not certain or spread, it could be ascertained that there is no heteroscedasticity or free from heteroscedasticity.

3.5.2.4 Autocorrelation Test

Autocorrelation test is a test to know whether there is a correlation or not between the residuals in period t and period $t-1$ (previous period) in a linear regression model. A good regression model is a model that does not occur

Autocorrelation. Autocorrelation could be tested using *Durbin Watson Test* (DW-Test). There are several considerations for making a decision on the Durbin-Watson test results such as:

1. If $0 < DW < dL$, the decision will be rejected and there is no positive autocorrelation.
2. If $dL \leq DW \leq dU$, there is no decision and there is no positive autocorrelation.
3. If $4 - dU \leq DW \leq 4 - dL$, the decision will be rejected and there is no negative autocorrelation.
4. If $4 - dL < DW < 4$, there is no decision and there is no negative autocorrelation.
5. If $dU < DW < 4 - dU$, the decision will be accepted and there is no positive and negative autocorrelation.



3.5.3 Multiple Linear Regression

Multiple linear regression analysis is used to measure the effect or the relationship between the independent variables and the dependent variable. Independent variables of this research are ROA, CR, TATO, DER and dependent variable is stock returns. In this research, multiple linear regression models were carried out using Microsoft Excel and IBM SPSS Statistics programs with the following formulations:

$$Y = a + b_1X_1 + b_2X_2 + b_1X_1 + b_1X_1 + \varepsilon$$

In this research, researchers used the linear equation as follows:

$$Y = a + b_1ROA + b_2CR + b_3TATO + b_4DER + \varepsilon$$

Explanation:

Y: stock returns

α : constant

ROA: Return on Asset

CR: Current Ratio

TATO: Total Asset Turnover

DER: Debt to Equity Ratio

$b_1 - b_4$: Regression of coefficient

ε : Error

3.5.4 Hypothesis Testing

The aim of this test is to determine the relationship between the dependent variable (Stock Returns) and the independent variables (ROA, CR, TATO and DER). To test the hypothesis, this research used T-Test, F-Test, and the coefficient determination R^2 test to find out whether there is an effect of the independent variables on the dependent variable partially and simultaneously.

3.5.4.1 Coefficient Determination R^2

According to Ghozali (2016), coefficient determination R^2 is used to determine the ability of the model to explain the variation in the dependent variable. 0 and 1 are the values of the coefficient of determination. If the value of R^2 is close to 1, the independent variable could be seen to provide sufficient or appropriate

information to explain the dependent variables. If the value of R^2 is close to 0, then the independent variable has limitations in expressing or explaining the dependent variable.

3.5.4.2 F-Test

According to Ghozali (2016), the purpose of F-test is to find out if all independent variables simultaneously affect the dependent variable. This test was done to find out whether the independent variables of this research which are profitability ratio proxied by return on asset, liquidity ratio proxied by current asset, activity ratio proxied by total asset turnover, and solvency ratio proxied by debt-to-equity ratio, significantly or not affect stock returns as dependent variable.

F test hypothesis testing is as follows:

- $H_0 : \beta_1 = \beta_2 = \beta_3 = \beta_4 = 0$, it means that independent variables do not effect on stock returns simultaneously
- $H_a : \beta_1 \neq \beta_2 \neq \beta_3 \neq \beta_4 \neq 0$, it means that independent variables effect stock returns simultaneously

The criteria of F-test are as follows:

- If profitability value ≥ 0.05 , H_0 will be accepted
- If profitability value ≤ 0.05 , H_0 will be rejected

3.5.4.3 T-Test

The T-test is conducted to know the effect of independent variable individually in describing dependent variables. The purpose of T-test is to determine whether

there is an influence of Return on Asset (ROA), Current Asset (CR), Total Asset Turnover (TATO), and Debt-to-Equity Ratio (DER) variable on stock return of financial company listed on the Indonesia Stock Exchange in 2015-2020. The hypothesis test formula in the T-test is as follows:

- $H_0 : \beta_1 - \beta_2 - \beta_3 - \beta_4 = 0$, it means that independent variables partially do not have a positive influence on the dependent variable.
- $H_a : \beta_1 \neq \beta_2 \neq \beta_3 \neq \beta_4 = 0$, it means that independent variables partially have a positive influence on the dependent variable.

The hypothesis of the 4 independent variables is formulated as follows:

1. the effect of profitability ratio proxied by return on asset on stock returns of financial company listed on the Indonesia Stock Exchange in 2015-2020.
 - $H_{01} : \beta_1 \leq 0$, it means that profitability ratio does not have positive effect on stock returns of financial company listed on the Indonesia Stock Exchange in 2015-2020.
 - $H_{a1} : \beta_1 > 0$, it means that profitability ratio has a positive effect on stock returns of financial company listed on the Indonesia Stock Exchange in 2015-2020.
2. the effect of liquidity ratio proxied by current asset on stock returns of financial company listed on the Indonesia Stock Exchange in 2015-2020.
 - $H_{02} : \beta_2 \leq 0$, it means that liquidity ratio does not have positive effect on stock returns of financial company listed on the Indonesia Stock Exchange in 2015-2020.

- $H_{a2} : \beta_2 > 0$, it means that liquidity ratio has a positive effect on stock returns of financial company listed on the Indonesia Stock Exchange in 2015-2020.
- 3. the effect of activity ratio proxied by total asset turnover on stock returns of financial company listed on the Indonesia Stock Exchange in 2015-2020
 - $H_{03} : \beta_3 \leq 0$, it means that activity ratio does not have positive effect on stock returns of financial company listed on the Indonesia Stock Exchange in 2015-2020.
 - $H_{a3} : \beta_3 > 0$, it means that activity ratio has a positive effect on stock returns of financial company listed on the Indonesia Stock Exchange in 2015-2020.
- 4. the effect of solvency ratio proxied by debt-to-equity ratio on stock returns of financial company listed on the Indonesia Stock Exchange in 2015-2020.
 - $H_{04} : \beta_4 \leq 0$, it means that solvency ratio does not have positive effect on stock returns of financial company listed on the Indonesia Stock Exchange in 2015-2020.
 - $H_{a4} : \beta_4 > 0$, it means that solvency ratio has a positive effect on stock returns of financial company listed on the Indonesia Stock Exchange in 2015-2020.

CHAPTER IV

RESULTS AND DISCUSSION

The research was conducted on financial sector companies listed on the Indonesia Stock Exchange (IDX) from 2015 – 2020. The purpose of this research is to explain and analyze the effect of profitability, activity, liquidity and solvency ratios on *stock returns* in financial company in banking sector listed on the Indonesia Stock Exchange from 2015-2020 period. In this research, the sample was 14 companies that had met the sample criteria and for 6 period of analysis (2015-2020); therefore, the total data was 84, as shown in Table 4.1

Table 4.1
Sample Characteristic Result

No.	Criteria	Total company
1	Financial sector companies listed on the Indonesia Stock Exchange in banking sector from 2015-2020	47
2	Financial sector companies on the IDX in banking sector that do not publish audited financial statements from 2015 – 2020	(6)
3	Financial sector companies in banking sector that do not submit complete data in accordance with the information required in this research	(27)
	Total Sample	14
	Total Data Analysis 14 x 6 =	84

In the description of Table 4.1 above, it can be seen that from the beginning the population was 47 companies and after the selection of the sample it reduced to 14 companies that fulfil the criteria with the total period analysis of 6 years. Therefore, the total sample analyzed in this research were 84 samples.

Table 4.2
Company List

No.	Code	Company
1	BBCA	Bank Central Asia Tbk
2	BBNI	Bank Negara Indonesia (Persero) Tbk
3	BBRI	Bank Rakyat Indonesia Tbk
4	BSIM	Bank SinarMas Tbk
5	BTPN	Bank BTPN Tbk
6	BMRI	Bank Mandiri Tbk
7	BNGA	Bank CIMB Niaga Tbk
8	BNII	Bank Maybank Indonesia Tbk
9	BNLI	Bank Permata Tbk
10	BDMN	Bank Danamon Indonesia Tbk
11	PNBN	Bank Panin Tbk
12	BBKP	Bank KB Bukopin Tbk
13	BJBR	Bank Pembangunan Daerah Jawa Barat & Banten Tbk
14	BVIC	Bank Victoria International Tbk

To answer the problem and to prove the hypothesis, the analytical technique used in this research were descriptive analysis, classical assumption analysis and multiple linear regression analysis.

4.1 Statistics Descriptive Analysis

Statistics descriptive analysis explains the description of the data from all the variables that will be used in the research model such as Return on Asset, Current Ratio, Total Asset Turnover, Debt to Equity Ratio, and Return Stock on financial sector listed on Indonesia stock exchange from 2015-2020.

Table 4.3
Descriptive Analysis of Research Variables

	n	Minimum	Maximum	Mean	Std. Deviation
ROA	84	-4.080	3.330	1.25619	1.200466
CR	84	81.950	171.360	115.88893	14.228862
TATO	84	.010	.120	.05988	.023154
DER	84	2.400	11.520	5.91476	1.915494
RETURN	84	-.064	.165	.00962	.037004

Source: Processed Secondary Data, 2021

According to Table 4.3, there were 84 samples of data analysis. Furthermore, it will be explained as below.

1. Profitability measured by *Return on Assets* (ROA), it shows that during the research period, this variable had a minimum value of -0.4080. It means that the company suffered loss of 4.08% of the total assets owned. The maximum value was 3.330. It means that the ability of assets to generate the greatest profit for the company was 3.33%. The average value was 1.256%. It means that from 84 observations of 14 companies in the financial sector industry during the research period, the average value of the company's profits was 1.256% of the total assets owned by the company. Meanwhile, the standard deviation was 1.200. It means that during the research period, the size of the spread of the Return on Assets (ROA) variable was 1.200 out of 84 cases that occurred.
2. The descriptive results on the liquidity variable as measured by the Current Ratio during the research period had a minimum value of 81.950. It means that the company's ability to meet the needs of short-term debt was 81.95%

of current assets. The maximum value was 171.360%. It indicated that during the research period, 14 companies were able to meet their short-term debt requirements of 171.360% of current assets. The average value was 115.88%. It means that the average of company's ability to meet the needs of short-term debt was 115.88% of current assets. Meanwhile, the standard deviation was 14.228. It means that during the research period, the size of the spread of the Current Ratio variable was 14.228 of the 84 cases that occurred.

3. Based on Table 4.3, the activity ratio was measured by Total Assets Turnover. It shows that during the research period, this variable had a minimum value of 0.010. It means that the company was only able to perform asset turnover to generate sales of 0.01 times. The maximum value was 0.120. It means that the largest company's ability to perform asset turnover generates sales was 0.120 times. The average value was 0.0598. It means that from 84 observations in 14 companies in the financial sector industry on the Indonesia Stock Exchange during the research period, the average efficiency of the company's ability to utilize all resources or assets (assets) owned by the company to support activities sales was 0.0598 times a year. While the standard deviation was 0.023154. It means that during the study period, the size of the spread of the TATO variable was 0.023154 out of 84 cases that occurred.
4. Debt to Equity Ratio (DER) shows the company's ability to fulfill all of its obligations, which is indicated by how much of its own capital is used to

pay debts. During the research period, this variable had a minimum value of 2.400. It means that the company's lowest ability to fulfill its obligations was 2.400% of its total own capital. The negative value happened because in this condition, the company experienced consecutive losses which caused its equity value to be negative, as a result of continuous negative cumulative retained earnings. The maximum value was 11.520. It means that the company's ability to pay its debts was 11.520% of the total equity. The average value was 5.914. It means that of the 14 financial sector industrial companies during the research period, the ability to pay their debts was 5.914% of the total equity owned by the company. This value was above 1. It indicated that the average value of the company's existing debt was much greater than the amount of its own capital. Thus, with its own capital, it will not be able to pay off the company's debt. The standard deviation was 1.915. It means that during the research period, the size of the spread of the variable Debt to Equity Ratio (DER) was 1.915 of the 84 cases that occurred.

5. Based on Table 4.3 above, the stock returns during the research period had a minimum value of -0.064. It means that the stock price during the research period experienced the largest decline at -6.4%. The maximum value of 0.165 means that during the research period, the stock price experienced the largest increase at 16.5%. The average value was 0.00962. It means that during the research period, the average shared price increased by 0.00962 times or 0.962%. The standard deviation of 0.037 means that during the

research period, the size of the spread of the stock returns variable was 3.7% of the 84 cases that occurred.

4.2 Classical Assumption Tests

Before performing multiple linear regression analysis, the classical assumption test is needed to prove that the conclusions obtained do not cause any biased values. The classical assumption test includes normality test, multicollinearity test, autocorrelation test and heteroscedasticity test.

4.2.1 Normality Test

The purpose of Normality test is to know whether or not in the regression model, dependent and independent variables have normal data distribution. In this research, normality testing used Kolmogorov-Smirnov test which compared the distribution of variable data with the standard normal distribution ($\alpha = 5\%$ or 0.05). If the probability value (sig) > 0.05 , it can be ascertained that the research data was normally distributed. Normality test results can be shown in Table 4.4.

Table 4.4 Normality test

One-Sample Kolmogorov-Smirnov Test		Unstandardized Residual
n		84
Normal Parameters ^{a,b}	Mean	.0000000
	Std. Deviation	.03188371
Most Extreme Differences	Absolute	.138
	Positive	.138
	Negative	-.087

Kolmogorov-Smirnov Z	1.268
Asymp. Sig. (2-tailed)	.080

a. Test distribution is Normal.

b. Calculated from data.

Source: Processed Secondary Data, 2021

Based on Table 4.4 above, it can be seen that the probability value was $0.080 > 0.05$. Thus, it can be inferred that the residual data of this research model comes from a normal population.

4.2.2. Multicollinearity Test

Multicollinearity test is used to examine whether or not the regression model has a very strong correlation between the independent variables. If there is a strong correlation among the independent variables, there is a multicollinearity problem. Multicollinearity test is done by using tolerance value and Variance Inflation Factor (VIF). According to Ghazali (2016), the regression model that is free from multicollinearity is the Tolerance Value > 0.10 or equal to the Variance Inflation Factor (VIF) < 10 . The results of the multicollinearity test are shown in Table 4.5.

Table 4.5.
Multicollinearity Test Results

Independent Variable	Tolerance	VIF	Results
ROA	0.803	1.246	No multicollinearity
CR	0.921	1.086	No multicollinearity
TATO	0.803	1.246	No multicollinearity
DER	0.914	1.093	No multicollinearity

Source: IDX Corner secondary data, processed in 2021

According to the results of multicollinearity test above, it can be seen that all independent variables had a VIF value of less than 10 and a Tolerance value above 0.1. Thus, it can be concluded that there were no symptoms of multicollinearity in this research model.

4.2.3. Heteroscedasticity Test

The purpose of heteroscedasticity testing is to find out whether a regression model has variance inequality or not. If the variable from one observation to another is fixed, it is called homoscedasticity and if it is different, it is called heteroscedasticity. The symptom of heteroscedasticity occurs when the disturbance term for each observation is no longer constant, but varies.

The calculation of heteroscedasticity can be done in many models, one of which is a graph. The results of the Heteroscedasticity Test can be shown in Figure 4.1:

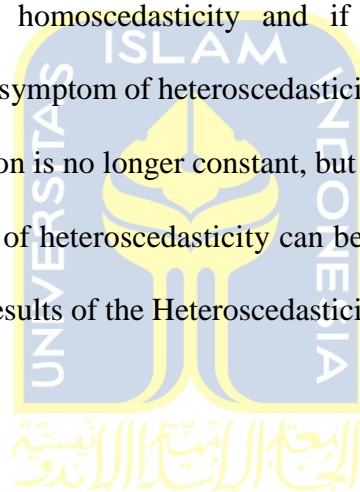
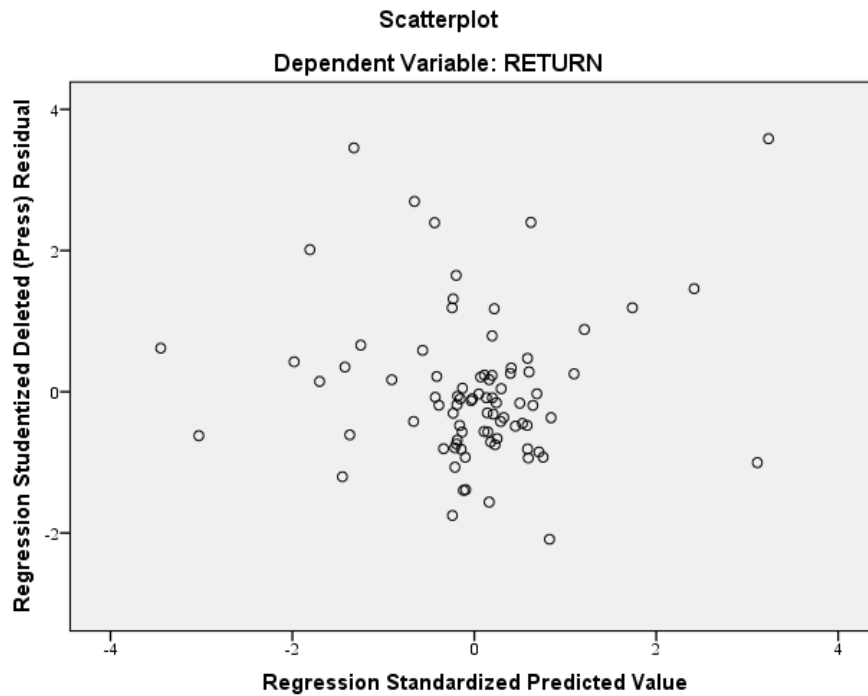


Figure 4.1.
Heteroscedasticity Test



Source: Processed Secondary Data, 2021

From Figure 4.1 above, it can be seen that the distribution of residual data spread randomly above and below the zero Y axis and did not form a certain pattern. Thus, it can be stated that there was no symptom of heteroscedasticity in the regression model.

In addition to using graphs, heteroscedasticity testing was carried out with the Glejser test as shown in Table 4.6 below:

Table 4.6
Heteroscedasticity Test with Glejser Test

	Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.003	.023		.148	.883
	ROA	-.001	.002	-.070	-.576	.567
	CR	.000	.000	.189	1.675	.098
	TATO	-.188	.114	-.200	-1.653	.102

	DER	.000	.001	-.013	-.113	.910
--	-----	------	------	-------	-------	------

Source: Secondary data processed, 2021

Table 4.6 shows that the probability value (sig) of all independent variables was above 0.05. Thus, it can be concluded that there was no symptom of heteroscedasticity in the regression model of this research.

4.2.4. Autocorrelation Test

Autocorrelation means that there is a correlation between members of the data sample sorted by time. Thus, the appearance of the data is influenced by the previous time. The Durbin Watson test is used to determine whether there is autocorrelation or not. Based on the Durbin Watson table based on the number of observations $n = 84$ and the number of independent variables $k = 4$, it is known that the value of $D_u = 1.747$. Thus, $4 - D_u = 2.253$. Durbin Watson test results are shown in Table 4.7.

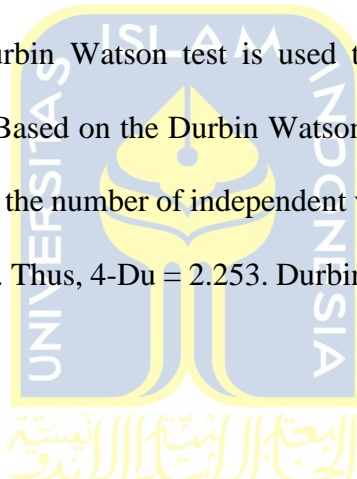


Table 4.7

Durbin Watson Test Results

Testing Criteria	Result	Conclusion
$DW < 1.550$: There is a negative autocorrelation
$1.550 < DW < 1.747$: Without conclusion
$1.747 < DW < 2.253$	1.885	: No autocorrelation
$2.253 < DW < 2.450$: Without conclusion
$DW > 2.450$: There is a negative autocorrelation

Source: Secondary data processed, 2021

The results of the Durbin Watson test shows that the calculated DW value of output was 1.885; which was between 1.747 (D_u) and 2.253 ($4 - D_u$). Thus, it can

be inferred that there was no autocorrelation detected in the residuals from regression analysis of this research.

4.3 Statistical Analysis

In accordance with the formulation of the problems and hypotheses that had been stated previously, the model used in analyzing the data was Multiple Linear Regression Analysis by utilizing pooling data from 14 (five) financial sector industrial companies for 6 years from 2015 to 2020.

The test results of the multiple regression model of the influence of fundamental factors (financial ratios) on stock returns in financial sector industrial companies from 2015 – 2020 can be seen in Table 4.8 below.



Table 4.8.

Multiple Linear Regression Results

Variables	Regression Coefficient (Unstandardized Coefficient)	Beta (Standardized Coefficient)	t	sig
(Constant)	-0.129		-3.691	0.000
ROA	0.007	0.216	1.997	0.049
CR	0.001	0.423	4.190	0.000
TATO	-0.054	-0.034	-0.310	0.757
DER	0.001	0.052	0.517	0.607
R	0.508			
R Square	0.258			

F statistic	6.852
Sig-F	0.000

Source: Secondary data processed, 2021

This research used multiple linear regression equation model as follows:

$$Y = \alpha + b_1ROA + b_2CR + b_3TATO + b_4DER + \varepsilon$$

The results of multiple linear regression analysis in Table 4.5 show the following regression equation:

$$RS = -0.129 + 0.007 ROA + 0.001 CR - 0.054 TATO + 0.001DER$$

From Table 4.8 above, the Interpretation of the Regression Equation is as follows:

1. The constant value was -0.129 which means that if the independent variables consisting of Return on Assets (ROA), Current Ratio (CR), Total Asset Turnover (TATO), and Debt to Equity Ratio (DER) were zero or had no effect on stock returns, the stock returns would be negative by 0.129 or the stock price decreased by 12.9%.
2. The regression coefficient on the Return on Assets variable was positive at 0.007 which means that if the Return on Assets increases by 1%, the stock returns would increase by 0.007%, assuming CR, TATO and DER were constant. With this positive influence, it means that between ROA and stock returns showed the same direction relationship. Increasing Return on Assets results in an increase in stock returns, and vice versa. If Return on Assets decreased, it resulted in a decrease in stock returns.
3. The regression coefficient on the Current Ratio variable was positive at 0.001 which means that if the Current Ratio increased by 1%, the stock returns would increase by 0.001%, assuming ROA, TATO and DER were

constant. With this positive influence, it means that between CR and stock returns showed the same direction relationship. The increasing current ratio resulted in an increase in stock returns and vice versa. If the current ratio decreased, it resulted in a decrease in stock returns.

4. The regression coefficient on the Total Asset Turnover variable is negative at -0.054 which means that if the Total Asset Turnover increased by 1%, the stock returns would decrease by 0.054%, assuming CR, ROA and DER were constant. With this negative influence, it means that between TATO and stock returns showed the opposite relationship. Increasing Total Asset Turnover resulted in a decrease in stock returns and vice versa. If the Total Asset Turnover decreased, it resulted in an increase in stock returns.
5. The regression coefficient on the Debt Equity Ratio variable was positive at 0.001 which means that if the Debt Equity Ratio increased by 1%, stock returns would increase by 0.001%, assuming CR, ROA and TATO were constant. With this positive influence, it means that between DER and stock returns showed the same direction relationship. The increasing Debt Equity Ratio resulted in an increase in stock returns and vice versa. If the Debt Equity Ratio decreased, it resulted in a decrease in stock returns.

4.4 Hypothesis Testing

4.4.1 Coefficient of Determination

Coefficient determination R^2 is used to determine the ability of the model to explain the variation in the dependent variable (Ghozali, 2016). The value of

Coefficient determination R^2 will show the result whether the result has appropriate information to explain the dependent variables or has limitations in expressing or explaining the dependent variable. The results of the analysis of the coefficient of determination can be seen in Table 4.9.

Table 4.9.
Coefficient of Determination

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.508 ^a	.258	.220	.032681	1.885

a. Predictors: (Constant), DER, CR, ROA, TATO

b. Dependent Variable: RETURN

c. Source: Secondary data processed, 2021

The result in Table 4.9 above shows that the value was 0.220 of the amounts of contribution of the variable Return on Asset, Current Ratio, Total Asset Turnover & Debt to Equity Ratio on Stock Returns which was 22.0%. Meanwhile, the rest of 78.0% was contribution from other variables.

4.4.2 F-Test

F test aims to find out whether the independent variables of this research which were Return on Asset, Current Ratio, Total Asset Turnover & Debt to Equity Ratio significantly or did not affect stock returns as dependent variable. The purpose of F-test is to find out if all independent variables simultaneously affect the dependent variable (Ghozali, 2016). The results of the F test are as follows:

Table 4.10.

**F-Test
ANOVA^b**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.029	4	.007	6.852	.000 ^a
	Residual	.084	79	.001		
	Total	.114	83			

a. Predictors: (Constant), DER, CR, ROA, TATO

b. Dependent Variable: RETURN

c. Source: Secondary data processed, 2021

According to the result, the significant value was 0.000. Therefore, the significance value was smaller than the significance level of ($0.000 < 0.05$). It can be concluded that the regression model used in this research had a fit regression model.

4.4.3 T-Test

The T-test is done to know the effect of independent variable individually in describing dependent variables. To test the research hypothesis, it can be seen through the results of significance (p-value). If the probability value (sig) < 0.05 , H_0 is rejected, which means the independent variable has a significant effect on the dependent variable and if the profitability value (sig) > 0.05 then H_0 is accepted, which means the independent variable has not a significant effect on the dependent variable. The result of the t-test can be seen in Table 4.11 below:

Table 4.11.

**T-Test
Coefficients^a**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.129	.035		-3.691	.000
	ROA	.007	.003	.216	1.997	.049
	CR	.001	.000	.423	4.190	.000
	TATO	-.054	.173	-.034	-.310	.757
	DER	.001	.002	.052	.517	.607

a. Dependent Variable: RETURN

b. Source: Secondary data processed, 2021

Based on Table 4.11, it the variable test of Return on Asset, Current Ratio, Total Asset Turnover & Debt to Equity Ratio on Stock Returns are as follow:

1. First Hypothesis (H1) Testing

The results of the significance test on the ROA variable as shown in Table 4.11 obtained a sig value of 0.049 < 0.05. It means that ROA was proven to have a significant effect on stock returns. The positive t-test result of 1.997 indicated that there was a significant positive effect of the Return on Assets variable on stock returns in companies in the financial sector companies on the Indonesia Stock Exchange. Therefore, the first hypothesis which stated profitability ratio has a positive influence on stock returns was supported by the data.

2. Second Hypothesis (H2) Testing

The result of the significance test on the CR variable as shown in Table 4.11 was a sig value of 0.000 < 0.05. This means that CR was proven to have a significant effect on stock returns. According to the positive t count (4.190), it shows that liquidity had a positive and significant effect on stock returns in the financial sector companies on the Indonesia Stock Exchange. Thus, the second hypothesis which

stated liquidity ratio has a positive influence on stock returns was supported by the data.

3. Third Hypothesis (H3) Testing

The results of the significance test on the TATO variable as shown in Table 4.11 demonstrated a sig value of $0.757 > 0.05$. It means TATO could not be proven to have an effect on stock returns. Thus, these results indicated that Total Asset Turnover (TATO) did not have an effect on stock returns in financial sector companies listed on the IDX from 2015 to 2020. Hence, the third hypothesis of the research which was activity ratio has a positive influence on stock returns was not supported by the data.

4. Fourth Hypothesis (H4) Testing

The results of the significance test on the DER variable in Table 4.11 showed a sig value of $0.607 > 0.05$. It means that DER could not be proven to have an effect on stock returns. The result of this hypothesis testing, hence, indicated that the Debt-to-Equity Ratio (DER) did not have an effect on stock returns of financial sector companies listed on the IDX from 2015 to 2020. Therefore, the fourth hypothesis of the study which was solvency ratio has a negative influence on stock returns was not supported by the data.

4.5 Discussion

4.5.1 The Effect of Return on Asset on Stock Returns

The results of the significance test on the ROA variable proved that Return on Assets had a significant and positive effect on stock returns. It means that the

higher the profitability of the Return on Assets parameter, the higher the stock returns on financial sector company on Indonesia Stock Exchange.

Profitability (ROA) is a ratio that describes the company's ability to generate profits with all the assets that work on it or how effective the management of the company by its management. If a company is able to increase profits in each of its shares, investors will assume that the company will be able to provide a high level of return. With the increase in the level of investor confidence in the shares of a company, the demand for a share also increases. The increase in demand for shares will have an impact on increasing stock prices. Thus, it will also have an impact on the increasing number of returns that the investor will receive. Therefore, the higher the company's profitability, the higher the return received by investors.

The results of the research were in accordance with signalling theory. If the company has a higher amount of profit, it will make the company disclose its information widely to show investors or other stakeholders that the company is worthy to invest. This can be seen when the company has succeeded in increasing profits, which shows that the company has better performance; it can create positive sentiment from investors and it can make the company's stock price increase.

The results of this research support the research of Kaddumi (2017) which stated that the profitability ratio has a significant positive effect on investment decisions at the 5% level. The results of the research also supported the research of Meryati (2020), Jaya (2015) and the research of Raningsih and Putra (2015) which found that Return on assets has a positive and significant effect on stock returns. However, the research conducted by Simorangkir (2019) and Atidhira and Yustina

(2017) presented opposite result which showed that return on asset has negative effect on stock returns. It is due to the differences in the scope of the research where this research focused on financial companies on the banking sector listed on Indonesia Stock Exchange.

4.5.2 The Effect Current Ratio on Stock Returns

The results of the significance test on the CR variable show that the Current Ratio proved to have a positive and significant effect on stock returns. It means that the higher the company's liquidity, the higher the stock returns in financial sector industrial companies on the IDX.

Liquidity is a ratio to determine the company's ability to meet its short-term obligations in a timely manner. Hence, the company always tries to maintain its liquidity condition with the aim of reacting to investors and potential investors that the company's condition is always in a safe and stable condition. If the company has these conditions, automatically it tends to attract investors. Based on this explanation, it can be concluded that companies that have a high liquidity ratio will attract investors and will result in an increase in the company's stock price due to high demand. The increase in stock prices means that the company's performance is increasing. Therefore, it will have an impact on investors because the returns obtained from their investments will be high.

The results of the research support the Signalling theory which stated that the liquidity ratio as information about the company's prospects is good. Thus, investors will respond positively to the signal and stock returns will increase due to

the motivation of investors to invest in the company. The value of the increasing share price will indicate an increase in the company's performance. This will have an impact on investors because the return on investment will also increase.

The results of this research supported the research conducted by Dewi (2016); Christian, Saerang and Tulung (2021) who also found that the liquidity ratio has a positive and significant effect on stock returns. Meanwhile, research conducted by Trisca and Mungniyati (2017) and Nurmasari (2018) showed a contradict of the result that stated current ratio has no significant effect on stock returns. It is due to the differences in the scope of the research, where this research is focused on financial companies on the banking sector listed on Indonesia Stock Exchange

4.5.3 The Effect of Total Asset Turnover on Stock Returns

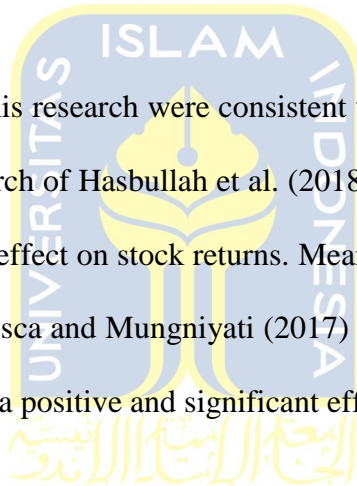
The results of the significance test on the TATO variable showed that TATO was not proven to have an effect on stock returns. Thus, rejecting the third hypothesis of the research. It means that the size of the company's TATO had not been able to increase the company's stock returns.

The insignificance of the TATO variable on stock returns might be caused by investors that did not consider TATO ratio as a preference for determining stock prices, especially in financial sector companies because the activity ratio in financial companies is relatively much smaller than other industrial sectors such as manufacturing, services and others. It is proven that based on Table 4.3, the average

TATO which was only 0.05988. It showed that the company was only able to turn all assets into 1 sale which was only 0.05988 or 5.98% of its assets in 1 year.

The results in this research did not support the statement above which stated that if the company's sales increase, it showed that the company is able to utilize all its assets. Increased sales would also have an impact on the profits obtained by the company. The insignificant effect of TATO on stock returns was possible because the profits received by the company were used to pay all short-term obligations and long-term obligations of the company. Therefore, it would reduce the level of return received by investors.

The results of this research were consistent with the research of Kristina et al. (2015) and the research of Hasbullah et al. (2018) which stated that the activity ratio has no significant effect on stock returns. Meanwhile, the research conducted by Dewi (2016) and Trisca and Mungniyati (2017) showed a contradict result that stated activity ratio has a positive and significant effect on stock returns.



4.5.4 The Effect of Debt-to-Equity Ratio on Stock Returns

The results of the significance test on the DER variable found that DER did not have an effect on stock returns. As a repercussion, the size of the company's DER would not affect the size of the stock returns in the financial sector companies listed on the Indonesia Stock Exchange.

The absence of a significant effect of DER on-stock returns mean that there were different assessments of investors on the importance of debt for the company.

Some investors argued that debt was needed by the company for the company's operations. Debt was needed by the company to increase the company's capital because by having large debt, it can be used to increase the company's capital. Therefore, the company could develop its business by doing business development. On the other hand, the Debt-to-Equity Ratio was considered by some investors to be a big responsibility to third parties which was a creditor who provided loans to the company. The greater the DER value, the greater the company's liability. A DER that was too high had a bad impact on the company's performance because a high level of debt means the greater the interest to be paid and would reduce the company's profit. This would certainly reduce the interest of investors to invest in the company. In short, Debt to Equity Ratio had no effect on stock returns.

The results of the research supported the research of Ika and Listiorini (2020) and Puspitasari, et al. (2017) which found that the Debt-to-Equity Ratio has no significant effect on stock returns. However, the research conducted by Christian, Saerang and Tulung (2021) and Kristina et al. (2015) presented opposite result which stated that debt-to-equity ratio has influenced stock returns. It is due to the differences in the scope of the research where this research focused on financial companies on the banking sector listed on Indonesia Stock Exchange

CHAPTER V

CONCLUSIONS & IMPLICATIONS

5.1 Conclusions

Based on the results of the analysis and discussion described in the previous chapter, the conclusions of this research are:

1. Company profitability as measured by the ROA ratio had an effect on stock returns in financial company sector listed on the IDX. It means that the higher the company's Return on Assets ratio, the higher the stock returns generated.
2. The company's liquidity as measured by the Current Ratio had an effect on stock returns in financial company sector listed on the IDX. It means that the higher the company's liquidity, the higher the stock returns generated.
3. The company's activity as measured by the TATO ratio had no effect on stock returns in companies in the financial sector industry listed on the IDX. It means that the size of the company's Total Asset Turnover had not been able to increase stock returns for shareholders.
4. The solvency of the company as measured by the DER ratio had no effect on stock returns in companies in the financial sector industry listed on the IDX. It means that the size of the company's Debt to Equity Ratio had not been able to increase stock returns for shareholders.

5.2 Implications

Based on the conclusions above, the implications of this research are as follow:

1. For Investor

For investors who will invest in financial companies on the IDX, they should be really careful in analyzing stocks. If they want to get the expected profit, it can be done by using several analytical tools for example using factors that have been proven to significantly affect stock returns in this research, such as the company's liquidity position and profitability. Companies that are able to have large current assets and are able to generate large profits in managing assets are companies that can be recommended for investments.

2. For the next researcher

The researcher realizes that this research has limitations. For this reason, researchers provide suggestions for further researcher. Future research can extend the research period in order to produce more supportive information. The number of samples used can be increased and can be expanded to several other industrial sectors. The number of financial ratios that are used as research models is added for example by including market ratios and also external factors such as the dollar exchange rate, interest rates, inflation or other variables. Therefore, the conclusions are expected to be more accurate. The researcher can use of RGEC or CAMELS as the variables if the object is banking sector. This variable is the most relatable for using in banking sector according to OJK, it is because those aspect is an assestment that is usually used in banking sector.

5.3 Limitations

This research has some limitations that may affect the results of research as follow:

1. The research only using return on asset, current ratio, total asset turnover and debt-to-equity ratio, where according to the regulation of Indonesia bank, usually banking sector using 5 kinds of assessments for the performance called CAMELS, which is (1) Capital, (2) Asset, (3) Management, (4) Earning, (5) Liquidity (Harun, 2016). Or using RGEC, the factors that become indicators of the Bank's Health Rating, which are: (1) Risk profile, (2) Good Corporate Governance, (3) Earnings, and (4) Capitals (Istia, 2020).
2. The number of samples in the research were limited to financial sector industrial companies, there were only 14 companies that passed the selected criteria from the total of 46 companies and it was considered too small. This is intended that the conclusions generated from the research can later have a broader scope and do not only revolve around in only one sector, which was banking
3. The factors used to predict stock returns only used fundamental factors while external factors were not used, such as exchange rates, interest rates, and others. Therefore, this research had low contribution of 22.0% for the stock returns and 78.0% from other variables.



References

- Anwaar, M. (2016). Impact of firms' performance on stock returns (evidence from listed companies of Fste100 index London, Uk). *Global Journal of Management and Business Research: D*, 16(1).
- Ang, R. (1997). *Buku pintar pasar modal Indonesia*. Jakarta: Staf Media Indonesia.
- Atidhira, A. T., & Yustina, A. I. (2017). The influence of return on asset, debt to equity ratio, earnings per share, and company size on share return in property and real estate companies. *JAAF (Journal of Applied Accounting and Finance)*, 1(2), 128–146. Retrieved from <http://e-journal.president.ac.id/presunivojs/index.php/JAAF/article/download/363/207>
- Atika, B. (2020). Pengaruh dividen announcement, capital gain dan kurs terhadap trading volume activity. *Kompartemen: Jurnal Ilmiah Akuntansi*, XIX(2), 1–15.
- Alqam, M. A., Ali, H. Y., & Hamshari, Y. M. (2021). The relative importance of financial ratios in making investment and credit decisions in Jordan. *International Journal of Financial Research*, 12(2), 284. doi:10.5430/ijfr.v12n2p284
- Apuke, O. D. (2017). Quantitative research methods a synopsis approach. *Arabian Journal of Business and Management Review (Kuwait Chapter)*, 6(10), 40–45. <https://doi.org/10.12816/0040336>

- Baktiar, M., Asmirantho, E., & Azhar, Z. (2019). Pengaruh debt to equity (DER), net profit margin (NPM), return on equity (ROE), return on asset (ROA), quick ratio (QR) dan earning per share (EPS) terhadap harga saham pada perusahaan sub sector industry kimia yang terdaftar di bursa efek Indonesia tahun 2012-2017. *Manajemen*, 05, 1–19.
- Barenbang. (2020). Survei kemnaker: 88 persen perusahaan terdampak pandemi covid-19. *Kemnaker*, Retrieved February 11, 2021 from <https://kemnaker.go.id/news/detail/survei-kemnaker-88-persen-perusahaan-terdampak-pandemi-covid-19>
- Brigham, F., & Houston, J. (2001). Dasar-Dasar Manajemen Keuangan. *Edisi 8, Buku 2*. Jakarta: Salemba Empat.
- Christian, H. H., Saerang, I. S., & Tulung, J. E. (2021). Pengaruh current ratio, debt to equity ratio dan return on equity terhadap return saham pada perusahaan telekomunikasi yang terdaftar di BEI (periode 2014-2019). *Jurnal Ekonomi Menejemen Bisnis dan Akuntansi*, 9(1), 637–646.
- Dewi, P. E. D. M. (2016). Pengaruh rasio likuiditas, profitabilitas, solvabilitas, aktivitas dan penilaian pasar terhadap return saham. *Jurnal Ilmiah Akuntansi*, 1(2), 109–132. Retrieved from <https://doi.org/10.23887/jia.v1i2.9988>
- Drakopoulou, V. (2016). A review of fundamental and technical stock analysis techniques. *Journal of Stock & Forex Trading*, 05(01). Retrieved from <https://doi.org/10.4172/2168-9458.1000163>
- Fahmi, I. (2014). *Analisis kinerja keuangan. Cetakan Kesatu*. Bandung: Alfabeta.
- Ghozali, I., (2016). *Aplikasi analisis multivariate dengan program SPSS*. Semarang: UNDI
- Hapsari, D. P., & Saputra, A. (2018). Analisis penjualan bersih, beban umum & administrasi terhadap laba tahun berjalan. *Jurnal Akuntansi: Kajian Ilmiah Akuntansi (JAK)*, 5(1), 45. Retrieved from <https://doi.org/10.30656/jak.v5i1.502>
- Hasbullah, H., Adam, M., & Hamdan, U. (2018). Pengaruh current ratio, total asset turnover, debt to equity ratio, dan working capital turnover terhadap return saham dengan return on asset sebagai variabel moderating pada perusahaan Lq45. *Jurnal Ilmiah Manajemen Bisnis Dan Terapan*, 14(1), 13–24. Retrieved from <https://doi.org/10.29259/jmbt.v14i1.5285>
- Hardani, H. A., Andriani, H., Ustiawaty, J., & et al. (2020). *Buku Metode penelitian kualitatif & kuantitatif*. Yogyakarta: CV. Pustaka Ilmu Group.

- Harun, U. (2016). Pengaruh ratio-ratio keuangan CAR,LDR,NIM,BOPO,NPL terhadap ROA. *Jurnal Riset Bisnis dan Menejemen*, 4(1), 67-82.
- Hendayana, Y. (2016). Rasio profitabilitas, rasio leverage, dan risiko sistematis terhadap return saham. *Jurnal Riset Akuntansi & Keuangan*, 4(3), 1177–1188. <https://doi.org/10.17509/jrak.v4i3.4671>
- Husna, A., & Satria, I. (2019). Effects of return on asset, debt to asset ratio, current ratio, firm size, and dividend payout ratio on firm value. *International Journal of Economics and Financial Issues*, 9(5), 50.
- Ika, D., & Listiorini, L. (2020). Pengaruh kinerja keuangan terhadap return saham syariah dengan tingkat suku bunga sebagai pemoderasi. *Jurnal Akuntansi dan Bisnis: Jurnal Program Studi Akuntansi*, 6(2), 134–146. Retrieved from <https://doi.org/10.31289/jab.v6i2.3254>
- Iswahyudi, I. (2019). Return saham perusahaan manufaktur dipengaruhi kinerja keuangan. *Jurnal Education and Economics*, 02(02), 134–142. Retrieved from <http://jurnal.azharululum.sch.id/index.php/jee/article/view/50>
- Istia, C. E. (2020) Analisis tingkat Kesehatan bank pada PT. Bank Negara Indonesia (PERSERO), TBK dengan menggunakan metode RGEC. *Jurnal Ilmiah Ekonomi Bisnis*, 25(2), Retrieved from <https://doi.org/10.35760/eb.2020.v25i2.2530>
- Jaya, K. A. (2015). Pengaruh loan to deposite ratio, return on assets, capital adequacy ratio, exchange rate dan interest rate terhadap return saham. *Jurnal Akuntansi*, 19(3), 340. Retrieved from <https://doi.org/10.24912/ja.v19i3.84>
- Kaddumi, A. T. (2017). Financial Analysis and Investment Decision - Empirical Study on the Jordanian Stock Market 2011-2015. *International Journal of Economic Research*, 14(15).
- Kristina, Mardani, R. M., & Wahono, B. (2015). Pengaruh EPS, ROE, DER dan TATO terhadap return saham perusahaan asuransi yang terdaftar di bursa efek Indonesia. *Journal of Chemical Information and Modeling*, 13(1).
- Martins, F.S., & da-Cunha, A.C. (2018). Secondary data in research uses and opportunities. *Iberoamerican Journal of Strategic Management*, 17(3), 1-5
- Meryati, A. (2020). Pengaruh Faktor fundamental terhadap return saham serta dampaknya pada nilai perusahaan otomotif di Indonesia. *JIMF (Jurnal Ilmiah Manajemen Forkamma)*, 3(3), 283–295. Retrieved from <https://doi.org/10.32493/frkm.v3i3.5413>
- Mishra, P., Pandey, C. M., Singh, U., Gupta, A., Sahu, C., & Keshri, A. (2019).

Descriptive statistics and normality tests for statistical data. *Annals of Cardiac Anaesthesia*, 22(1), 67–72. Retrieved from https://doi.org/10.4103/aca.ACA_157_18

Nur'aidawati, S. (2018). Pengaruh current ratio (CR), total asset turnover (TATO), debt to equity ratio (DER) dan return on asset (ROA) terhadap harga saham dan dampaknya pada nilai perusahaan (Studi kasus pada sepuluh bank terbesar yang terdaftar di bursa efek Indonesia periode 2011-2015). *Jurnal SEKURITAS (Saham, Ekonomi, Keuangan Dan Investasi)*, 1(3), 70–83. Retrieved from <https://doi.org/10.32493/skt.v1i3.1091>

Nurlia, N., & Juwari, J. (2019). Pengaruh return on asset, return on equity, earning per share dan current ratio terhadap harga saham pada perusahaan sub sektor otomotif dan komponen yang terdaftar di bursa efek Indonesia. *Jurnal GeoEkonomi*, 10(1), 57–73. Retrieved from <https://doi.org/10.36277/geoekonomi.v10i1.50>

Nurmasari, I. (2018). Pengaruh rasio keuangan dan pertumbuhan pendapatan terhadap return saham pada perusahaan perkebunan di bursa efek Indonesia 2010-2017. *Jurnal SEKURITAS (Saham, Ekonomi, Keuangan Dan Investasi)*, 2(1). Retrieved from <https://doi.org/10.32493/skt.v2i1.1959>

Nurmiati. (2016). Faktor-faktor yang mempengaruhi ketepatan waktu pelaporan keuangan. *Jurnal Ekonomi dan Manajemen* 13(2): 166-182.

Octovia, R., & Winarsa, R. H. (2021). Pengaruh current ratio (CR), return on asset (ROA) dan debt to equity ratio (DER) terhadap return saham perusahaan sub sektor industri kimia yang terdaftar di bursa efek indonesia periode 2014-2018. *Journal of Chemical Information and Modeling*, 4(1), 70–79.

Oktrima, B. (2017). Pengaruh profitabilitas, likuiditas, dan struktur modal terhadap nilai perusahaan (Studi empiris: PT. Mayora Indah, Tbk. tahun 2011 – 2015). *Jurnal SEKURITAS (Saham, Ekonomi, Keuangan Dan Investasi)*, 1(1), 98–107.

Pradiana, N., & Yadnya, I. P. (2019). Pengaruh leverage, profitabilitas, firm size, dan likuiditas terhadap return saham perusahaan sektor industri barang konsumsi. *E-Jurnal Manajemen Universitas Udayana*, 8(4), 2239. Retrieved from <https://doi.org/10.24843/ejmunud.2019.v08.i04.p13>

Pemerintah Indonesia. (1995). *Undang-Undang Republik Indonesia No. 8 Tahun 1995 tentang pasar modal*. Lembaran negara RI tahun 1995, No 3608. Jakarta: Sekretariat Negara

Puspitasari, P. D., Herawati, N. T., & Sulindawati, N. L. G. E. (2017). Pengaruh ukuran perusahaan, total asset turnover, return on asset, current ratio, debt to

equity ratio, dan earning per share terhadap return saham syariah pada perusahaan perdagangan, jasa, dan investasi yang terdaftar di Indonesia sharia stock index. *JIMAT (Jurnal Ilmiah Mahasiswa Akuntansi S1)*, 7(1).

Raningsih, N. K., & Putra, I. M. P. D. (2015). Pengaruh rasio-rasio keuangan dan ukuran perusahaan pada return saham. *E-Jurnal Akuntansi*, 13(2), 582–598.

Ross, S.A. (1977). The Determination of Financial Structure: The Incentive-Signalling Approach. *The Bell Journal of Economics*, 8, 23-40. Retrieved from <https://doi.org/10.2307/3003485>

Sasongko, H., & Shaliza, F. (2019). Pengaruh leverage, profitabilitas dan economic value added (EVA) terhadap return saham pada industri makanan dan minuman yang terdaftar di bursa efek Indonesia (BEI) tahun 2012-2016. *JIAFE (Jurnal Ilmiah Akuntansi Fakultas Ekonomi)*, 4(1), 55–68. Retrieved from <https://doi.org/10.34204/jiafe.v4i1.1077>

Sukmawati, F., & Garsela, I. (2016). The effect of return on assets and return on equity to the stock price. *Advances in Economics, Business and Management Research*, 15, 53–57. Retrieved from <https://doi.org/10.2991/gcbme-16.2016.8>

Supriantikasari, N., & Utami, E. S. (2019). Pengaruh return on asset, debt to equity ratio, current ratio, earnings per share dan nilai tukar terhadap return saham (Studi kasus pada perusahaan go public sektor barang konsumsi yang listing di bursa efek Indonesia periode 2015-2017). *Jurnal Riset Akuntansi Mercu Buana*, 5(1), 49. Retrieved from <https://doi.org/10.26486/jramb.v5i1.814>

Sugiyono. (2013). *Metode Penelitian Pendidikan Pendekatan Kuantitatif, Kualitatif, dan R&D*. Bandung: Alfabeta.

Simorangkir, R. T. M. C. (2019). Pengaruh kinerja keuangan terhadap return saham perusahaan pertambangan. *Jurnal Bisnis dan Akuntansi*, 21(2), 155–164. Retrieved from <https://doi.org/10.34208/jba.v21i2.616>

Tandelilin, E., (2017). *Analisa Investasi dan Manajemen Portofolio*. Yogyakarta: BPF

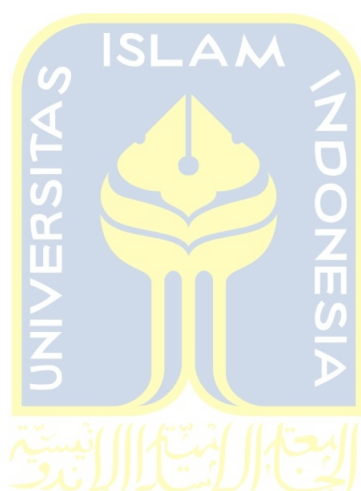
Tari, D. N. (2020). Pefindo: Sektor perbankan paling stabil saat pandemi covid-19. *Bisnis.com*. Retrieved February 29, 2021 from <https://market.bisnis.com/read/20200716/92/1267047/pefindo-sektor-perbankan-paling-stabil-saat-pandemi-covid-19>

Trisca, J., & Mungniyati. (2017). Pengaruh rasio keuangan terhadap return saham pada perusahaan publik manufaktur. *Jurnal Bisnis Dan Akuntansi*, 19(1a), 348–355.

Utami, W. B. (2017). Analysis of Current Ratio Changes Effect, Asset Ratio Debt, Total Asset Turnover, Return On Asset, And Price Earnings Ratio In Predicting growth Income By Considering Corporate Size In The Company Joined In Lq45 Index Year 2013-2016. *International Journal of Economics, Business and Accounting Research (IJEBAR)*, 1(01).

Widodo, A. (2019). Analisis pengaruh current ratio (Cr), total asset turnover (Tato), dan debt to asset ratio (Dar) terhadap return on asset (Roa), serta dampaknya terhadap nilai perusahaan. *Jimf (Jurnal Ilmiah Manajemen Forkamma)*, 1(2), 87–112. Retrieved from <https://doi.org/10.32493/frkm.v1i2.2542>

Yusuf, M., Ichsan, R. N., & Saparuddin, S. (2021). Investasi dan pasar modal syariah. *Jurnal Kajian Ekonomi Dan Kebijakan Publik*, 6(1).

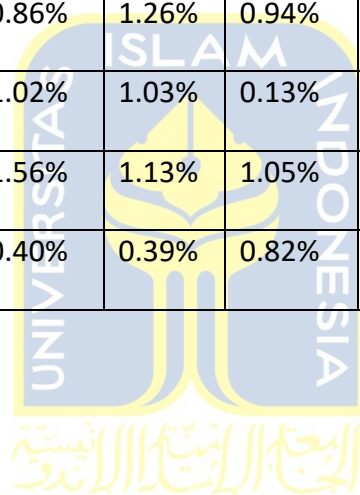


Appendix

Appendix 1

Return on Asset							
No	Code	2015	2016	2017	2018	2019	2020
1	BBCA	3.03%	3.05%	3.11%	3.13%	3.11%	2.52%
2	BBNI	1.80%	1.89%	1.94%	1.87%	1.83%	0.37%
3	BBRI	2.89%	2.61%	2.58%	2.50%	2.43%	1.23%

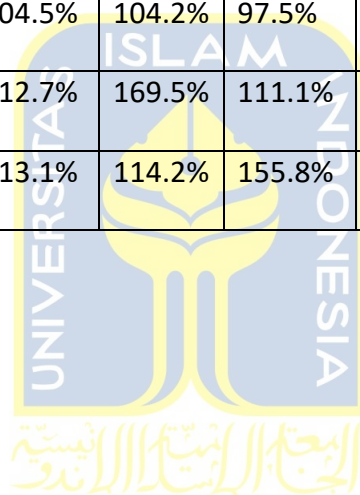
4	BSIM	0.66%	1.19%	1.05%	0.83%	0.02%	0.27%
5	BTPN	2.16%	2.05%	1.49%	2.22%	1.65%	1.10%
6	BMRI	2.32%	1.41%	1.91%	2.15%	2.16%	1.23%
7	BNGA	0.18%	1.23%	1.12%	0.99%	1.33%	0.72%
8	BNII	0.73%	1.18%	1.12%	0.89%	1.14%	0.74%
9	BNLI	0.14%	-3.92%	0.50%	0.59%	2.17%	0.36%
10	BDMN	1.31%	1.60%	2.15%	2.20%	1.16%	0.54%
11	PNBN	0.86%	1.26%	0.94%	1.54%	1.66%	1.43%
12	BBKP	1.02%	1.03%	0.13%	0.20%	1.11%	-4.08%
13	BJBR	1.56%	1.13%	1.05%	1.29%	1.27%	3.33%
14	BVIC	0.40%	0.39%	0.82%	0.26%	-0.05%	-0.96%



Appendix 2

Current Ratio							
No	Code	2015	2016	2017	2018	2019	2020
1	BBCA	114.1%	115.4%	117.5%	118.4%	119.4%	117.0%
2	BBNI	116.8%	116.3%	115.6%	114.5%	117.1%	113.3%
3	BBRI	111.7%	112.3%	112.4%	111.7%	115.0%	113.0%
4	BSIM	109.2%	146.9%	123.6%	119.5%	127.4%	127.7%

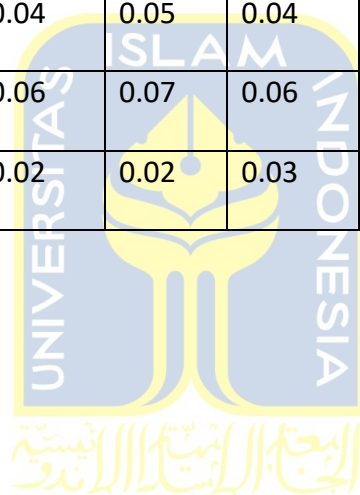
5	BTPN	124.3%	125.5%	127.0%	129.1%	125.0%	125.8%
6	BMRI	119.8%	119.3%	120.0%	120.7%	121.8%	117.2%
7	BNGA	91.6%	112.0%	112.3%	112.1%	113.7%	111.7%
8	BNII	81.9%	106.8%	111.7%	114.4%	116.5%	116.1%
9	BNLI	96.2%	86.4%	89.6%	98.2%	98.8%	132.1%
10	BDMN	117.1%	120.1%	135.3%	118.5%	123.1%	119.8%
11	PNBN	112.4%	113.1%	171.4%	116.2%	117.7%	118.8%
12	BBKP	104.5%	104.2%	97.5%	98.0%	96.0%	96.6%
13	BJBR	112.7%	169.5%	111.1%	110.4%	111.1%	109.4%
14	BVIC	113.1%	114.2%	155.8%	113.8%	115.3%	114.2%



Appendix 3

Total Asset Turnover							
No	Code	2015	2016	2017	2018	2019	2020
1	BBCA	0.08	0.08	0.09	0.09	0.09	0.08
2	BBNI	0.07	0.07	0.06	0.06	0.06	0.06
3	BBRI	0.08	0.08	0.08	0.08	0.08	0.07
4	BSIM	0.06	0.08	0.08	0.09	0.12	0.09

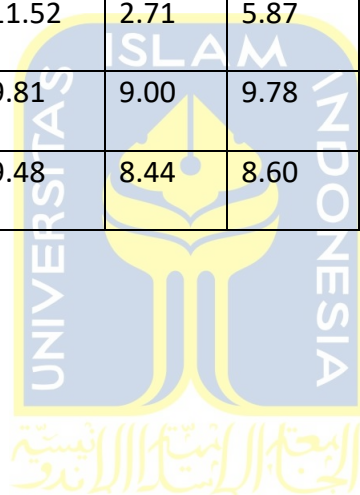
5	BTPN	0.03	0.03	0.02	0.03	0.02	0.01
6	BMRI	0.07	0.07	0.07	0.07	0.07	0.06
7	BNGA	0.05	0.06	0.06	0.06	0.06	0.05
8	BNII	0.05	0.05	0.06	0.06	0.06	0.06
9	BNLI	0.05	0.05	0.06	0.05	0.05	0.04
10	BDMN	0.10	0.11	0.10	0.10	0.09	0.09
11	PNBN	0.04	0.05	0.05	0.05	0.05	0.06
12	BBKP	0.04	0.05	0.04	0.04	0.03	0.02
13	BJBR	0.06	0.07	0.06	0.06	0.06	0.06
14	BVIC	0.02	0.02	0.03	0.02	0.02	0.03



Appendix 4

Debt-to-Equity							
No	Code	2015	2016	2017	2018	2019	2020
1	BBCA	5.60	4.97	4.68	4.40	4.25	4.79
2	BBNI	5.26	5.52	5.79	6.08	5.51	6.61
3	BBRI	6.76	5.84	5.71	6.00	5.67	6.39
4	BSIM	6.59	5.97	5.28	4.64	4.34	5.38

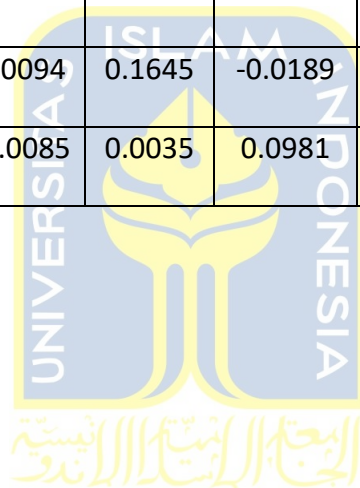
5	BTPN	4.60	4.33	4.25	3.95	4.53	4.32
6	BMRI	6.16	5.38	5.22	5.09	4.91	5.94
7	BNGA	7.33	5.95	6.21	7.80	5.34	5.84
8	BNII	9.01	7.65	7.34	6.27	5.34	5.36
9	BNLI	8.71	7.58	5.90	5.81	5.72	4.64
10	BDMN	4.50	3.79	3.55	3.45	3.26	3.61
11	PNBN	4.94	4.82	4.88	4.09	3.75	3.59
12	BBKP	11.52	2.71	5.87	4.31	2.40	3.72
13	BJBR	9.81	9.00	9.78	9.22	8.80	10.22
14	BVIC	9.48	8.44	8.60	9.20	8.63	8.39



Appendix 5

Stock Return							
No	Code	2015	2016	2017	2018	2019	2020
1	BBCA	0.0024	0.0138	0.0300	0.0155	0.0216	0.0255
2	BBNI	-0.0101	0.0105	0.0518	-0.0061	-0.0072	-0.0010
3	BBRI	0.0039	0.0033	0.0388	0.0026	0.0166	0.0042
4	BSIM	0.0180	0.0794	0.0014	-0.0362	0.0062	-0.0098

5	BTPN	-0.0394	0.0138	-0.0052	0.0382	-0.0038	0.0057
6	BMRI	-0.0096	0.0208	0.0282	0.0050	-0.0057	0.0178
7	BNGA	-0.0177	0.0478	0.0436	-0.0288	0.0088	0.0089
8	BNII	-0.0144	0.0764	-0.0201	-0.0181	0.0048	0.0588
9	BNLI	-0.0355	-0.0379	0.0384	0.0075	0.0799	0.0953
10	BDMN	-0.0218	0.0192	0.0602	0.0092	-0.0366	-0.0044
11	PNBN	-0.0228	0.0000	0.0391	0.0095	0.0182	-0.0066
12	BBKP	-0.0036	-0.0020	-0.0058	-0.0557	0.0838	-0.0644
13	BJBR	0.0094	0.1645	-0.0189	-0.0111	-0.0371	0.0351
14	BVIC	-0.0085	0.0035	0.0981	-0.0155	-0.0496	-0.0163



Appendix 6

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
ROA	84	-4.080	3.330	1.25619	1.200466
CR	84	81.950	171.360	115.88893	14.228862
TATO	84	.010	.120	.05988	.023154
DER	84	2.400	11.520	5.91476	1.915494
RETURN	84	-.064	.165	.00962	.037004
Valid N (listwise)	84				

Appendix 7

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		84
Normal Parameters ^{a,b}	Mean	.0000000
	Std. Deviation	.03188371
Most Extreme Differences	Absolute	.138
	Positive	.138
	Negative	-.087
Kolmogorov-Smirnov Z		1.268
Asymp. Sig. (2-tailed)		.080

a. Test distribution is Normal.

b. Calculated from data.

Source: Processed Secondary Data, 2021

Appendix 8

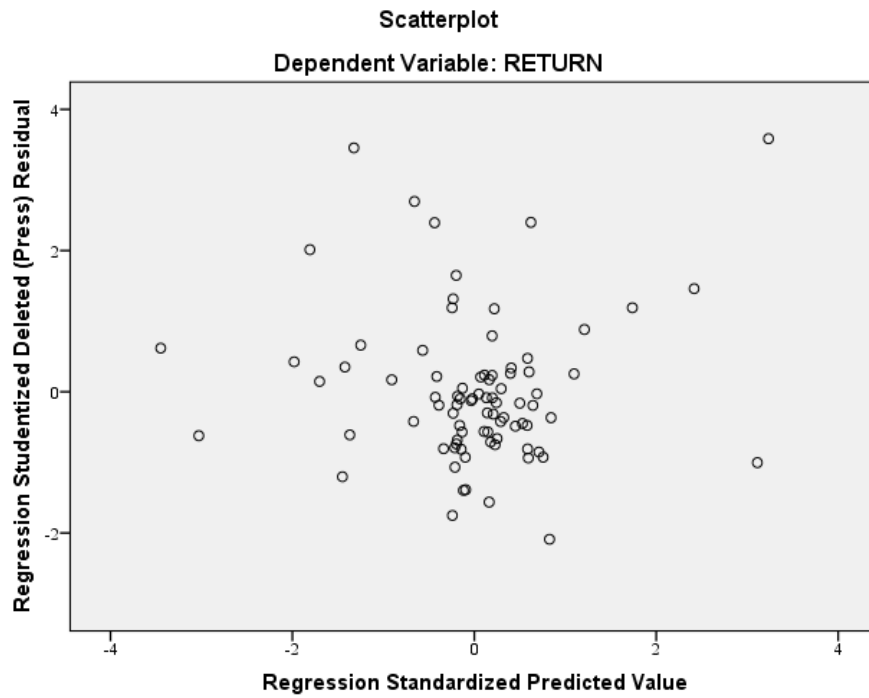
Multicollinearity Test Results

Independent Variable	Tolerance	VIF	Result
ROA	0.803	1.246	No multicollinearity
CR	0.921	1.086	No multicollinearity
TATO	0.803	1.246	No multicollinearity
DER	0.914	1.093	No multicollinearity

Source: IDX Corner secondary data, processed in 2021

Appendix 9

Heteroscedasticity Test



Source: Processed Secondary Data, 2021

Appendix 10

Heteroscedasticity Test with Glejser Test

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	
	B	Std. Error	Beta			
1	(Constant)	.003	.023		.148	.883
	ROA	-.001	.002	-.070	-.576	.567
	CR	.000	.000	.189	1.675	.098
	TATO	-.188	.114	-.200	-1.653	.102
	DER	.000	.001	-.013	-.113	.910

Source: Secondary data processed, 2021

Appendix 11

Durbin Watson Test Results

Testing Criteria	Result	Conclusion
DW < 1.550		: There is a negative autocorrelation
1.550 < DW < 1.747		: Without conclusion
1.747 < DW < 2.253	1.885	: No autocorrelation
2.253 < DW < 2.450		: Without conclusion
DW > 2.450		: There is a negative autocorrelation

Source: Secondary data processed, 2021

Appendix 12

Multiple Linear Regression Results

Variables	Regression Coefficient (Unstandardized Coefficient)	Beta (Standardized Coefficient)	t	sig
(Constant)	-0.129		-3.691	0.000
ROA	0.007	0.216	1.997	0.049
CR	0.001	0.423	4.190	0.000
TATO	-0.054	-0.034	-0.310	0.757
DER	0.001	0.052	0.517	0.607
R	0.508			
R Square	0.258			
F statistic	6.852			
Sig-F	0.000			

Source: Secondary data processed, 2021

Appendix 13

Coefficient of Determination

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.508 ^a	.258	.220	.032681	1.885

a. Predictors: (Constant), DER, CR, ROA, TATO

b. Dependent Variable: RETURN

Appendix 14

F-Test ANOVA^b

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.029	4	.007	6.852	.000 ^a
	Residual	.084	79	.001		
	Total	.114	83			

a. Predictors: (Constant), DER, CR, ROA, TATO

b. Dependent Variable: RETURN

Appendix 15

**T-Test Coefficients^a**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.129	.035		-3.691	.000
	ROA	.007	.003	.216	1.997	.049
	CR	.001	.000	.423	4.190	.000
	TATO	-.054	.173	-.034	-.310	.757
	DER	.001	.002	.052	.517	.607

a. Dependent Variable: RETURN