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ANALYSIS OF THE COMPANY'S INTERNAL FINANCIAL FACTORS ON STOCK RETURNS ON LQ45 SHARES (CASE STUDY OF 2017-2021)

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Abstract: In the world of stocks or capital markets, investors are usually familiar with the name JCI. JCI is a stock price indicator that describes stock market trends. JCI is used as a reference for stock investors in the capital market. In addition, JCI until now is also used by investors as a portfolio reference because JCI collects all companies listed on the Indonesian stock exchange. When a stock rises, it means that most of the stock prices measured by that index have risen. Conversely, if a stock index falls, then most of the stocks that make up the index will fall. JCI's movement is strongly influenced by changes in the price of stocks that have a large market capitalization, because the weight of shares owned in large quantities does not be surprised if it affects the movement of JCI. The capital market in Indonesia itself was activated by the Indonesian government on August 10, 1977, meaning that currently the Indonesian capital market has been operating for 42 years. The journey of the capital market in Indonesia alone has approximately 649 issuers listed on the Indonesian stock exchange. As well as during the capital market in Indonesia, JCI moves up and down. But until 2019 the price of JCI has reached 6,282,132, meaning that the price of JCI in Indonesia has grown since 1977. According to the Financial Services Authority (OJK) the number of investors in Indonesia is 0.8% of the total population of Indonesia whereas in other countries the number of investors can reach 20% of the total population.

This study aims to find out how the effect of Return on Equity, Dividend Yield, Price Earning Ratio, Earning per Share, and Firm Size on Stock Return on LQ45 stocks. Companies that are the sample of the study must meet several criteria as follows: Non-banking companies listed on the IDX, non-banking companies that actively trade their shares in the period 2017-2021, Companies that have positive Net Income (NI), Companies that have a Dividend Yield not worth "0", Companies that have a Stock Return value below +-100%. This research uses quantitative methods and data processing using SPSS with cross section data.

IndexTerms - Return **on Equity, Dividend Yield, Price Earning Ratio, Earning per Share, Firm Size, and Stock Return**

I. INTRODUCTION

In investing, investors certainly want to have a good return or can be said to be high. In addition, investors certainly do not want to be wrong in taking stock investments in companies. To obtain capital gains in stocks, investors can use technical analysis as well as fundamental analysis. In fundamental analysis to get returns, investors can use Return on Equity, Dividend Yield, Price Earning Ratio, Earning per Share, Debt to Equity Ratio or other ratio analysis.

Fundamental analysis according to Artha et al (2014) is the study of the economy, industry and conditions of companies to calculate the value of stocks. Fundamental analysis looks at the company's financial statements to determine the stock price has appreciated correctly. In stock investing, if the investor does not conduct an analysis, the investor cannot predict changes in the stock price at any time. The most suitable stock price analysis is fundamental analysis, because using fundamental analysis, investors can consider the risks and prices of stocks that are already or are happening. Fundamental analysis can consider the risks and benefits that can be received in the form of dividends or capital gains. In fundamental analysis, investors can also find out the valuation of the stock, which is how much the value of the stock deserves to be paid. There are several methods to determine stock valuation, such as: PER (Price Earning Ratio), PBV (Price to Book Value Ratio) Method, DDM (Discounted Dividend Model), DCF (Discounted Cash Flow), FCF (Free Cash Flow) (http://www.juruscuan.com, downloaded on May 25, 2020).

This study used 5 variables, namely Return on Equity, Dividend Yield, Price Earning Ratio, Earning per Share, Firm Size to determine the effect on Stock Return. According to Kijewska (2016) Return on Equity is an important measure of a company's revenue performance. Return on equity tells general shareholders how effectively investors' money is used. Therefore, investors can determine whether a company can create profit or not be able to create profit from the money investors invest in the stock and also how efficiently management creates profits. This means that the greater the profit made or the number of Return On Equity

presentations from the amount of money invested can reflect that the company is healthy. Investors categorize a company's Return on Equity as good if the Return on Equity presentation is 15-20% (https://www.investopedia.com, downloaded on May 25, 2020). For example, it is taken from one of the issuers in LQ45, namely BBCA. BBCA has a return on equity value of 14.47% (https://www.rti.co.id, downloaded on August 18, 2020). Furthermore, the variable to calculate the Stock Return is Dividend Yield.

According to Purnamasari (2013) Dividend Yield is a profit that is distributed to investors based on the total shares owned. The dividend signaling model is a hypothetical model that assumes that the announcement of changes in cash dividends contains information that causes a stock price reaction. This is due to the existence of insymmetric information between managers and investors, so investors use dividend policy as an indicator of future prospects. The increase in dividends distributed is considered a signal of profit for investors, causing a positive reaction from the stock price. On the contrary, the decline in dividend distribution shows that the company's prospects are not very optimistic, so it will cause a negative stock price reaction. For example, it is taken from one of the issuers in LQ45, namely BBCA. BBCA has a dividend yield of 1.75% (https://www.rti.co.id, downloaded on August 18, 2020). Furthermore, the 3rd variable in calculating the Stock Return is the Price Earning Ratio.

According to Putra (2018) Price Earning Ratio is the price of a stock divided by its EPS. This Price Earning Ratio calculates the company's profitability. These results show how many investors are willing to pay each rupiah for the company's income. When buying a particular stock, it is important for investors and traders to pay attention to the important parameters of the Price Earning Ratio. Although the Price Earning Ratio is not the single most important parameter, the Price Earning Ratio ratio reflects the outlook for the stock. Stocks with a Price Earning Ratio have more interest due to the value of EPS compared to the stock price. At the same time, the high Price Earning Ratio reflects the overvalued stock price. (https://www.seputarforex.com, downloaded on May 25, 2020). For example, it is taken from one of the issuers in LQ45, namely BBCA. BBCA has a Price Earning Ratio of 31.87 (https://www.rti.co.id, downloaded on August 18, 2020). In calculating Stock Return, not only the variables Return on Equity, Dividend Yield, and Price Earning Ratio but also can use Earning per Share.

According to Putra (2018) Earnings per Share is the profit received by investors from each share purchased. Earnings per Share can also be a way to understand stock price trends and predict the possible value of dividends. The more Earning per Share indicates that the company is making more profits that can be distributed to the owners of capital. (https://tradingindo.com, downloaded on May 25, 2020). For example, it is taken from one of the issuers in LQ45, namely BBCA. BBCA has an Earnings Per Share value of 993 (https://www.rti.co.id, downloaded on August 18, 2020). And the last variable in this study is the Firm Size variable.

The research gap shows the relationship between Price Earning Ratio and Stock Return. The research has shown a positive and significant effect of the Price Earning Ratio on Stock Returns (Karami et al. 2013; Harsalim 2013; Purba et al. 2017). This is because investors use PER as an analytical tool to obtain a considerable return on stock investment. Investors believe that the higher the P/E ratio, the better the price in each stock market, so that investors can get a return from changes in the stock price. However, there is a gap with research conducted by Emamgholipour et al (2013) where the effect of Price Earning Ratio on Stock Return has a negative and significant effect. With this gap, it will create a gap for further exploration to obtain theoretical and practical concepts about the relationship between variable Price Earning Ratio and Stock Return.

II. Literature Review

2.1.1 Efficient Market Hypothesis

According to Tandelilin (2017), if the price of all securities or companies traded describes all the information present, then it can be classified as efficient. In this case, information about the company or securities available may include any existing information, both past and current information, as well as opinion information. A diffuse reasonable opinion that can change the price (for example, if many investors in the market believe that the stock price will rise, this information will be reflected in changes in the stock price that tend to rise)

Alteza (2007) defines the concept of market efficiency as informational efficiency, which means that stock prices reflect all known information, such as last year's company earnings, current information, and announced but unlikely events, such as stock splits. Other reasonable information that can be inferred, for example, if the investor believes that the interest rate will fall, then in the near future the price will reflect the investor's confidence before the interest rate actually falls.

2.1.2Stock Return

Stock Return according to Tandelilin (2010) Stock Return is one of the factors that encourage investors to invest and reward a certain amount of money that has been invested by bearing risks. Legiman et al (2015) state that Stock Return is the result obtained by investors when investors invest in a stock. Stock Return can be positive or negative, if a positive number means getting a profit or obtaining capital gains while a negative number means losing or obtaining capital lost. According to Suciati (2018) Stock Return is The return on shares or the rate of profit is the profit obtained from investment activities in the company either directly or through a securities company. Stock Return is the difference between the total sell of shares and the total buy. If the selling price of the stock is higher than the purchase price, investors can get a higher return. If investors want high returns, they must be willing to take high risks, and vice versa if investors want low returns then the risks taken are very low (Arista, 2012).

2.1.3Return on Equity

According to Animah (2010) Return on Equity (ROE) is one of the ratios used by investors to evaluate a company. Return on Equity indicates a company's ability to earn usable profits for its shareholders. The greater the Return on Equity, the greater the profit. According to Kijewska (2016) Return on Equity is an important measure of a company's revenue performance. The ROE tells general shareholders how effectively investors' money is used. Therefore, investors can determine whether a company can create profit or not be able to create profit from the money investors invest in the stock and also how efficiently management creates profits. Return on Equity is a reflection of the company's ability to provide income to investors by showing the amount of percentage of net profit that the company has used for capital from investors (Aisah & Mandala, 2016).

H1: Return on Equity has a positive influence on Stock Return.

2.1.4Dividend Yield

According to Purnamasari (2013), Dividend Yield is a profit that is distributed to investors based on the number of shares they own. According to Hirt (2006), Dividend Yield is the percentage of earnings per share divided by the market price per share that the company receives. A high dividend yield indicates undervalued, that is, if the stock price is lower than its fair value, it must buy and hold the stock for a while (buy and hold) to obtain capital gains when the price then rises. Dividend yield predictions come from the role of dividend policy in distributing the returns earned by the company to shareholders.

H2: Dividend Yield has a positive influence on Stock Returns.

2.1.5Price Earning Ratio

According to the definition of Tandelilin (2010), Price Earning Ratio is a comparison of stock price to the income of a company. The investor will calculate how many times the value of income is reflected in the stock price. According to Putra (2018), the P/E ratio is the share price divided by earnings per share. The P / E ratio calculates the profitability of the enterprise. The results show that how many investors want to pay each rupiah for the company's income. The higher the P/E then the higher the stock price outlook for earnings per share, therefore the higher the P/E ratio also indicates that the stock is relatively more expensive compared to earnings per share (Arslan et al, 2014).

H3: Price Earning Ratio has a negative influence on Stock Returns.

2.1.6Earning per Share

According to Putra (2018) Earnings per Share is the net profit per share that will be received by these shareholders. Earnings per Share is the distribution of profits distributed to investors from each share (Fahmi, 2015). Earnings per Share (Jasman & Kasran, 2017) is a ratio that shows the net profit for each share for shareholders. Higher ratios will be well assessed by investors. Therefore, the tendency of potential investors to invest in stocks of companies with high earnings per share will also increase. Ultimately, it will increase returns for shareholders. Vice versa, if the earnings per share ratio is low, potential investors will see the information content.

H4: Earnings per Share has a positive influence on Stock Returns.

2.1.7 Firm Size

According to Rahmawati (2015) Firm Size can be categorized into three groups, namely large-scale companies, medium-scale companies , and small-scale companies. There are various steps used to determine the size of the company. For example, total assets, sales, and market capitalization and many other actions that can affect investors ' judgment in making investments. Firm Size is how big a company is. Based on Firm Size, companies are divided into big companies and small companies. Then Firm Size is the market value of a company. Market value can be obtained by calculating the market price of shares multiplied by the number of shares issued (Aisah & Mandala, 2016).

H5: Firm size has a positive influence on Stock Returns.

III. Research Issue and Methodology

The purpose of this study is explanatory, explaining a generalization of the sample to its population or explaining the relationship, difference, or influence of one variable with another variable (Bungin, 2008). Based on the benefits of research, this research is a basic research because this study aims to find new knowledge about fundamental phenomena (Sugiyono, 2015), namely to determine the role of Return on Equity, Dividend Yield, Price Earning Ratio, Earning per Share, and Firm Size on Stock Returns in LQ45 stocks. Hypotheses will be tested and analyzed using statistical testing to find out the results (Sugiyono, 2014).

The data used are secondary data as follows:

1. List of companies listed on the LQ45 index taken from the sahamok.com website,
2. Company financial statement data taken from idx.co.id website,
3. The company's stock price data is taken from the investing.com website
4. Beta data of company shares taken from pefindo.com,
5. Indonesia's interest rate data from bi.go.id.

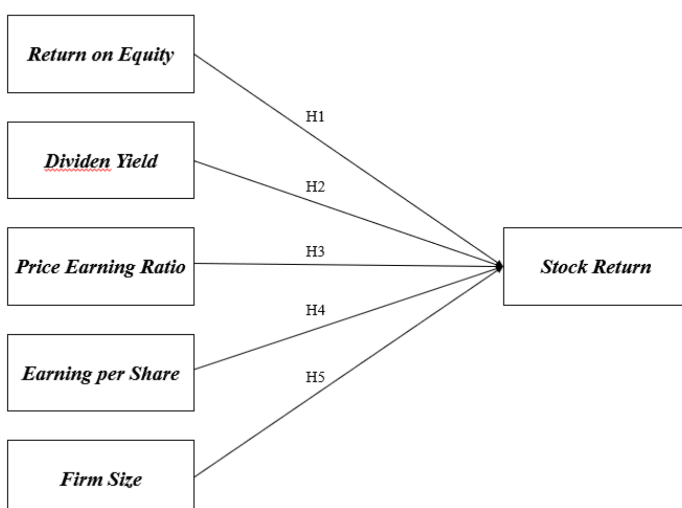

Figure 3.1 Research Model
Source: Researcher, 2022.

IV. FINDING AND DISCUSSION

4.1 LQ45 Overview

The population used are stocks listed on the LQ45 Index. The number of registered companies is 45 companies that are renewed every 6 months. Certain considerations in determining the sample or respondents are non-banking companies listed in LQ45 for the period February-July 201 7-2021. In this sample, the authors use lists from the February – July period. Companies that are sampled must pass the following criteria:

1.Non-banking companies listed on the IDX.
2.A non-banking company that actively trades its shares in the period 201 7-2021.
3.Companies that have positive Net Income (NI)
4.Companies that have a Dividend Yield are not worth 0.
5.Companies that have an Abnormal Return value below +- 100%.

With various criteria, the total sample used was 154 non-banking companies registered from 199 samples listed on the IDX.

4.2 Multiple Regression Analysis and t test

Table 4. 1 Multiple Regression *of Return on Equity, Dividend Yield, Price Earning Ratio, Earning per Share* , *Firm Size* to *Excess Return*

Variable	Standardized Coefficients Beta	t_{sig}	Hypothesis
Return on Equity	0.005	0.968	Rejected
Dividend Yield	0.056	0.656	Rejected
Price Earning Ratio	-0.345	0.004	Accepted
Earnings per Share	0.005	0.956	Rejected
Firm Size	0.367	0.011	Accepted

Source: Data processed, 2022.

From these data, a regression equation is generated as follows:

Y = 0.003.X1+0.038X2-0,213.X3+0,003.X4+0,215.X5

Information:

Y = Excess Return
X1 = Return on Equity
X2 = Dividend Yield
X3 = Price Earning Ratio
X4 = Earnings per Share
X5= Firm Size

A positively marked coefficient tells of a unidirectional change between a free variable and a bound variable. Meanwhile, the coefficient marked negative tells of a change that is not unidirectional between the free variable and the bound variable. Then the multiple regression equation above can be explained that Return on Equity has a positive effect on Excess Return with a regression coefficient of 0.005; Dividend Yield has a positive effect on Excess Return with a regression coefficient of 0.0 56; and Price Earning Ratio negatively affects Excess Return with a regression coefficient of -0.345; and Earnings per share positively affects Excess Return with a regression coefficient of 0.005; Firm Size has a positive effect on Excess Return with a regression coefficient of 0.367.

Based on table 4. 1 obtained the number t sig. The t-test is used to determine the influence between the free variable partially on the bound variable. The results of the t test with a significance value of < 0.05 indicate that the hypothesis is accepted, while if > 0.05 indicates that the hypothesis is rejected . From the results of the u ji t that has been done, it can be concluded that:

1. Return on Equity has a positive and significant effect on Excess Return rejected at a sig rate. 0.968 > t sig. 0.05.
2. Dividend Yield has a positive and significant effect on Excess Return rejected by sig rate. 0.656 > t sig. 0.05.
3. Price Earning Ratio has a negative and significant effect on excess returns received with sig levels. 0.004 < t sig. 0.05.
4. Earnings per Share has a positive and significant effect on excess returns rejected with a sig rate. 0.956 > t sig. 0.05.
5. Firm Size has a positive and significant effect on Excess Returns received with a sig rate. 0.011 < t sig. 0.05.

V. DISCUSSION

The results of hypothesis testing using Excess Return as a proxy for Stock Return, there are 2 hypotheses accepted, namely H3 "there is a negative and significant influence between Price Earning Ratio and Stock Return with standardized coefficient beta of -0.345 ", H5"there is a positive and significant influence between Firm Size and Stock Return with standardized coefficient beta of 0, 367". While the other 3 hypotheses, namely H1"there is a positive and significant influence between Return on Equity and Stock Return with standardized coefficient beta of 0.00 5", "and H2"there is a positive and significant influence between Dividend Yield and Stock Return with standardized coefficient beta of 0.056 ", and H4"there was a positive and significant influence between Earnings per Share and Stock Return with a standardized coefficient beta of 0.005 rejected. The explanation of the five hypotheses is as follows:

The first variable that has the greatest influence on Stock Return is the Firm Size of 0.367 which has a significant effect on Stock Return. This explains that deciding to invest there are goals from investors that investors want to achieve in the future such as building houses, pensions, children's tuition fees and so on. Because investors tend to choose to invest in safe companies so that later these investors can calmly achieve what they want. So it is important for the company in the LQ45 index to always grow every year by always providing the latest product innovations and also the best solution ideas in every problem and obstacle so that later the company can grow and score profits that increase every year. With it, it can provide confidence for investors to invest in the company in a long term because investors feel safe when investing in companies that have a high Firm Size.

The second variable that has the second largest influence on Stock Return is the Dividend Yield of 0.056 which has no significant effect on Stock Return. This explains that the size of the dividend value distributed by the company is not too significant to the Indonesian people because investors want to invest long-term which means that the majority of investors prefer to get capital gains compared to dividend yields provided that the company can provide good prospects for the company in the future. So, this is important for securities companies when they only distribute dividends in very small presentations, the company must also provide information to investors the remaining annual profit is used for what, for example, the remaining annual profit is used for reinvestment to make the company grow even more. With this information, investors can still be interested in investing in the company because the remaining annual profit is used for the development of the company which can later have an effect on investors, namely the share price of the company increases.

The third variable that has the third largest influence on Stock Return is Return on Equity of 0.005 which has no significant effect on Stock Return. This explains that the company must also continue to generate good profits every year even though the Return on Equity cannot affect investors in investing, but the profitability generated by this company can make the company even better.

The fourth variable that has the fourth largest influence on Stock Return is Earnings per Share of 0.005 which has no significant effect on Stock Return. This explains that the company must not only focus on high Earnings per Share but also the company must also focus on the company's future prospects so that later investors can be interested in the company because the company is a good company to invest in. Thus, the Earnings per Share of the company rises by following the share price of the company that rises because the company is good to be used as an investment.

The fifth variable that has a fifth effect on Stock Return is the Price Earning Ratio of -0.345 which has a significant effect on Stock Return. This explains that the company must also be able to explain that even though the company has a large Price Earning Ratio value and it is said that the valuation of the company is expensive, the company is good for investment because it is always growing. Like BBCA's example, BBCA has a very large PER value but the company from BBCA is able to provide information that BBCA bank is the largest private banking company in Indonesia so even though the price of BBCA is expensive, people still want to buy.

VI. Research Limitation

1. In this study, the observation period was fairly short 5 years from 2017-2021. Further research is expected to extend the observation time span so that the number of research samples is also more.
2. Researchers are then expected to use other dependent variables such as the Price Earning Ratio.
3. Researchers are then expected to use the quarterly method to see that the variables Return on Equity, Dividend Yield, Price Earning Ratio, Earning per Share, Firm Size can apply when predicting Stock Return in short-term investments.
4. Research is only limited to LQ45 so it is expected that in the next study the selection of objects should use other indices such as LQ45 or the Indonesian Sharia Stock Index (ISSI).

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