Research Article

The Effect Of Return On Asset, Return On Equity, Earning Per Share, And Price Earning Ratio Toward Stock Return (Empirical Study Of Transportation)

Mochamad Kohar Mudzakar[1], Intan Pramudya Wardanny[2]

[1,2]Faculty of Economy Widyatama University
[1]kohar.mudzakar@widyatama.ac.id, [2]Intanpramudya9@gmail.com

Article History: Received: 10 January 2021; Revised: 12 February 2021; Accepted: 27 March 2021; Published online: 20 April 2021

Abstract: This study aims to determine the effect of return on asset, return on equity, earnings per share, and price earning ratio on stock returns. The research method used in this research is explanatory. The data used is secondary data. The population in this study are all transportation sub-sector companies listed on the Indonesia Stock Exchange in the 2015-2018 period. Sampling uses a purposive sampling method, so that a sample of 12 companies is obtained with a total of 48 data observations. The data analysis method uses panel data analysis and data testing is done using the Eviews 10 program. The results showed that partial return on asset and earnings per share had no effect on stock returns, whereas return on equity and price earnings ratios had an effect on stock returns, Simultaneously return on asset, return on equity, earnings per share, and price earnings ratio effect on stock returns.

Keywords: Return On Asset, Return On Equity, Earning Per Share, Price Earning Ratio, Stock Return.

1. Introduction

Stocks are one of the capital market instruments that speculators are generally keen on the grounds that they give alluring returns. Offers are an indication of capital investment of an individual or one gathering (business element) in an organization or constrained risk organization. By including capital, the gathering has a case on organization salary, a case on organization resources, and is qualified for go to the General Meeting of Shareholders (www.idx.co.id).

As one of the financial institutions that has an important role in supporting the national economy, IDX seeks to improve the function of the capital market as a source of financing for business entities and as a means of investing. The transportation sub-sector as infrastructure and services is a main artery of economic activity which in turn will determine the level of economic competitiveness. As a liaison for Indonesia's economic activities, the transportation sub-sector is certainly a concern of the government. More attention is given by the government to the transportation sector in Indonesia because of the need for large costs in its development. The development of the transportation sector today seems as if the road is in place. The number of high risk assessments from investors when going to invest in companies engaged in transportation (www.sahamok.com).

Stock return is one of the variables that persuades financial specialists to contribute and is likewise a compensation for the boldness of speculators to hold up under the danger of their ventures. The reason for speculators in contributing is to amplify stock returns, without overlooking venture chance factors that must be tended to. Stock returns are emphatically contrasted with chance, implying that the more prominent the hazard borne by financial specialists, the more noteworthy the arrival, and the other way around (Karlina and Widanaputra, 2016; Bermejo, 2019). The benefit picked up by financial specialists by purchasing or owning shares is as profits and capital increases (www.idx.co.id).

Stock return has a very close relationship with stock prices. In making stock investment decisions, investors prefer stocks that provide high returns. Investors can assess the ability of companies that can provide returns based on financial performance reports. If the financial performance is declared good, then the possibility of profits earned by the company increases and also the returns obtained by investors will increase. The high purchasing power of shares indicates the high demand and the impact on rising stock prices. Conversely, if performance is poor, investors tend not to buy shares and are likely to sell shares. By selling shares, the offer will increase which will have an impact on falling stock prices which will result in a stock return decreasing or negative (Juliana, 2019).

Financial ratio analysis is used as a tool to analyze financial statements in assessing the company's financial condition. Financial ratios describe a relationship between a certain amount with another amount. With this ratio tool will be able to explain or provide an overview to the analyst about the good or bad financial position of a company and aims to see how far the accuracy of management policies in processing company finances each year. There are financial ratios that can be used by investors because they are considered to be able to present a preliminary analysis of a company's performance and to estimate the company's intrinsic value (stock value), namely profitability ratios and valuation ratios or market size ratios (Herry, 2018: 142).

Return on assets (ROA), according to Putra in Aryanti, Mawardi and Andesta (2016) is a ratio that shows how much assets in creating net income. In other words, this ratio is used to measure how much net profit is generated from each rupiah of funds that are tucked away, in total assets. According to Arista in Gunadi and Kesuma (2015) the greater the value of ROA it means that the better the company uses its assets to make a profit, with the increasing value of ROA the profitability of the company increases. This makes investors become interested in buying company shares and has an impact on stock prices that are increasing and followed by a high level of stock return returns.

Transportation sub sector companies require investment in the form of assets that are very high so that the variable used in this study is the proxy of return on equity. Indicator of return on equity is very important to consider to what extent the investment will be made by investors in a company is able to provide returns that are in accordance with the level expected by investors. The higher return on equity shows the company's performance is getting better and has an impact on increasing the company's stock price. An increase in the company's stock price will provide high returns for investors. So that the attractiveness of investors to the company is increasing because of the greater return (Sutrisno, 2012: 223).

An indication of a growing company is information that is used to obtain stock returns. Prospective investors can see whether or not the company is worth investing in is by looking at the proxy Investment Opportunity Set (IOS). In the research of Irene (2008) the most valid IOS proxy as a proxy for growth, one of which is earnings per share. Earnings per share (EPS) is a ratio to measure the success of management in achieving profits for shareholders. A low value ratio means that management has not succeeded in satisfying shareholders. Conversely, the higher this ratio indicates the welfare of shareholders because the greater the profit provided to shareholders and the possibility of increasing the amount of return received by shareholders (Kasmir, 2017: 207)

Another ratio that is one of the considerations of investors in analyzing stock price movements in order to maximize the expected return is the price earning ratio (PER). PER indications show the results of returns obtained by investors before. Annisa in Utari (2017), which said that the price earning ratio (PER) is a ratio that compares the price of shares obtained from the capital market and earnings per share obtained by company owners presented in the financial statements. The higher price earning ratio (PER) will indicate that the company's performance is also getting better, but conversely, if the PER is too high it can also indicate that the stock price is very high or irrational. Usually, investors tend to be cautious when buying shares with a high PER. Therefore, when the price earning ratio (PER) is high, investors tend not to invest their shares in the company, so stock returns will tend to decrease.

This examination was directed to proceed with the past research. Gunadi and Kesuma's examination (2015) states that ROA has a huge and beneficial outcome on stock returns, this is unique in relation to Purnamasari's exploration (2017) which expresses that ROA has no impact on stock returns. Research led by Aryaningsih, Fathoni, and Harini (2018) states that arrival on value influences stock returns. These outcomes are unique in relation to an examination directed by Purnamasari (2017) expressing that arrival on value has no impact on stock returns Sodikin and Wuldani's exploration (2016) states that EPS change has no impact on stock returns. Rather than the consequences of the examination Arief, Wahono, and Salim (2017) expressed that EPS development influences stock returns. Value Earning Ratio has been analyzed by Utari (2017) expressing that PER negatively affects stock returns. While Andrianto (2017) states that PER has no impact on stock returns. Despite the fact that there have been numerous examinations on stock returns, it very well may be seen that there are contrasts between the realities and the consequences of research that have been done, so it is intriguing to contemplate. By thinking about past examinations, the analysts picked the free factors right now, Return On Asset, Return On Equity, Earning Per Share, and Price to Earning Ratio which will be filled the last report with the title:

"The Effect of Return On Asset, Return On Equity, Earning Per Share, and Price Earning Ratio to Stock Return (Empirical Study on Transportation Sub Sector Companies listed on the Indonesia Stock Exchange Period 2015-2018"

2. Literature review

ROA is a proportion that shows how much the commitment of benefits in making net benefit. As it were, this proportion is utilized to quantify the measure of net benefit that will be produced from every rupiah of assets inserted in absolute resources. The accompanying recipe is utilized to compute ROA (Hery, 2018: 193):

$$\textit{Return On Asset (ROA)} = \frac{EAT}{Total\ Asset}$$

ROE is a proportion that shows how much value adds to making overall gain. As it were, this proportion is utilized to quantify how a lot of total compensation will be produced from every rupiah of assets installed in complete value. This proportion is determined by isolating total compensation to value. Following is the equation used to compute Return On Equity (Hery, 2018: 194):

$$\textit{Return On Equity} = \frac{EAT}{Total\ Equity}$$

EPS is a ratio to measure the success of management in achieving profits for shareholders. A low value ratio means that management has not succeeded in satisfying shareholders. Conversely, the higher this ratio indicates the increasing welfare of shareholders, with the understanding of high returns.

Earnings Per Share formula according to Kasmir (2017: 207) is as follows:

$$\textit{Earning Per Share} = \frac{EAT}{Number\ of\ shares\ Outstanding}$$

Price Earning Ratio shows the aggregate paid by money related experts for every dollar of advantage uncovered. For money related authorities the more noteworthy cost Earning Ratio, the ordinary advantage advancement will moreover increase. Proficiently, Price Earning Ratio can be arranged as follows (Brigham and Houston, 2018: 144):

$$\textit{Price Earning Ratio} = \frac{share\ price}{earning\ per\ share}$$

Stock return is one of the variables that spurs financial specialists to collaborate and is additionally a compensation for the fearlessness of speculators in facing challenges for their ventures. In this way, financial specialists must be cunning searching for elective ventures that offer the most elevated anticipated degree of come back with a specific degree of hazard, or speculations that offer a specific return at the least hazard level (Tandelilin, 2017: 113). The recipe for ascertaining stock returns as indicated by Tandelilin (2017: 53):

$$\frac{Pt - P_{t-1}}{P_{t-1}}$$

TYPES OF RESEARCH

This sort of research right now logical. Illustrative research will be explore whose reason for existing is to acquire replies about how and why a marvel happens. The reason for this investigation is to clarify or demonstrate how the connection between look into factors (Nuryaman and Chistina (2015: 6).

3. Research methods

This study uses a quantitative method with a descriptive and verification approach, because of the variables that will be examined in relation to the objective to present a description of the relationship between the variables studied.

4. Population and sample

The populace right now all transportation sub-segment organizations recorded on IDX in 2015-2018. The populace right now 35 organizations.

Inspecting utilizes a purposive testing strategy, so an example of 12 organizations is acquired with an aggregate of 48 information perceptions. The strategy for information examination utilizes board information investigation and information testing is finished utilizing the Eviews 10 program.

5. Data analysis technique

The examination utilized right now a relapse investigation system. Relapse examination plans to quantify the quality of the connection between at least two factors, notwithstanding estimating the quality of the connection between the reliant variable with the autonomous variable. The information handling system utilized right now utilizing lopsided board information relapse which is a mix of time arrangement information and cross sectional information with the quantity of cross sectional information units and the quantity of perceptions that are not the equivalent.

6. Results and discussion

1. PARTIAL TEST

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.042	.090		.471	.640
	ROA	.328	.327	.119	1.005	.321
	ROEy	.755	.113	.682	6.694	.000
	EPS	.002	.004	.041	.385	.702
	PER	-.013	.006	-.259	-2.126	.039

Dependent Variable: Return Saham

Source : Output Eviews 10

a. Significant value of the variable ROA of 0.321 where the value is greater than 0.05, so ROA has no effect on stock returns

b. Significant value of the variable ROE of 0,000 is smaller than 0.05, it can be concluded that ROE has an effect on stock returns.

c. Significant value of EPS variable of 0.702 is greater than 0.05, so that EPS has no effect on stock returns.

d. Significant value of the variable price earning ratio of 0.039 is smaller than 0.05, it can be concluded that PER has an effect on stock returns.

2. Simultaneous Test

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	27.709	4	6.927	18.475	.000[b]
	Residual	16.123	43	.375		
	Total	43.832	47			

a. Dependent Variable: Return Saham

b. Predictors: (Constant), PER, ROE, EPS, ROA

Source : Output Eviews 10

Based on a significant simultaneous value of 0,000 where the value is less than 0.05 then it can be concluded ROA, ROE, EPS, and PER affect the stock return.

3. Model Match Test

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.795[a]	.632	.598	.6123277

a. Predictors: (Constant), PER, ROE, EPS, ROA

Source : Output Eviews 10

Based on the Adjusted R Square value of 0.598 or 59.8%. These results indicate that stock returns can be influenced by variable ROA, ROE, EPS, and PER of 59.8%, and the rest are influenced by variables other.

Discussion

1. Effect of Return On Assets on Stock Return

The aftereffects of this examination are upheld by Purnamasari (2017), where this proportion is utilized to quantify the capacity of the board to acquire net advantages from the utilization of benefits. This means that management cannot use total assets properly and ultimately cannot increase stock returns.

2. Effect of Return On Equity on Stock Return

The consequences of this investigation are upheld by the hypothesis advanced by Kasmir (2017) with respect to the higher the proportion of profit for value shows the more viable the organization is in utilizing its own cash-flow to produce benefits. Thus, the performance shown by the company is also getting better so that it will increase the attractiveness of investors to the company.This increased attractiveness makes the company more attractive to investors, because the level of return on equity is higher, resulting in the company's stock price will increase and stock returns will also increase. The results of this study are in accordance with previous research conducted by Andrianto (2019) which states that return on equity has a significant effect on changes in stock returns.

3. The Effect of Earning Per Share on Stock Returns

The results of this study are supported by Rahmawati's theory (2017) which states that companies that get larger EPS are not consistent in having large stock returns. This is due to the company's ability to use assets that are less effective, resulting in very low profits. It can be concluded that the stock return is more influenced by other factors besides EPS. The results of this study are consistent with the research of Sodikin and Wuldani (2016) stating that EPS change has no effect on stock returns

4. Effect of Price Earning Ratio on Stock Returns

According to Annisa in Utari (2017) the price earning ratio is a ratio that compares the price of shares obtained from the capital market and earnings per share obtained by company owners presented in the financial statements. The higher price earning ratio will indicate that the company's performance is also getting better, but conversely, if the PER is too high it can also indicate that the stock price is very high or irrational. Usually, investors tend to be cautious when buying shares with a high PER. Therefore, when the price earning ratio is high, investors tend not to invest their shares in the company, so stock returns will tend to decrease. The results of this study are consistent with Dewi's research (2017) which states that the price earnings ratio has a negative and significant effect on stock returns.

5. Effect of ROA, ROE, EPS, and PER on Stock Returns

ROA, ROE, EPS and PER have an influence on stock returns. Stock return can be influenced by the independent variable (X), namely the variable return on equity, earnings per share, and price earning ratio in this study amounted to 59.8%, while the rest is influenced by other variables outside Research Model.

7. Conclusion

Based on the results of the analysis and discussion presented in the previous chapter, the authors draw the following conclusions:

1. Return on assets has no effect on stock returns
2. Return on equity has an influence on stock returns
3. Earnings per share has no effect on stock returns.
4. Price earning ratio variable has an influence on stock returns.
5. ROA, ROE, EPS, and PER influence on stock returns.

8. Suggestion

The suggestions that the authors propose for several interested parties include the following:

1. For Companies

Companies need to pay attention to these factors and can attract investors to invest their capital so that demand for shares will be high which causes stock returns to increase.

2. For Investors

For investors who want to invest capital should look and analyze in advance in choosing a company, especially in considering ROA, ROE, EPS, and PER, because in This research has an influence on stock returns.

3. For further researchers

This research is expected to be able to add further research literature. This research was conducted only in a period of four years. Further research should use a longer period of time or period. In addition it is recommended to add or replace other variables outside the variables that have been studied, such as working capital turnover.

References

1. Andrianto, M.R. (2019). "Pengaruh *Eaning Per Share, Return On Equity,* Inflasi dan Suku Bunga Terhadap *Return* Saham". *Skripsi.* Fakultas Ekonomi, Universitas Widyatama.

2. Arief, M. Z., Wahono, B., & Salim, M. A. (2017). Pengaruh EPS, DER, dan PER terhadap Return Saham pada Perusahaan Makanan dan Minuman yang Terdaftar di Bursa Efek Indonesia Periode Tahun 2014-2016. *E- Jurnal Riset Manajemen*.
3. Bermejo, FT (2019). Oligopolistic market modeling: the case of wood for flooring. Spain 1994-2012. Cuadernos de Economía , 42 (119).
4. Bilan, Y., Hussain, H.I., Kot, S., Haseeb, M. and Jermisittiparsert, K. (2020) Sustainability and Economic Performance: Role of Organizational Learning and Innovation, *Engineering Economics*, 31 (1), 93-103.
5. IDX. 2019. *Laporan Keuangan Perusahaan Tercatat.* Diunduh pada (https://www.idx.co.id/perusahaan-tercatat/laporan-keuangan-dan-tahunan/). Diakses pada tanggal 11/09/2019
6. Juliana, Sanny Feria. (2019). Faktor-Faktor yang Mempengaruhi Return Sahama Perusahaan Perbankan yang Trdaftar di BEI Periode 2012-2017. *Jurnal Bisnis, Manajemen dan Informatika, 15*, 305-321. Retrieved from http://journal.unhas.ac.id/index.php/jbmi/issue/viewFile/658/14
7. Kasmir. (2017). *Analisis Laporan Keuangan* . Jakarta: PT. Rajagrafindo Persada.
8. Nuryaman. & Christina, V. (2015). *Metodologi Penelitian Akuntansi dan Bisnis Teori dan Praktek.* Bogor: Penerbit Ghalia Indonesia.
9. Purnamasari, L. (2017). "Pengaruh *Return On Asset* dan *Return On Equity* Terhadap *Return* Saham (Studi Kasus pada Perusahaan Perbankan yang Terdaftar di Bursa Efek Indonesia Periode tahun 2010-2015)". *Artikel*. Fakultas Ekonomi, Universitas PGRI Yogyakarta. http://repository.upy.ac.id/1367/1/Artikel.pdf
10. Rahmawati, Ani. 2017. Pengaruh *Earning Per Share, Return On Equity*, dan *Debt to Equity* Terhadap *Return* Saham pada Perusahaan *Food and Beverages* yang Terdaftar di BEI periode 2011-2015. *Skripsi.* Fakultas Ekonomi, Universitas Pakuan Bogor.
11. .Sahamok. 2019. *Sembilan Sektor BEI Beserya Daftar Sub Sektornya.*Diundur dari sahamok.com (https://www.sahamok.com/emiten/sektor-bei/). Diakses pada tanggal 11/09/2019.
12. Sodikin, S., & Wuldani, N. (2016). Pengaruh PER dan EPS Terhadap Return Saham Studi pada PT Unilever Indonesia Tbk. *Jurnal Ekonomi Manajemen, 2*(1), 18-25.
13. Sutrisno. (2012). *Manajemen Keuangan: Teori dan Aplikasi.* Jakarta: Ekonisia.
14. Tandelilin, E. (2017). *Pasar Modal Manajemen Portofolio & Investasi.* Yogyakarta: PT. Kanisiun
15. Utari, S. D. 2017. "Pengaruh Rasio Keuangan dan Volume Perdagangan Saham Terhadap *Return* Saham pada Perusahaan Pertambangan yang terdaftar di Bursa Efek Indonesia periode 2013-2016". *Skripsi.* Fakultas Ekonomi, Universitas Widyatama.