ANALYZING THE INFLUENCE OF RETURN ON ASSET, DEBT-TO-EQUITY RATIO, AND NET PROFIT MARGIN TOWARD STOCK RETURN ON TELECOMMUNICATION COMPANY (EVIDENCE FROM COMPANIES LISTED IN BEI 2010-2019)

ANALISIS PENGARUH PENGEMBALIAN TERHADAP ASET, RASIO HUTANG TERHADAP EKUITAS, DAN MARJIN LABA BERSIH TERHADAP PENGEMBALIAN SAHAM PADA PERUSAHAAN TELEKOMUNIKASI (BUKTI DARI PERUSAHAAN YANG TERDAFTAR DI BEI TAHUN 2010-2019)

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Abstract: *Nowadays, telecommunication sector plays an important role in development of any economy. As technology develops rapidly, making the telecommunications sector more advanced, so that many investors have begun to be interested in investing their funds on telecommunication companies. Stock return is the level of profit to be gained by investors who invest their funds in the capital market in the form of realization return and expected return. The aim of this paper is to measure financial performance of the Indonesian Telecommunication Company during the years 2010-2019. This paper analyzed the influence of independent variables which include Return on Assets, Debt to Equity Ratio, and Net Profit Margin toward Stock Return. This study uses secondary data derived from annual financial reports from 5 telecommunications companies in the infrastructure, utilities and transportation sector listed on the Indonesia Stock Exchange. The sample collection has been carried out by using purposive sampling method. The data analysis technique has been done by using multiple linear regression test. Based on the result of the analysis, it can be concluded that (1) Return on Assets have significant and positive influence on stock return, (2) Debt to Equity Ratio and Net Profit Margin have no significant influence on stock return in Telecommunication companies.*

Keywords: *Return on Assets, Debt to Equity Ratio, Net Profit Margin, Stock Return, telecommunication*

Abstrak: *Saat ini, sektor telekomunikasi memegang peranan penting dalam perkembangan perekonomian manapun. Seiring perkembangan teknologi yang semakin pesat membuat sektor telekomunikasi semakin maju, sehingga banyak investor yang mulai tertarik untuk menanamkan dananya pada perusahaan telekomunikasi. Pengembalian saham adalah tingkat keuntungan yang akan diperoleh investor yang menanamkan dananya di pasar modal dalam bentuk pengembalian realisasi dan pengembalian yang diharapkan. Penelitian ini bertujuan untuk mengukur kinerja keuangan Perusahaan Telekomunikasi Indonesia selama tahun 2010-2019. Penelitian ini menganalisis pengaruh variabel independen yang meliputi Pengembalian terhadap Aset, Rasio Hutang terhadap Ekuitas, dan Marjin Laba Bersih terhadap Pengembalian Saham. Penelitian ini menggunakan data sekunder yang berasal dari laporan keuangan tahunan dari 5 perusahaan telekomunikasi di sektor infrastruktur, utilitas dan transportasi yang terdaftar di Bursa Efek Indonesia. Pengambilan sampel dilakukan dengan menggunakan metode purposive sampling. Teknik analisis data dilakukan dengan menggunakan uji regresi linier berganda. Berdasarkan hasil analisis dapat disimpulkan bahwa (1) Pengembalian terhadap Aset berpengaruh signifikan dan positif terhadap pengembalian saham, (2) Rasio Hutang terhadap Ekuitas dan Marjin Laba Bersih tidak berpengaruh signifikan terhadap pengembalian saham pada perusahaan Telekomunikasi.*

Kata Kunci: *Pengembalian terhadap Aset, Rasio Hutang terhadap Ekuitas, Marjin Laba Bersih, telekomunikasi*

INTRODUCTION

Research Background

Nowadays, many people wants to spending their money on the right investments, one of them is stock. People want to know the financial performance of a company by seeing their financial report. There is so much indicator in financial report that we can see to take consideration which company we want to choose to invest our money. Some of the indicators are Return on Assets, Debt to Equity Ratio, and Net Profit Margin. Return on Assets (ROA) is used to measure the effectiveness of the company in benefit by utilizing all its assets. Meanwhile, Debt to Equity Ratio (DER) representing the ratio between total debt to equity, and Net Profit Margin (NPM) is a measure of the company's profitability from sales after taking all costs and income taxes. These indicators will be used as variables in this research with the telecommunication sector as a research object.

In the recent years, stocks have become one of the most chosen investment in Indonesia. One of the most interesting sectors for investors is telecommunication sector. Today the national telecommunications industry is growing rapidly, this can be seen with several emerging telecommunications service providers. As technology develops in Indonesia, more new companies emerge in telecommunications sector. The researcher sees that many people are competing to invest their money in telecommunications companies because it looks quite promising in the future. There are only 5 telecommunication companies listed in BEI till now, they are Bakrie Telecom (BTEL), XL Axiata (EXCL), Smartfren (FREN), Indosat (ISAT), and Telkomsel (TLKM). By looking at the increasing stock return makes investors interested in investing their money in telecommunication companies.

Research Objectives

Based on the research problem above, the objective of this research is to know the influence of Return on Asset, Debt-To-Equity Ratio, and Net Profit Margin toward stock return on telecommunication company.

THEORETICAL REVIEW

Financial Statement

Financial statement is a collection of facts and figures organized according to systematic accounting procedures (Rao, 2015). By reading financial statements, readers can get information about the financial performance and operations of a company. The objective of financial statement is to provide information about the financial position, performance and changes in financial position of an organization that is useful to wide range of readers. There are 3 major financial statements according to Ross and Westerfield (2015). First, the income statement is a summary of the profitability of the firm over a period of time, such as a year. Second, the balance sheet provides a "snapshot" of the financial condition of the firm at a particular moment. The balance sheet is a list of the firm's assets and liabilities at that moment. Third, the statement of cash flows tracks the cash implications of transactions (Ross and Westerfield, 2015, p. 637).

Investment

According to Bodie, Cane, and Marcus (2018), "An investment is the current commitment of money or other resources in the expectation of reaping future benefits. The material wealth of society is ultimately determined by the productive capacity of its economy, that is the goods and services its member can create". According to Reilly and Brown (2019), "An investment is the current commitment of dollars for a period of time in order to derive future payments that will compensate the investor for the time the funds are committed, the expected rate of inflation, and the uncertainty of the future payments".

Stock Return

A return, also known as a financial return, is the money made or lost on an investment over some period of time (Adam Hayes, 2020). A return can be expressed nominally as the change in dollar value of an investment over time. Stock Returns is a return on investments that have been gotten by investors. Returns are gains or losses from an investment activity (Kohansal and Rostami, 2016). In other words, stock return is a measure seen by investors in investing in a company.

Return on Asset

Return on Assets (ROA) is one of profitability ratios. Return On Assets (ROA) is the ability of a business unit to obtain a return on a number of assets owned by the business unit. Used to measure the rate of return on investment made by the company by using all of its activities (Ibrahim, 2019). According to Salamat and Mustafa (2016), Return On Assets (ROA) is a ratio used to measure a company's ability to generate profits that come from investment activities.

Debt to Equity Ratio

The debt to equity ratio is also known as the financial leverage ratio. Debt to equity ratio is used to measure the level of leverage (use of debt) to the total shareholder's equity owned by the company. Financial leverage can be interpreted as the use of assets and sources of funds by companies that have fixed costs with the aim of increasing the potential returns of shareholders.

Net Profit Margin

According to Sha (2015: 280), "Net Profit Margin shows how much percentage of net profit obtained from each sale". Meanwhile, according to Murhadi (2015: 64), "Net Profit Margin reflects the company's ability to generate net profit from each sale". The greater the NPM, the company's performance will be more productive, so that it will increase investor confidence to invest their money in a company.

Previous Research

A study on Measuring the Financial Performance of a Telecommunications Corporation explains that the Profitability, liquidity and capital structure analysis clearly shows a stable and largely positive trend for the years 2016 through to 2018 for Emirates Telecommunications Group Company, highlighting an improvement in the firm's management of resources and pointing towards a positive outlook for the company and good news for investors should current trends continue (Ibrahim, 2019).

A study on Financial Performance on Telecom Industry in Sultanate of Oman explains that the performance of Omantel was better than Ooredoo. The present study is a fundamental analysis of telecom companies in Sultanate of Oman. The study can provide an idea for the investors in which company they can make investments to earn more returns. The parameters selected for analysis proves to be useful to an investor for his basic analysis of selecting portfolio of investment (Ramachandran, 2019).

A study on Analysis Of The Effect Of Net Profit Margin, Price To Book Value, And Debt To Equity Ratio On Stock Return explains that partially Net Profit Margin, Price to Book Value, and Debt to Equity Ratio have the significant negative effect on Stock Return on LQ45 company in Indonesia Stock Exchange, and simultaneously Net Profit Margin, Price to Book Value and Debt to Equity Ratio have no significant effect (Abdullah and Kusmayadi, 2018).
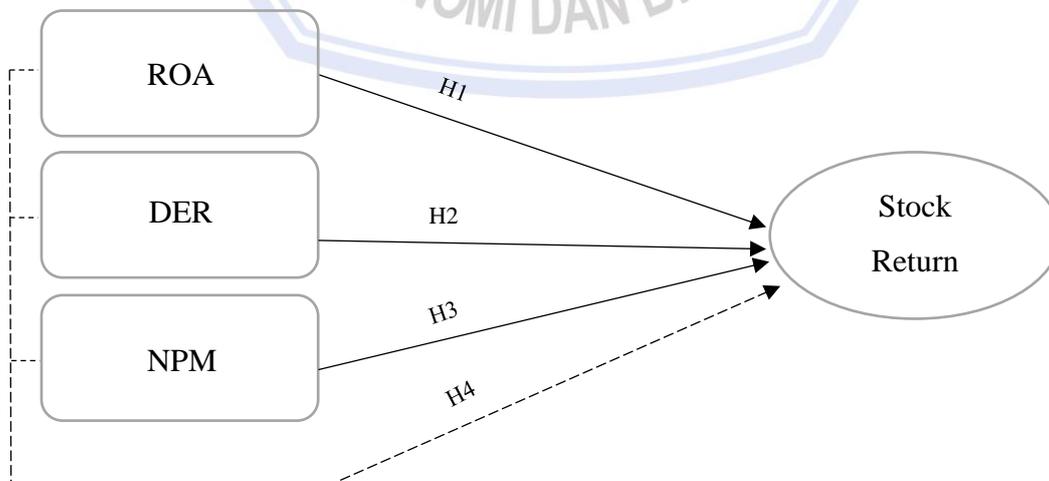
Conceptual Framework

Figure 1. Conceptual Framework
Source: Data Analysis, 2020

Hypothesis

H$_1$: There is a partially influence of Return on Asset on Stock Return.

H$_2$: There is a partially influence of Debt to Equity Ratio on Stock Return.

H$_3$: There is a partially influence of Net Profit Margin on Stock Return.

H$_4$: There are simultaneously influence of Return on Asset, Debt to Equity Ratio, and Net Profit
Margin on stock return.

RESEARCH METHOD

Type of Research

This type of research is quantitative research in the form of numbers and using multiple linear regression data analysis tool. Quantitative research seeks to quantify data (Maholtra, 2009).

Place and Time of Research

This research will be conducted at telecommunications Companies Listed on the Indonesia Stock Exchange (IDX) located at Mega Mas, Manado from March until May 2020.

Population and Sample

The population in this research is service companies that are included in the Indonesia Stock Exchange (BEI) during period 2010-2019. The sample to be used is telecommunications companies listed on the Indonesia Stock Exchange for the period 2010-2019 as many as 5 companies.

Data Collection Method

The data source in this research is secondary data taken from company documentation, namely the annual financial statements of telecommunications companies listed on the Indonesia Stock Exchange in the 2010-2019 period.

Operational Definition of Research Variable

The variables in this study consisted of the dependent variables namely Return on Asset (ROA), Debt-to-Equity-Ratio (DER), and Net Profit Margin (NPM) and the independent variable namely Stock Return.

Data Analysis Method

Normality Test

Normality test aims to determine whether the data in the resulting regression equation is normally distributed or abnormally distributed (Ghozali, 2018). A good regression model is normal or near normal data.

Multicollinearity Test

Multicollinearity test aims to test whether the regression model found a correlation between independent variables, a good regression model does not occur correlation between independent variables.

Autocorrelation Test

The autocorrelation test aims to test whether in the linear regression model there is a correlation between the error of the intruder in the t period and the error of the t-1 (previous) period (Ghozali, 2018). A good regression model is one that does not occur autocorrelation.

T-Test (Partial Test)

This test is done by comparing the t-count with t-table. In this study, the results of these calculations are seen in the t-table at the significance level (α) 0,05. If the t-count is greater than the t-table at the significance level (α) 0,05, the influence variable has a significant effect.

F-Test (Simultaneous Test)

In this study the results of these calculations are seen in f-table at the significance level (α) 0.05. If the f-count is greater than the f-table with a significance of (α) 0.05, there is a significant influence between independent variables toward dependent variable.

RESULT AND DISCUSSION

Normality Test
Table 1. Normality Test Result

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		50
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	.47631327
Most Extreme Differences	Absolute	.118
	Positive	.108
	Negative	-.118
Test Statistic		.118
Asymp. Sig. (2-tailed)		.078[c]

a. Test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

Source: Data Processed (2020)

The normality test results show that the data are normally distributed because the significant values in Kolmogorov-Smirnov table are greater than $\alpha = 5\%$ (0,078 > 0,05).

Multicollinearity Test
Table 2. Multicollinearity Test Result

		Coefficients[a]						
		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
Model		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	-.008	.095		-.086	.932		
	ROA	.003	.001	.346	2.327	.024	.819	1.221
	DER	.022	.033	.100	.674	.504	.826	1.210
	NPM	.002	.003	.072	.519	.607	.932	1.072

Dependent Variable: Stock Return

Source: Data Processed (2020)

In the Table 2 shows that each independent variable has a Tolerance value of more than 0.10 and a VIF of less than 10. So, it can be concluded that Return on Assets (X1), Debt to Equity Ratio (X2), and Net Profit Margin (X3) variables does not occur multicollinearity.

Autocorrelation Test
Table 3. Autocorrelation Test Result

		Model Summary[b]			
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.408[a]	.167	.112	.49160	1.818

Predictors: (Constant), NPM, DER, ROA

Dependent Variable: Stock Return

Source: Data Processed (2020)

Based on the autocorrelation test results above obtained DW value = 1,818 then the value becomes 1,4206 < 1,818 < 2,3261. So, it can be concluded that there was no autocorrelation in this model because dL < DW < 4-dU.

T-Test (Partial Test)
Table 4. T-Test Result

<div align="center">Coefficients^a</div>

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	**Std. Error**	**Beta**	**t**	**Sig.**
1	(Constant)	-.008	.095		-.086	.932
	ROA	.003	.001	.346	2.327	.024
	DER	.022	.033	.100	.674	.504
	NPM	.002	.003	.072	.519	.607

Dependent Variable: Stock Return
Source: Data Processed (2020)

Based on Table 4 further decisions are resulted as follows:
1. Significance number for the effect of ROA on stock return is 0,024 < 0,05 and t-count 2,327 > t-table 2,012. So, H_0 is rejected and H_1 is accepted, which means that ROA has a significant effect on stock return.
2. Significance number for the effect of DER on stock return is 0,504 > 0,05 and t-count 0,674 < t-table 2,012. So, H_0 is accepted and H_1 is rejected, which means that DER has no significant effect on stock return.
3. Significance number for the effect of NPM on stock return is 0,607 > 0,05 and t-count 0,519 < t-table 2,012. So, H_0 is accepted and H_1 is rejected, which means that NPM has no significant effect on stock return.

F-Test (Simultaneous Test)
Table 5. F-Test Result

<div align="center">ANOVA^a</div>

	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2.223	3	.741	3.066	.037^b
	Residual	11.117	46	.242		
	Total	13.340	49			

a. Dependent Variable: Stock Return
b. Predictors: (Constant), NPM, DER, ROA
Source: Data Processed (2020)

From the results above shows that the probability of f-count is greater than f-table, that is 3,066 > 2,80. So, H_0 is rejected and H_1 is accepted, which means that Return on Assets, Debt to Equity Ratio, and Net Profit Margin has a significant effect on stock return simultaneously.

Discussion
Based on the test results obtained coefficient (b) of 0,003. This shows that ROA has a positive effect on stock returns. The significant numbers of 0,024 that are smaller than 0,05 and H_1 is accepted. So, the conclusion that can be drawn is Return on Assets has a significant effect on stock return. The result of hypothesis testing are similar to Wong and Ghafar (2015) which examines the effect of profitability (Return on Assets) on Stock Return. Return on Assets is a profitability ratio where the ratio that measures company's ability to generate its profits. Profitability ratios can be calculated by comparing net income with total assets.

The results of hypothesis testing indicate a regression coefficient of 0,022. This shows that Debt to Equity Ratio has a positive effect on stock return, so that the conclusion is every 1% increase in DER will cause stock returns go up by 0,022 or 2,2%. As for the P-value of 0,504 which means H_2 is rejected, so the decision that can be taken is Debt to Equity Ratio does not have a significant effect on stock returns. A high Debt to Equity Ratio means companies use more debt as capital. The greater the Debt to Equity Ratio shows the risk borne by company will be higher.

Based on the test results obtained by regression coefficient (b) of 0,002. This shows that the Net Profit Margin has a positive effect on stock returns and for each 1% increase in NPM it will increase returns by 0,002

or 0,2%. While a significant number of 0,607, which means that P-value is greater than 0,05, so H_3 is rejected. So, the conclusion that can be drawn is Net Profit Margin does not have a significant effect on stock returns. The higher the net profit margin, the better the operation of a company.

CONCLUSION AND RECOMMENDATION

Conclusion
1. The results show that Return on Assets (X1) has a positive effect and significantly influences the stock return (Y).
2. The results show that Debt to Equity Ratio (X2) has a positive effect but does not significantly influence stock return (Y).
3. The results show that Net Profit Margin (X3) has a positive effect but does not significantly influence stock return (Y).
4. The results show that ROA (X1), DER (X2), and NPM (X3) has a significant effect on Stock Return (Y) simultaneously.

Recommendation
1. For the five telecommunications companies, they must publish complete financial statement data annually. So that the data obtained can provide a description of the company's financial condition precisely in accordance with the investor's needs. The company should be able to take responsibility and obey to the existing regulations.
2. For investors should consider and find out as well as possible the company's financial data in making accurate predictions to determine investment decisions.
3. For subsequent studies, it is recommended to use other variables to measure stock return.
4. Expanding the research sample by not only testing companies engaged in the service industry (telecommunications) but also in other companies.

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