THE INFLUENCE OF FUNDAMENTAL FACTORS ON STOCK RETURN

(Case Study: Company Listed in LQ45 2011-2014)

PENGARUH FAKTOR-FAKTOR FUNDAMENTAL TERHADAP RETURN SAHAM

(Studi Kasus: Perusahaan Terdaftar di LQ45 2011-2014)

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Abstract: Consumption and investment are the two things are related because, delay consumption at a time could be interpreted as an investment that is used for future consumption. The investment is an investment for one or more assets owned and usually in a long period of time with the hope of obtaining a profit in the future. Investments can be classified into direct investment and indirect investment. Direct investment made by purchasing directly from a company's financial assets either through intermediaries or by any other means. One of which is included in direct investment. Fundamental and technical information can be used as a basis for investors to predict the return, risk or uncertainty, the amount, timing, and other factors associated with investment activities in the capital market. Based on the problem background above the purpose of this research is to analyze the effect ROA, CR, EPS, and NPM influence on stock returns, partially and simultaneously. Using a regression method as a data analysis tools, this research found that ROA, CR, EPS, and NPM has significant influence on stock returns, partially and simultaneously.

Keywords: *investment, fundamental, technical, investors, stock returns*

Abstarct: Konsumsi dan investasi adalah dua hal yang terkait karena, konsumsi delay pada suatu waktu dapat diartikan sebagai investasi yang digunakan untuk konsumsi masa depan. investasi adalah investasi untuk satu atau lebih aktiva yang dimiliki dan biasanya dalam jangka waktu yang panjang dengan harapan mendapatkan keuntungan di masa depan. Investasi dapat diklasifikasikan ke dalam investasi langsung dan investasi tidak langsung. Investasi langsung dilakukan dengan membeli langsung dari aset keuangan perusahaan baik melalui perantara atau dengan cara lain. Salah satu yang termasuk dalam investasi langsung. Informasi fundamental dan teknis dapat digunakan sebagai dasar bagi investor untuk memprediksi return, risiko atau ketidakpastian, jumlah, waktu, dan faktor-faktor lain yang terkait dengan kegiatan investasi di pasar modal. Berdasarkan latar belakang masalah di atas tujuan penelitian ini adalah untuk menganalisis pengaruh ROA, CR, EPS, dan NPM berpengaruh terhadap return saham, parsial dan simultan. Menggunakan metode regresi sebagai alat analisis data, penelitian ini menemukan bahwa ROA, CR, EPS, dan NPM berpengaruh signifikan terhadap return saham, parsial dan simultan.

Kata kunci: Investasi, fundamental, teknis, pemodal, pengembalian saham

INTRODUCTION

Research Background

Fundamental and technical information can be used as a basis for investors to predict the return, risk or uncertainty, the amount, timing, and other factors associated with investment activities in the capital market (Husnan, 2004). If the prospect of a public company is very strong and good, then the company's stock price is expected to increase as well (Ang, 1997). With the rise in the stock price is expected to return (return on stocks) will also increase. Financial ratios can be used to explain the strengths and weaknesses of corporate finance as well as having a role to predict the price or stock returns in the stock market. Ang (1997) classifies financial ratios into five types: liquidity ratios, activity ratios, profitability ratios (profitability), the solvency ratio and the ratio of the market.

The reason why the researcher chose LQ 45 as the research object because the LQ 45 stocks most actively traded on the Indonesia Stock Exchange and is the leading stocks selected from each industry sector so that it can be more accurate in analysis in a coherent time (time series). Shares in the company LQ-45 is the highest shares of 45 companies. Group share price index LQ-45 is one of five sectoral indices IDX who have this level of stock prices is quite good apart from agriculture, mining, various industries and basic industries. In overall, based on the phenomenon above, this study taken the title "Analysis the Influence of Fundamental Factors on Stock Return case study company listed LQ45 2011-2014.

Research Objectives

Based on the formulation of the problem that has been mentioned, the purposes of this study are:
1. To analyze the influence ROA, CR, EPS, NPM influence on stock returns of LQ 45 Companies Listed on the Stock Exchange Period 2008-2012 simultaneously.
2. To analyze the influence ROA influence on stock returns of LQ 45 Companies Listed on the Stock Exchange Period 2008-2012 partially
3. To analyze the influence CR influence on stock returns of LQ 45 Companies Listed on the Stock Exchange Period 2008-2012 partially.
4. To analyze the influence on EPS influence on stock returns of LQ 45 Companies Listed on the Stock Exchange Period 2008-2012 partially.
5. To analyze the influence NPM influence of stock returns on LQ 45 Companies Listed on the Stock Exchange Period 2008-2012 partially.

THEORITICAL REVIEW

Stock Return

Capital market as an alternative investment vehicle to offer a rate of return (return) at a certain risk level (Ellen, 2011). Stock return is the rate advantage enjoyed by investors on an investment that does (Ang, 1997).

Return on Asset (ROA)

This is due to the stability of share prices will affect the dividend and returns to be received by investors in the future. If the company's ability to generate profits is high, then the stock price will also be increased to result in increased stock returns in the future (Husnan, 2004). Return on Assets (ROA) is a profitability ratio that is used to measure the effectiveness of the company in the benefit by utilizing all its assets (Ang, 1997).

Current Ratio

Husnan (2002), stated that current ratio is the ratio that measures the extent to which the ability of the company is commonly used in current assets to meet current liabilities. CR is one measure of liquidity that aims to measure the company's ability to repay short-term liabilities with its current assets (Rio, 2013).

Earning Per Share (EPS)

Arista (2012), stated that earnings per share is one of the ratio of the market is the result or the revenues to be received by the shareholders for each share owned on the participation in the company. Earning per share is one of the ratio of the market, according to Ang (1997).

Net Profit Margin (NPM)

Net Profit Margin (NPM) is a ratio used to measure the level of return net profit to net sales (Cicilia, 2012). According to Bambang Riyanto, net profit margin is defined as net profit per dollars of sales (2001: 336).

Previous Research

1. Rio Malintan (2013) on the effect of CR, and ROA on stock returns. Results from these studies are ROA have significant influence while CR and not significant.

2. I Wayan Adi Suarjaya and Henny Rahyuda (2013), the influence of fundamental factors on stock returns in food and Beverage Company in BEI. Results of these studies are EPS negative and not significant to stock return. Then, NPM and not significant positive effect on stock returns.

Hypothesis

Based on the research objectives, the formulation of the problems that have been described, and theoretical framework, then drafted the following research hypothesis:

H_1: ROA, CR, EPS, NPM influence stock returns of LQ 45 Companies Listed on the Stock Exchange Period 2011-2014. Simultaneously

H_2: ROA has positive effect of Stock Return on LQ 45 Companies Listed on the Stock Exchange Period 2011-2014. Partially

H_3: CR has positive effect of Stock Return on stock returns on LQ 45 Companies Listed on the Stock Exchange Period 2011-2014. Partially

H_4: EPS has positive effect on Stock Return of LQ 45 Companies Listed on the Stock Exchange Period 2011-2014. Partially

H_5: NPM has positive effect on Stock Return of LQ 45 Companies Listed on the Stock Exchange Period 2011-2014. Partially

RESEARCH METHODS

Type of Research

This research is causal type of research and using multiple regression data analysis tool to analyze the influence of Financial Fundamental Factors on Stock Return.

Place and Time of Research

This research will be conducted in Manado from June until August 2015, and the data will be taken from BEI website.
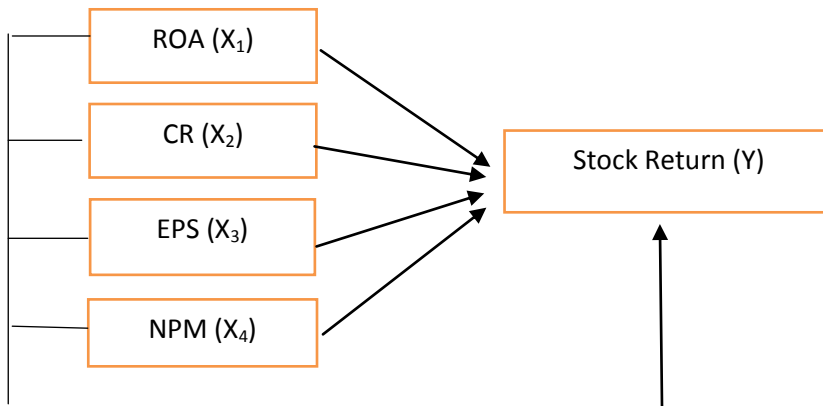
Research Procedure

Figure 1. Research Procedure

Population and Sample

The population in this study are the companies that are included in the LQ-45 index listed in the Indonesia Stock Exchange (BEI) in the period during 2011-2014. The number of insurance companies that go public as many as 11 companies. The samples used in this study were as many as 17 companies. The sampling technique is done through purposive sampling method with the purpose to obtain samples in accordance with the purpose of research.

Secondary Data

The data used in this study is in the form of annual reports and historical reports of financial ratios of each company LQ-45 are listed on the Stock Exchange in the period 2011-2014 Collecting data in this study is done by non-participant observation is to examine the books, journals and papers to obtain a comprehensive theoretical foundation as well as the exploration of the annual financial statements of LQ-45 company listed on the Stock Exchange in 2011-2014 to obtain data variables used research.

Operational Definition

Variables examined in this study are:

1. Dependent Variable (Variable Y)
   The dependent variable used in this study is the Stock Return on the LQ-45 company listed on the Stock Exchange 2009-2012 period.
2. Independent Variable (Variable X)
   Independent variables used in this study is ROA, CR, EPS, and NPM on the company LQ 45 period 2008-2011.

Data Analysis Method Validity

Validity testing is used to know whether the measurement tool that selected can measure what that supposed to be measured. Valid instrument means the measurement tools that used to get the data is valid.

Reliability Test

Reliability of a measure is an indication of the stability and consistency with which the instrument measures the concept and helps to assess the "goodness" of a measure. Cronbach's Alpha is a reliability coefficient that indicates how well the items in a set are positively correlated to one another.

Multiple Regression Analysis

This method is used in analyzing the variables in this study were using multiple linear regression. How big the influence of independent variables to the dependent variable is was calculated using the following equation regression line (Ghozali, 2005):

$$Y = a + b_1x_1 + b_2x_2 + b_3x_3 + b_4x_4 + e$$
$$Y = a + b_1.\ ROA\ (X_1) + b_2.\ CR\ (X_2) + b_3.\ EPS\ (X_3) + b_4.\ NPM\ (X_4) + e$$

Information

Y	= Return Shares
a	= constant
b	= coefficient of the regression line
X_1	= ROA
X_2	= CR
X_3	= EPS
X_4	= NPM
e	= standard error

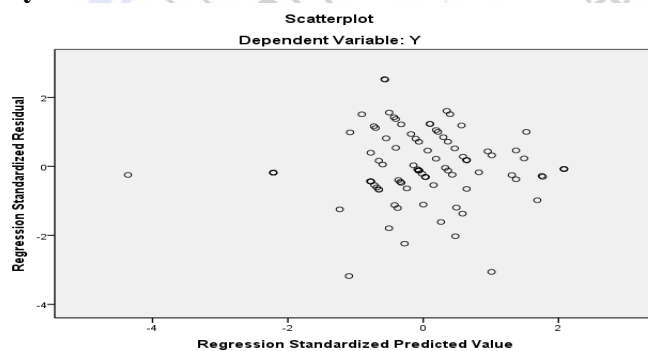## RESULT AND DISCUSSION

Heteroscesdastisity Test

Figure 1. Heteroscesdastisity Test
Source: SPSS Output, 2015

The Figure 1, it can be seen that there is no established pattern, in other words the graph describing the plot spread above and below the number 0 (zero) on the Y-axis. This proves that the independent variables which are ROA (X_1), CR (X_2), EPS (X_3) and NPM (X_4) are free of Heteroscesdastisity.

Multicolinearity Test

The purpose was to test the assumption of multicollinearity in the regression model to test whether there is a correlation between the independent variables and dependent variable

Multicolinearity Test
Table 1. Multicolinearity Test Table

Variable	VIF
X_1	2.445
X_2	1.148
X_3	1.093
X_4	2.332

Source: SPSS Output, 2015.

The results in the table above can be seen by SPSS output does not occur because the symptoms of multicollinearity VIF value of $X_1 - X_4$ is below numbers < 10, this means that there is no connection between the independent variables. Thus, multicollinearity assumptions are met (free of multicollinearity).
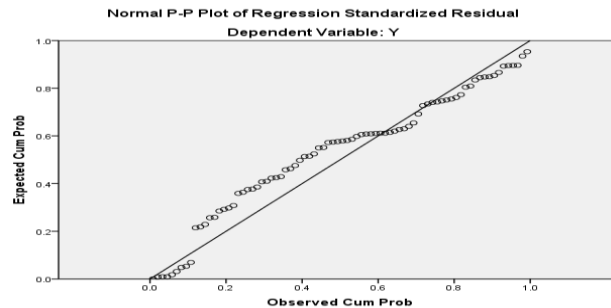
Normality Test

Figure 2. Normality test
Source: SPSS Output, 2015

From the figure 2, can be seen that the points spread and spread around the diagonal line in the direction diagonal lines. This proves that the model Regression in test normality assumption was met.

4.1.2 Regression Analysis

In calculating the regression between independent variables and dependent variable, with the help of a computer program package Based on the statistical software SPSS Version 19.0, of the data processing on the attachment is as follows:

Unstandardized Coefficient Beta Result

Table 3. Unstandardized Coefficient Beta Result

Variable	B
(Constant)	.037
X_1	.310
X_2	.037
X_3	.223
X_4	.206

Source: SPSS Output, 2015

From the analysis, obtained by linear regression equation as follows

$$Y = α + b_1X_1 + b_2X_2 + + b_3X_3 + b_4X_4 + b_5X_5 + e$$
$$Y = 0.037 + 0{,}310\ X_1 + 0{,}037\ X_2 + 0{,}223\ X_3 + 0{,}206\ X_4 + e$$

From the multiple linear regression equation above, it can inform the interpretation as follows:

1. Constant value of 0.037 means that if the independent variables in this research of Variable $X_1 - X_4$ are constant or zero, dependent variable Y will increased at 0.037 point.
2. Coefficient value of 0.310 means that if the variables in this research of X_1 increased by one scale or one unit, it will improve and increase Y at 0.310.
3. Coefficient value of 0.037 means that if the variables in this research of X_2 increased by one scale or one unit, it will improve and increase Y at 0.037.

Coefficient value of 0.223 means that if the variables in this research of X_3 increased by one scale or one unit, it will improve and increase Y at 0.223.

4. Coefficient value of 0.206 means that if the variables in this research of X_4 increased by one scale or one unit, it will improve and increase Y at 0.206.
5. Thus, if there is any change in factors measuring of $X_1 – X_4$ will change dependent variable Y.

4.1.3 Coefficient Correlation (R) and Determination (R^2)

Coefficient Correlation (R) and ($R^{2)}$ Result

Table 4. Coefficient Correlation (R) and (R^2) Result

Model	R	R Square
1	.836[a]	.714

Source: SPSS Output, 2015

The analysis of correlation (r) is equal to 0.836 indicating that the Correlation of The Influence of $X_1 – X_4$ on Y has a strong relationship.

Coefficient Determination (R^2)

To determine the contribution The Influence of $X_1 – X_4$ on Y can be seen that the determinant of the coefficient (R^2) in the table above. R^2 value of 0.714 in this study may imply that the contribution of Independent variable on dependent variable of 71.4 % while the remaining 28.6% is affected by other variables not examined in this study.

Hypothesis Test

Table 5. ANOVA

		ANOVA			
Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	.484	4	.121	3.235	.017[a]
Residualn	2.805	75	.037		
Total	3. 289	79			

Source: SPSS Output 2015

Value of 3.235 of F $_{Count}$ significant 0.017. Because the sig < 0.05 means the confidence of this prediction is above 95% and the probability of this prediction error is below 5% which is 0.017. Therefore H_0 is rejected and accepting H_a. Thus, the formulation of the hypothesis that The Influence of $X_1 – X_4$ on Y Simultaneously, accepted.

Partially Test

Partial test is used to test the effect of each independent variable $X_1 – X_4$ in partial effect on Y by performing comparisons between the t $_{count}$ values with t $_{Table}$ value at $\alpha = 0.05$ or compare the probability of the real level 95% of the partial coefficient (r) so that it can be seen the influence of the independent variables individually. Using the criteria of hypothesis testing by t test as follows:
-t $_{count} \leq$ t $_{table}$ (0,05), then H_0 is accepted and rejecting H_a.
-t $_{count} >$ t $_{table}$ (0,05), then H_0 is rejected and accepting H_a

The data table below shows the t-test partially result:

Discussion
Return on Asset (ROA)

ROA fails to predict the Stock Return due to the global crisis happen in this several years ago. Companies are fail to protect their asset from losing caused by global crisis. In order to face against the financial crisis, company must to let go a several assets to maintain and fulfill the operational fund. This condition makes the company found a difficulties to save their assets from losing.

Current Ratio (CR)

From the results of the analysis have been made known variables current Ratio CR) effect   on stock return of LQ45 companies listed on the Indonesian Stock Exchange (BEI) 2010-2014. CR is one measure of liquidity that aims to measure a company's ability to repay short-term liabilities with its current assets. This ratio is calculated by dividing current assets by its current debt. This ratio is often called the working capital ratio which indicates the amount of available current assets owned by the company to respond to the needs of business and continue its daily business activities.

Earning Per Share (EPS)

The test results found that EPS has no effect on stock returns. This is demonstrated by the significant value of testing is well above 0.05. This shows that companies are getting bigger EPS inconsistent to have a greater stock returns.

Net Profit Margin (NPM)

The test results found that NPM has a significant effect on stock returns. This is demonstrated by the significant value of the test below 0.05. This shows that companies are getting bigger NPM consistently have a greater stock returns.

CONCLUSION AND RECOMMENDATION

Conclusion

Based on the analysis and discussion that has been stated in the previous chapter, the authors draw some conclusions as follows:

1. ROA, CR, EPS, and NPM have significant influence on stock returns
2. ROA has no significant influence on stock returns
3. CR has significant influence on stock returns
4. EPS has no significant influence on stock returns
5. NPM has significant influence on stock returns.

Suggestions

From the conclusions that have been raised previously, then the next author will present suggestions as inputs for the company, as follows:

1. In theory, stock returns are influenced by fundamental factors and market factors. Because ROA and NPM is a fundamental factor and proven to have no effect on stock returns, it is advisable in future studies to increase the fundamental factors such as Return On Asset (ROA), Net Profit Margin (NPM) and market factors such as economic conditions, financial results announcement, the company's good name in the eyes of investors, and others. so the results are more varied significantly and the coefficient of determination can be improved, so that modeling is becoming more complex.

In subsequent studies need to add the object, is not limited to LQ45 alone but on manufacturing companies that go public on the IDX so as to improve the data to be more accurate.

2. Future studies need to consider the addition of a period of time so as to increase the number of samples in research and can provide a more varied.

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