

THE INFLUENCE OF RETURN ON ASSETS AND DIVIDEND PAYOUT RATIO TO STOCK RETURN OF COMPANIES INCORPORATED IN THE LQ45 INDEX LISTED ON THE INDONESIA STOCK EXCHANGE FOR THE 2019 – 2021 PERIOD

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Abstract: The development of the capital market in Indonesia is accelerating, this can be seen from the increasing number of companies that have been listed on the Indonesia Stock Exchange and also the significant increase in investors in the capital market. Referring to data from the Indonesia Stock Exchange This research aims to analyze the influence of return on assets and dividend payout ratio on stock return. The research population is companies incorporated in the LQ45 index and listed on the Indonesia Stock Exchange year 2019-2021. By using the purposive sampling method, obtained 63 financial statements from 21 different companies that meet predetermined criteria. The research was conducted using multiple regression analysis methods. The result showed that return on assets has no significant effect on stock return, and dividend payout ratio negatively and significantly affected stock return, also simultaneously return on assets and dividend payout ratio have no significant effect on stock return.

Keywords: Return on Assets, Dividend Payout Ratio, Stock Returns

INTRODUCTION

The development of the capital market in Indonesia is accelerating, this can be seen from the increasing number of companies that have been listed on the Indonesia Stock Exchange and also the significant increase in investors in the capital market. Referring to data from the Indonesia Stock Exchange (Sidik, 2021), until the end of 2020 the number of investors in Indonesia reached 3,880,753, this figure increased by 56% from the data in 2019. From the daily active investor side, there was also an increase of 73% compared to the previous year. This indicates that the capital market business is an investment option amid COVID-19 that limits the movement space and mobilization of the community. Stocks are one of the most popular instruments in the capital market. Issuing shares became one of the many options for the company when the company decided to fund the company. With stocks, investors have the right to corporate income and assets and also attend the General Stakeholders Meeting. In addition, stocks are also one of the investment instruments that many investors choose because they can provide an attractive level of profit and optimal return. (Fahmi, 2017:81)

Since COVID-19, many start-up investors have not fully understood the capital market and only invested because they followed the existing trend. Most also made investments based on sentiment, following the crowd, without seeing and understanding the company's fundamentals. The LQ45 stock index consists of companies that meet market criteria such as fixed return values, large market

capitalization, good financial conditions, and good prospects in the future that make LQ45 companies considered to have a lower risk compared to other companies that are listed on the Indonesian Stock Exchange. This is what makes LQ45 stock index companies more attractive to investors, especially novice investors who choose to play it safe on their first investment. Need further analysis before deciding on an investment decision. Usually, every investor will examine a company's financial statements carefully to be able to choose which company whose shares will provide the most optimal profit value. To assess the financial performance of a company, an instrument is needed. Instruments usually used to analyze a company's financial condition are various financial ratios. One of them is Return on Assets (ROA). According to Sirait (2017:142), the Return on Assets (ROA) acts as an indicator that measures a company's ability to generate profits on its total assets. The greater the value of the Return on Assets (ROA) indicates the more efficient use of company assets because it means the company generates more profit by making less investment (Kasmir, 2018).

Besides looking at the financial performance to see company prospects and return values that might be obtained in the future, investors need to assess and take into account a company's financial decisions. These financial decisions include investment, funding, and dividend policies. One of the most significant financial decisions is the dividend policy. According to Agus and Martono (2014:270), this dividend policy concerns the issue of using company income, whether the profit earned will be distributed to stakeholders or will be retained to be reinvested in the company. Dividend policy is measured by the Dividend Payout Ratio (DPR). There are different opinions among investors in response to this dividend policy issue, there are investors who prefer companies that distribute their profits in the form of dividends which are distributed with certainty every year compared to uncertain capital gains in the future, and there are also investors who prefer capital gains because they are looking for income that tends to be more stable from the results of the investments they have made.

Return is the result obtained from the investment. Return can be in the form of realized returns that have occurred, or it can also be in the form of expected returns that have not occurred yet but are expected to occur in the future. (Hartono, 2017:264).

In its implementation, stock returns are divided into two types:

1. Realized Return, the actual amount of profit that has occurred, which is calculated based on historical data on the portfolio over a certain period. This historical return acts as a basis for determining the expected return and risk in the future (conditioning expected risk). (Hartono, 2017:263).
2. Expected Return, the expected return is the gain or loss that has been anticipated by investors in the future on the investment value which has been known for its historical rate of return. The difference with realized returns is that the expected return is the estimated calculated value based on data that has not yet occurred and will occur in the future. (Hartono, 2017:280).

METHODS

This research is descriptive research. In addition to descriptive research, this research is also verification research because the research method used is a quantitative approach to present structured, accurate, and factual research data and to analyze the relationship between the variables studied. The method used to test the hypothesis of the variable Return on Assets (X1), Dividend Payout Ratio (X2), and Stock Return (Y) is to use statistical calculations of the classical assumption test, multiple linear regression tests, correlation coefficients, partial hypothesis testing (t test) and simultaneous hypothesis testing (F test).

The population in this study is the financial statements of 45 companies that are listed on the LQ45 stock index in the 2019-2021 period, totaling 135 financial reports. By using the purposive sampling method, which according to Sekaran and Bougie (2016:75) is a limited sampling of a certain type of population that can provide the desired data, or that fits the criteria previously set by the researcher. Based on predetermined criteria, the number of samples to be examined is 63 financial reports.

RESULTS AND DISCUSSION

Results of Descriptive Research

Table 1. Results of Descriptive Research

	N	Minimum	Maximum	Mean	Std. Deviation
ROA	63	.006	.447	.09631	.089659
DPR	63	.100	1.767	.62608	.342674
RETURN	63	-.540	1.679	.04808	.429507
Valid N (listwise)	63				

Descriptive Statistics

Based on Table 1 it can be seen that the value of Return on Assets ranges from 0.006 to 0.447 with an average value (mean) of 0.09631. It means the average return on assets on LQ45 companies is 9.6%. It can be seen that the value of the Dividend Payout Ratio ranges from 0.10 to 1.767 with an average value (mean) of 0.62608. This means that the average proportion of profit from the company's operations that is distributed to its stakeholders is 62.6%. And the last, it can be seen that the value of stock returns ranges from -0.540 to 1.679 and the average value (mean) is 0.04808. This means that the average stock return of LQ45 companies is 4.81%. This was due to the poor financial performance during COVID-19 since early 2020.

**Table 2. The Normality Test Results after Outliers
One-Sample Kolmogorov-Smirnov Test**

		Unstandardized Residual
N		56
Normal Parameters ^{a,b}	Mean	.0000000
	Std. Deviation	.27930339
Most Extreme Differences	Absolute	.117
	Positive	.117
	Negative	-.070
Test Statistic		.117
Asymp. Sig. (2-tailed)		.055 ^c

a. Test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

Based on the results of the normality test in Table 2, it can be seen that the Asymp. Sig. (2-tailed) is above the residual value, 0.055. Because $0.055 > 0.05$, it can be concluded that the research data above is normally distributed.

**Table 3. Multicollinearity Test Results
Coefficients^a**

Model		Collinearity Statistics	
		Tolerance	VIF
1	ROA	.838	1.193
	DPR	.838	1.193

a. Dependent Variable: RETURN

Based on the results of the multicollinearity test in Table 3, the VIF value for Return on Assets and Dividend Payout Ratio is 1.193. That means the regression model used by the independent variables in the study does not have multicollinearity problems because the VIF values of these variables are less than 10.

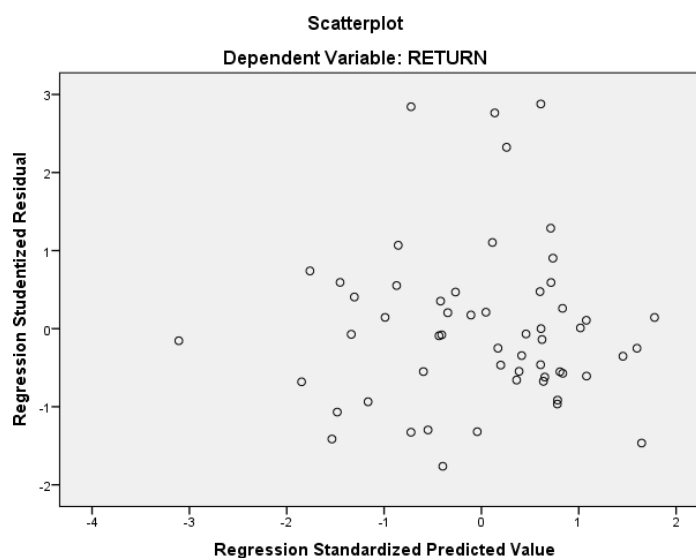


Figure 1. Heteroscedasticity Test Results

Based on the scatterplot graph above, it can be seen that the dots spread randomly and do not form a specific pattern, and these dots spread above and below the zero value on the y-axis. It can be concluded that there is no heteroscedasticity in this study so the regression model can be used.

Table 4. Autocorrelation Test Results
Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.289 ^a	.084	.049	.284524	2.068

a. Predictors: (Constant), DPR, ROA

b. Dependent Variable: RETURN

Based on the Durbin-Watson Test according to Ghazali (2016), the DW value shown in Table 4 is 2.068. Statistical results show that the DW value is greater than the upper limit Durbin value (dU) of 1.643 and less than $4-dU = 2.357$, so the test area is $1.643 < 2.068 < 2.357$. From this equation, it can be concluded that there is no positive or negative autocorrelation based on the Durbin-Watson table.

Table 5. Multiple Linear Regression Test Results

		Coefficients^a					
Model		Unstandardize		Standardize		t	Sig.
		d		d			
		Coefficients		Coefficients			
		B	Std. Error	Beta			
1	(Constant)	.132	.091			1.454	.152
	ROA	.450	.579	.112		.778	.440
	DPR	-.332	.151	-.315		-2.195	.033

a. Dependent Variable: RETURN

Based on the results in Table 5 above, the multiple linear regression equation and its interpretation are as follows:

$$Y = 0,132 + 0,450 X1 + -0,332 X2 + e$$

1. It can be seen that the constant value is 0.132, meaning that if the Return on Assets (X1) and Dividend Payout Ratio (X2) are assumed to be zero (0), then the value of Stock Return (Y) is 0.132. The positive sign indicates a unidirectional influence between the independent variables and the dependent variable.
2. The regression coefficient value on Return on Assets (X1) is 0.450 with a positive sign indicating that if there is an increase of 1 unit in the Return on Assets (ROA) variable, then the stock return value will increase by 0.450.
3. The regression coefficient value of the Dividend Payout Ratio (X2) is -0.332 with a negative sign indicating that if there is an increase of 1 unit in the Dividend Payout Ratio (DPR) variable, the stock return value will decrease by 0.332.

Table 6. Partial Correlation Coefficient Analysis Test Results
Correlations

		ROA	DPR	RETURN
ROA	Pearson	1	.402**	-.015
	Correlation			
	Sig. (2-tailed)		.002	.913
	N	56	56	56
DPR	Pearson	.402**	1	-.270*
	Correlation			
	Sig. (2-tailed)	.002		.044
	N	56	56	56
RETURN	Pearson	-.015	-.270*	1
	Correlation			
	Sig. (2-tailed)	.913	.044	
	N	56	56	56

** . Correlation is significant at the 0.01 level (2-tailed).

* . Correlation is significant at the 0.05 level (2-tailed).

Based on Table 4.7 it can be seen that the value of the correlation coefficient between the variables Return on Assets (X1) and Stock Return (Y) is -0.015, which means that these two variables have an opposite relationship. If the value of Return on Assets (ROA) increases, then the value of stock returns will decrease. Similarly, the correlation between the variables Dividend Payout Ratio (X2) and Stock Return (Y) is -0.270, meaning that if the value of the Dividend Payout Ratio (DPR) increases, then the value of stock returns will decrease because these two variables have an opposite relationship.

Table 7. Simultaneous Correlation Coefficient Analysis Test Results
Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.289 ^a	.084	.049	.284524

a. Predictors: (Constant), DPR, ROA

b. Dependent Variable: RETURN

Based on the results in Table 4.8 it can be seen that the correlation between Return on Assets (X1) and Dividend Payout Ratio (X2) with Stock Return (Y) is 0.289 or 28.9%. Based on the table of correlation coefficient testing criteria, the relationship between the independent variables and the dependent variable in this study is low, because they are in the interval of 0.20 – 0.399.

**Table 8. Determination Coefficient Analysis Test Results
Model Summary^b**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.289 ^a	.084	.049	.284524

a. Predictors: (Constant), DPR, ROA

b. Dependent Variable: RETURN

From the data in the table above it can be seen that the coefficient of determination (R square) is 0.084. This means that only 8.4% of the variation in stock returns can be explained by the Return on Assets (ROA) and Dividend Payout Ratio (DPR) variables. While the other 91.6% can be explained and influenced by other variables not examined in this study.

Table 9. T Test Results

Coefficients^a

Model		Unstandardize		Standardize		T	Sig.
		d		d			
		B	Std. Error	Beta			
1	(Constant)	.132	.091			1.454	.152
	ROA	.450	.579	.112		.778	.440
	DPR	-.332	.151	-.315		-2.195	.033

a. Dependent Variable: RETURN

Based on the results of the t test in the table above, the values in the significance column show different numbers, which can be concluded as follows:

1. H1: Return on Assets (ROA) affects stock returns.
The Return on Assets (ROA) variable has a significance value of 0.440 and a t_{value} of 0.778. It means Return on Assets (ROA) does not affect stock returns because the significance value is greater than the test level, $0.440 > 0.05$ and the t_{value} is smaller than the t_{table} , $0.778 < 2.0057$. So the first hypothesis is rejected. Partially Return on Assets (ROA) does not affect stock returns.
2. H2: The Dividend Payout Ratio (DPR) affects stock returns.
The Dividend Payout Ratio (DPR) variable has a significance value of 0.033 and a t_{value} of -2.195. It means the Dividend Payout Ratio (DPR) affects stock returns because the significance value is smaller than the test level, $0.033 < 0.05$ and the t_{value} value is greater than the t_{table} , $2.195 > 2.0057$. So, the second hypothesis is accepted. Partially, the Dividend Payout Ratio (DPR) affects stock returns. The negative signs indicate that the influence of the Dividend Payout Ratio (DPR) on stock returns is the opposite.

Table 10. F Test Results

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.391	2	.196	2.415	.099
	Residual	4.291	53	.081		b
	Total	4.682	55			

a. Dependent Variable: RETURN

b. Predictors: (Constant), DPR, ROA

Based on the table of the results of the f test calculation above, it can be seen that the significance value is greater than the test level, namely $0.099 > 0.05$. That is, H₃ is rejected. The independent variables, Return on Assets (ROA) and Dividend Payout Ratio (DPR), simultaneously have no significant effect on the dependent variable on stock returns.

DISCUSSION

1. The Effect of Return on Assets (ROA) on Stock Returns

Based on the results of the t test, it was concluded that Return on Assets could not affect the stock returns of companies listed on the LQ45 stock index for the 2019 -2021 period. From the results of research on Return on Assets (ROA), it is revealed that Return on Assets (ROA) is not a significant determinant of the increase or decrease in the value of stock returns. This is because Return on Assets (ROA) only measures the company's effectiveness in using its total assets, while investors usually tend to look at profit indicators per share to predict increases or decreases in stock returns, such as looking at the value of the Price Earning Ratio (PER) or Earning Per Share (EPS). So Return on Assets (ROA) is not used as the main benchmark by investors in deciding investment decisions because it does not influence stock returns.

2. The Effect of Dividend Payout Ratio (DPR) on Stock Returns

Based on the t test result, the Dividend Payout Ratio partially has a significant influence on the stock returns of companies listed on the LQ45 index for the 2019 - 2021 period. This result is also consistent with the Tax Preference Theory which states that dividend policy has a negative effect on the company's stock price. This can happen if there are differences in individual tax rates on dividend income and capital gains. Investors prefer to receive high capital gains over dividends because they can delay paying taxes. Thus, a large Dividend Payout Ratio (DPR) value can reduce company value and share prices. The decline in stock prices will certainly have a direct impact on the value of stock returns.

3. The Effect of Return on Assets (ROA) and Dividend Payout Ratio (DPR) on Stock Returns

Based on the results of the F test, it can be seen that the Return on Assets (ROA) and Dividend Payout Ratio (DPR) variables simultaneously have no significant effect on the value of stock returns of companies listed on the LQ45 stock index for the

2019-2021 period. The contribution of the two variables to stock returns is very low, only 5.4%, this means that 94.6% of the variable stock returns are influenced by other factors, such as Return on Investment (ROI), Earning Per Share (EPS), Price Earning Ratio (PER), Current Ratio (CR), Debt to Equity Ratio (DER), and others. Apart from internal company factors, stock returns can also be influenced by external factors, such as during the period of this study the COVID-19 pandemic occurred which resulted in increased inflation, decreased purchasing power, and affected economic growth, this made stock prices fluctuate erratically so that has a major effect on the value of stock returns.

CONCLUSION

Based on the results of the analysis that has been carried out in this study, the following conclusions can be drawn:

The variable Return on Assets (ROA) in this study does not affect stock returns. This is evidenced by the results of the partial t test which has a significance value (sig.) greater than the test level. So Return on Assets (ROA) does not affect the LQ45 company's stock return for the 2019-2021 period.

The Dividend Payout Ratio (DPR) variable in this study has a negative and significant effect on stock returns. This is evidenced by the results of the partial t test which has a significance value (sig.) smaller than the test level and the t_{value} is greater than the t_{table} and the sign is negative. So the Dividend Payout Ratio (DPR) has a negative and significant impact on the LQ45 companies' Stock Return for the 2019-2021 period.

All independent variables in this study, Return on Assets (ROA) and Dividend Payout Ratio (DPR), have no significant effect on stock returns. This is evidenced by the results of the F test which the significance value (sig.) is greater than the probability. So it can be concluded that the Return on Assets (ROA) and the Dividend Payout Ratio (DPR) simultaneously have no significant effect on the LQ45 companies' stock returns for the 2019-2021 period. According to the coefficient of determination analysis test result, Return on Assets (ROA) and Dividend Payout Ratio (DPR) simultaneously only has as much as 8.4% influence on stock returns. The remaining 91.6% contribution to stock returns is influenced by other variables not examined in this study.

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