Analysis the Effect of Macro-Economic and Financial Performance on Stock Returns on the Indonesia Stock Exchange: Evidence from Selected Stocks in the Mining Sector

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Abstract: *This study aims to examine and analyze the influence of macroeconomic (inflation and exchange rate) also financial performance, ie current ratio, debt to equity ratio, the price earnings ratio, return on equity, total asset turnover on stock returns. The object of research is a mining company listed on the Indonesia Stock Exchange since 2013-2017. The sample selection procedure is purposive sampling. The number population for this research is 44 companies and the number of sample that examined after passing the purposive sampling method is 31 companies. Technical analysis used in the research is regression with panel data using Fixes Effect Model and have R^2 68.93 percent. The result of this research shows that CR, PER, ROE, TATO and exchange rate have positive influence to stock returns. While DER and inflation have negative influence to stock returns.*

Keywords: Stock Returns, Macroeconomic, Financial Performance, Mining Sector

1. Introduction

The existence of capital markets in one country can be used as a reference to see the business dynamics of the countries concerned in moving economic policy (Fahmi, 2013). One instrument of investment in the capital market the most widely known to the public is a stock. Referring to Tandelilin (2010) The main reason for an investor to invest or purchase of shares is to earn profits or returns. More and more companies are able to create a positive stock returns, increasingly reflect the company's ability to manage its assets properly (Puspawati and Deddy in Alexander and Destriana, 2013). This occurs in the Mining sector companies listed on the Indonesia Stock Exchange in 2016 has the increase in stock returns is very high. But the rise in the high stock returns in 2016 can not be maintained by the mining sector. In 2017 the stock return of the mining sector dropped backeven lower to the lowest of the comparison sector.
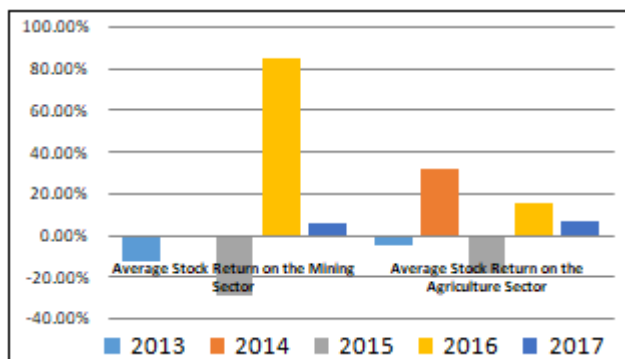
Figure 1: Average of Stock Returns General Industrial on the IDX 2013 - 2017

High and low stock returns can not be separated from the various macro economic factors and financial performance of companies that affect it. Based on previous research, there are a lot of macroeconomic factors and financial performance that can affect stock returns include financial performance is to use a variable CR, DER, PER, ROE, and TATO. Macroeconomic using variable inflation and exchange rate. However, the results of research conducted by previous researchers are still not consistent.

Agency Theory
Agency theory describes the separation between the functions of management by the manager with the functions of ownership by shareholders in a company (Hasnawati and Sawir, 2015).

Signaling Theory
Signaling Theory or signal theory developed by Ross (1977). The theory holds that the company executives have better information about the company will be compelled to pass on the information to potential investors that its stock price increase. Cue or signal is an action taken by the company to provide guidance to investors about how management considers the company's prospects. Signal Theory explains how investors have the same information about the company's prospects as a manager of this company called asymmetric information. But in reality managers often have better information than outside investors. It is called asymmetric information, and this has an important impact on the optimal capital structure. (Brigham, 2010)

Information Asymmetry
Asymmetry of information is a situation where the manager has access to information on the company's prospects are not owned by the parties outside the company. According Rahmawati (2012: 9), the information asymmetry is a problem of communication from the company to outside investors.

Capital Asset Pricing Model (CAPM)

CAPM first introduced by Sharpe, Lintner, and Mossin in the mid-1960s. CAPM is a model that links the level of expected returns of an asset at risk with the risk of the asset in a balanced market conditions. CAPM explains that risk and return are positively related, meaning the greater the risk the greater the return of his (Tandelilin, 2010).

Arbitrage Pricing Theory (APT)

Ross (1977) theorized that APT describes the relationship between risk and revenue, but using different assumptions and procedures. According Tandelilin (2010), APT stated that the expected returns of a security can be affected by many factors, not just one factor (the market portfolio) as noted in the CAPM theory.

Five Factor Fama and French Three Factor Model

In 1993, Fama and French began developing three models namely Beta factor CAPM, which measures the market risk factor by adding size and book-to-market (book value shares). Fama and French (2015), to develop back into the Five Factor Model (5FF) in predicting return of stocks listed in the US. Fama and French markets saw a pattern of beta, size, B / M, profitability, and investment on the average - average return. The most important result of the testing Fama and French (2015) is a model that proved 5FF may explain the relationship of risk and return is better than 3FF models. Factors in 5FF models are market risk, size, book-to-market, profitability, and investment.

Stock Returns

Stock returns by Brigham and Houston (2011) is the difference between the amount received and the amount invested, divided by amount invested.

Macroeconomic

Macroeconomic environment is an environment that could affect the company's daily operations. The investor's ability to understand and predict changes in macro-economic conditions in the future will be useful for the preparation of investment decisions will be made (Tandelilin, 2010). Several macroeconomic factors that have an influence on the investment in a country is GDP, inflation, interest rates, exchange rates, budget deficits, private investment, balance of trade and payments, fluctuations in the world market, overcoming the economic crisis, natural disasters, social and political change, etc.

Financial performance

The financial performance of an activity to assess the financial condition and achievements of the company, the analysis requires multiple measurement used is the ratio and index linking the two financial data between one another. Financial performance can be measured through financial statement analysis as the analysis of financial statements in addition to be used as a tool to determine the level of profitability is also used as a tool to determine the level of risk or the health of a company, Munawir (2005)

Current Ratio

Current Ratio shows the company's ability to meet its financial obligations which must be met immediately. (Mulyana, 2010)

Debt to Equity Ratio (DER)

Zulfikar (2016) argues that DER or often also called leverage ratio is a measure of how much the company's interests are financed by debt compared to existing capital.

Price Earning Ratio (PER)

According to Habib (2008: 62) Price Earning Ratio (PER) compares the average market price with earnings per share.

Return On Equity(ROE)

According to Habib (2008: 60) ROE is a ratio used to measure the effectiveness of a company in utilizing owner contributions or how effective the company uses other sources for the benefit of the owner.

Total Asset Turn Over (TATO)

Brigham and Houston (2011) explained that TATO is a ratio that measures all turnover of all company assets, the faster the time needed for asset turnover, is the better.

Inflation

According to Sukirno (2011), inflation is a macro fundamental factor of macroeconomic indicators that illustrates an unhealthy economic condition, because the prices of goods in general are increasing which weakens people's purchasing power.

Exchange Rate

According to Ekananda (2014: 168), the exchange rate is the price of a currency relative to another country's currency.

2. Data

The type of data used is secondary data.The dependent variable is the stock return obtained from website of SahamOk and Yahoo Finance. While for the independent variable (CR, DER, PER, ROE, TATO) obtained from website of IDX 2013-2017, inflation obtained from website of BadanStatistik Indonesia 2013 – 2017, and exchange rate obtained from website of Bank Indonesia 2013-2017. The population in this research is 44 companies. Since the purposive sampling technique is applied, then the sample used in this study is 31 companies. These 31 companies have represented mining companies which are listed on the Indonesia Stock Exchange 2013 -2017.

3. Metodhology

3.1 Variables

The dependent variable in this study is the return of stock. While the independent variables consist of current ratio, debt to equity ratio, price earning ratio, return on equity, inflation and exchange rates.

3.2 Regression Model and Technical Estimates

The study uses panel data analysis. The panel data is a combination of time series data and of cross section data. Data processing is carried out using E-views 9,5. The equation model in this study as follows:

$$Y_{it} = \alpha + \beta_1 X_1 \text{ it} + \beta_2 X_2 \text{ it} + \ldots + \beta_7 X_7 \text{ it} + eit \quad (1)$$

Y_{it} = Stock return α = constant a

X_1 = CR X_6 = inflation

X_2 = DER X_7 = exchange rate

X_3 = PER   e = error

X_4 = ROE β_{1-7}= slope coefficient variable

X_5 = TATO

Hypotheses:

H0: CR, DER, PER, ROE, TATO, Inflation and Exchange Rate, do not affect stock returns.

H1: CR, DER, PER, ROE, TATO, Inflation and Exchange Rate affect stock returns.

The usage of regression in panel data is performed using threeapproaches, namely Common Effects Model or Pooling List Square (PLS), Fixed Effects Model (FEM), and Random Effects Model (REM). After obtaining the estimated model, then perform some tests to get the most appropriate model in generating three estimations. The first stage of testing will use an F test or a Chow test in order to choose whether the PLS or the FEM is going to be used. If the test results state that H0 is accepted, then the PLS model will be selected and vice versa. The next stage is to test the Hausman Test in order to choose whether the FEM or the REM model will be selected . If the test results state that H0 is accepted, then the REM model will be used and vice versa. When the model chosen using Chow Test is FEM and FEM model is also selected in Hausman Test, then

Langerange Multiplier Test (LM Test) does not need to be done. However, when the model chosen using Chow Test is PLS model and REM model is selected in Hausman Test, then Langerange Multiplier Test (LM Test) need to be performed. LM test is conducted to select the PLS model or the REM. If the FEM or PLS model is selected, the classic assumption test is needed. Panel data is OLS, so the classic assumption test that needs to be process only Multicollinearity and Heteroscedasticity.

4. Empirical Results and Analysis

4.1 Decsriptive statistics

The results of the analysis of descriptive statistics in this research is reflected in Table 1 which include an average sample (mean), maximum value, minimum value, and standard deviation for each variable over the period of 2013 - 2017.

Based on the table, it can be seen that the average value of stock returns experienced a very drastic increase as well as a very drastic decline, but this is still well categorized because the average stock return is still above one, meaning that on average mining companies are categorized still have a stock return.

Table 2: Descriptive statistics 2013-2017

	Keterangan	2013	2014	2015	2016	2017	2013-2017
Stock Returns(%)	Mean	-8.129	3.355	-33.290	106.742	5.765	14.889
	Minimum	-62.000	-78.000	-90.000	-51.000	-75.330	
	Maximum	109.000	147.000	154.000	844.000	88.240	
	Std. Deviation	39.763	59.764	45.584	174.289	35.088	
Current Ratio (%)	Mean	199.758	161.695	162.249	251.799	214.043	197.909
	Minimum	26.050	32.850	19.900	26.560	23.970	
	Maximum	814.240	357.660	404.020	736.470	760.010	
	Std. Deviation	154.421	77.998	92.464	196.943	170.244	
Debt to Equity Ratio (%)	Mean	0.597	0.893	1.125	-0.425	1.627	0.763
	Minimum	-24.120	-9.870	-2.170	-23.980	0.030	
	Maximum	14.810	8.850	8.790	4.870	13.390	
	Std. Deviation	5.287	2.574	1.700	5.872	2.497	
Price EarningRatio (X)	Mean	22.429	4.548	17.526	56.994	6.875	21.674
	Minimum	-67.810	-92.600	-29.550	-230.180	-208.830	
	Maximum	204.940	110.240	296.030	512.960	235.410	
	Std. Deviation	44.840	37.909	61.218	141.716	67.735	
Return on Equity (%)	Mean	5.882	5.091	-4.725	17.312	9.904	6.693
	Minimum	-42.930	-73.970	-161.890	-45.290	-18.540	
	Maximum	32.710	63.560	75.230	178.320	95.000	
	Std. Deviation	16.430	22.249	40.538	50.584	21.836	
Total Asset Turn Over (X)	Mean	0.720	0.722	0.526	0.720	0.452	0.628
	Minimum	0.040	0.010	0.000	0.040	0.010	
	Maximum	1.740	1.660	1.490	1.790	1.330	
	Std. Deviation	0.451	0.487	0.453	0.532	0.343	
Inflation(%)	Mean						0.436
	Minimum						0.250
	Maximum						0.680
	Std. Deviation						0.219
Exchange Rate(Rp)	Mean						12482.510
	Minimum						10451.370
	Maximum						13391.370
	Std. Deviation						1304.795

The average CR value is always above 100%, meaning that on average mining companies can afford to pay short-term debt. Based on trends, from 2013 to 2017, the average DER value increased. This shows the company's performance is poor because DERreflects the company's risk. And overall the average value of DER is below one, meaning that the company is financed more by its own capital.

The average PER value in mining companies tends to have a fluctuating trend. When ratioPER has increased so the stock price offered will also increase, and vice versa.

A downward trend also occurs in the average value of ROE, indicating management of equity that is less effective or an increase in debt which results in reduced net income. The declining ROE value of mining has resulted in capital loss for mining shareholders.

In 2013 - 2017, TATO in mining companies tends to fluctuate. That is, overall the company's ability to manage activities that have an impact on cash flow has increased and decreased from year to year. And the average TATO value during 2013 - 2017 is always below one, meaning that mining companies have not been effective in managing their assets.

Based on the table, data shows a significant difference between the lowest inflation value with the highest inflation value which is between 0.25 and 0.68, this value indicates that inflation has decreased every year, this means that low inflation will increase the rate of return from investors. From the table above it can be seen that the value of the standard deviation is still below the average inflation.

Based on the table, data shows a large difference between the minimum exchange rate and the maximum exchange rate, starting from 10451.37 with 13391.37. This value indicates that the exchange rate has increased. From the table above it can be seen that the value of the standard deviation is still below the average of exchange rate.

4.2 Regression Model Panel data Analysis

Table 2: Test Result panel data

Description	Coefficient	t-Statistic	Prob	Note
C	-1717,043	-1.950984	0,0534	*
CR	0,129924	2.781775	0,0063	***
DER	-8,055292	-4.696576	0,0000	***
PER	0,191513	2.330385	0,0215	**
ROE	0, 522608	2.170761	0,0320	**
TATO	85,58500	3.585560	0,0005	***
Inflation	-86,96307	-1.893596	0,0607	*
Exchange rate	179,5057	1.958997	0,0525	*
R-Square	0,689250			
Adjusted R-squared	0,590979			
F-statistik	7,013746			
Prob(F-statistic)	0,000000			

Notes: Standard errors in parentheses
*significant at 10%
**significant at 5%
***significant at 1%

Table 2 is the result of a panel data test which has been weighted using the FEM method. ProbabilityValue (F-

statistic) is 0.0000 less than 1 %. That means H0 is rejected, which means that CR, DER, PER, ROE, TATO, Inflation and Exchange rates have a significant effect on Stock Return. *Goodest of Fit Test* can be seen from the R-square value is 0,689250. It means the independent variables are capable to explain the stock return of 68,93 % and 31,07% can be explained by other variables. From the table, it will generate a model in Equation 2.

$$Y = -1717,043 + 0,129 CR - 8.055 DER + 0,191 PER + 0,522 ROE + 85,585 TATO - 86,963 \text{ inflation} + 179,505 \text{ exchange rate}$$

Based on the results of the Multicollinearity Test, it is known that each independent variable has a VIF value <10. Thus, it can be concluded that there are no symptoms of multicol linearity between independent variables.

Based on the results of the Heteroscedasticity Test, it is known that there are no heteroscedasticity symptoms in the research data because the probability value of Obs*R-squared is greater than the value of α or 0.9666> 0.10.

Effect of Current Ratio (CR) on Stock Returns
Current ratio (CR) variable has a positive and significant correlation to stock return of mining companies listed on the Indonesia Stock Exchange in 2013-2017.A company with a good level of CR can have a good impact on the company's stock price because it is in demand by investors so that the stock price rises, and also makes high stock returns. Investors often judge that the greater the CR indicates the company's ability to meet operational needs, especially working capital which is very important to maintain the performance of company performance which ultimately affects the performance of stock prices. This can give investors confidence to own the company's shares so that they can increase stock returns. The results of this research supported by Farkhan and Ika (2013), Jabbari and Fathi (2014), Aga et al (2015), and Oztürk and Karabulut (2018) showed that CR has a positive effect on stock returns.

Effect of Debt to Equity Ratio (DER) on Stock Returns
DER variable has a negative and significant correlation to stock return of mining companies listed on the Indonesia Stock Exchange in 2013-2017.The mining company is an industry requirement with the risk, especially during the exploration stage to the construction that has high uncertainty and require very large capital, due to high level of risk so that the banks in the country sometimes do not dare to give financial support to mining companies that are still in the stage the new and dare to give a loan if the company has entered the production phase. Companies with a high DER has a large debt costs and will reduce the level of solvency of the company. Investors tend to avoid stocks that have a high DER. This will cause a decline in stock returns. Nevertheless, this research is supported previous studies conducted by AL-Qudah and Laham (2013), Acheampong et al. (2014), Sugiarti and Aisjah and Ghi (2015), and Fitriana et al. (2016) showed that the DER negative effect on stock returns.

Effect of Price Earning Ratio (PER) on Stock Returns
PER variable has a positive and significant correlation to stock return of mining companies listed on the Indonesia

Stock Exchange in 2013-2017.If the value is negative PER, it led to speculation that the company's performance bad as too cheap. An investor should consider the value of the stock PER reasonable, did not experience underpriced or overpriced / overvalued. Price earnings ratio (PER) is an important measure for investors in investing for PER is recognized as a good assessment method and covers all companies included in the estimated value or stock price. The desire of investors to stock analysis through financial ratios such as PER, due to the desire of investors or prospective investors will result (return) is worthy of a stock investment. The higher the price earnings ratio means higher stock prices or investors appreciate the greater the stock. High stock prices indicate that the stock is being favored by investors and make the stock return is high. The results of this research are supported by Farkhan and Diversity (2013), Petcharabul and Romprasert (2014), as well as Öztürk and Karabulut (2018) showed that PER has a positive effect on stock returns..

Effect of Return on Equity (ROE) on Stock Returns

ROE variable has a positive and significant correlation to stock return of mining companies listed on the Indonesia Stock Exchange in 2013-2017.ROE is a measure of profitability, which the shareholders in general would like to know the level of probability of the share capital and the profits that they have planted back in the form of profit planted. If the company's shares are traded on the stock exchange, the high and low ROE will affect the level of demand for these shares on the stock and the selling price. This ratio describes how well the company is able to restore what has been invested by the shareholders. Therefore, the higher the ROE will increasingly attract investors to buy shares of the Vendor and result in rising stock prices make the returns stocks also rose.The results of this research are supported by Sugiartiand Aisjah (2015), Hard and Afif (2015), Carlo (2014), Karlinaand Widanaputra (2016) showed that ROE has a positive effect on stock returns.

Effect of Total Asset Turn Over (TATO) on Stock Returns

TATO variable has a positive and significant correlation to stock return of mining companies listed on the Indonesia Stock Exchange in 2013-2017.TATO high indicates that the management company can utilize its entire assets to bring in revenue for the company and this in turn can be considered to increase corporate profits. Thus TATO high potential to attract investors to continue to invest in the company and will increase the value of the shares that make stock return is increased. High TATO shows the more efficient the company in utilizing its assets and indicates the greater the sales generated which then will have a positive impact on stock returns. The results of this research are supported by Yuliantari et al. (2014), Jabbariand Fathi (2014), Warradand Omari (2015), also Effendi and Hermanto (2017) showed that TATO has a positive effect on stock returns..

Effect of Inflation on Stock Returns

Inflation variable has a negative and significant correlation to stock return of mining companies listed on the Indonesia Stock Exchange in 2013-2017. This study shows that high inflation will lead to lower stock prices lead to declining stock return, because it causes a rise in prices of goods in general. This condition affects the cost of production and selling price will be higher. High prices will lead to decreasing purchasing power, it will affect the company's profits and ultimately affect the stock price decline. Rising inflation as the cost push inflation or inflation caused by rising costs will cause the prices of goods have increased and decreased purchasing power, inflation causes reduced corporate profits. The decline in profits means that performance declines, resulting in investor interest in the company's stock decline that will affect the stock price declines and the impact on the investor return. Nevertheless, this research is supported previous studies conducted by Waskito and Fitria (2016), Phiri (2016) and Haanurat (2013) showed that inflation has a negative effect on stock returns..

Effect of Exchange Rate onStock Returns

Exchange rate variable has a positive and significant correlation to stock return of mining companies listed on the Indonesia Stock Exchange in 2013-2017.The results of this study showed that the weakening of the US $ to the rupiah will reduce mining stock returns. Observations value of currency or exchange is essential as the currency exchange rate is important in making profits for the company. Stock brokers, investors and capital market participants are usually very cautious in deciding to buy or sell a position if the exchange rate is not stable. From the research results that Kurs positive influence on stock returns. The results of this research are supported by Prasetioningsih et al. (2015) and Haanurat (2013) which indicates that the Exchange has a positive effect on stock returns.

5. Conclusion

Based on the results of the research and discussion in the previous chapters, some conclusions can be stated as follows:
1) Current Ratio (CR) has a positive effect on stock returns of mining sector companies listed on the Indonesia Stock Exchange in 2013 - 2017.
2) Debt to Equity Ratio (DER) has a negative effect on stock returns of mining sector companies listed on the Indonesia Stock Exchange in 2013 - 2017.
3) Price Earning Ratio (PER) has a positive effect on stock returns of mining sector companies listed on the Indonesia Stock Exchange in 2013 - 2017.
4) Return on Equity (ROE) has a positive effect on stock returns of mining sector companies listed on the Indonesia Stock Exchange in 2013 - 2017.
5) Total Assets Turn Over (TATO) has a positive effect on stock returns of mining sector companies listed on the Indonesia Stock Exchange in 2013 - 2017.
6) Inflation has a negative effect on stock returns of mining sector companies listed on the Indonesia Stock Exchange in 2013 - 2017.
7) Exchange rate has a positive effect on stock returns of mining sector companies listed on the Indonesia Stock Exchange in 2013 - 2017.

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