

Effect of Analysis Fundamental Factors to Return Stock

Sugiyanto¹, Nugraha²

Universitas Pendidikan Indonesia
Jl. Dr. Setiabudhi No. 229 Bandung, Jawa Barat, Indonesia

Abstract: Aspects related to stock returns are a very important part of the economy in the modern era, the actions of entrepreneurs who make stock returns are largely determined by fundamental factors that are indicators of entrepreneurs in making stock returns. This research will focus on analyzing the influence of fundamental factors with the existence of stock returns. This study uses a descriptive approach with empirical methods, used to identify the factors found in the consumer and financial goods industry groups listed at IDX. The population in this study were companies included in the consumer and financial goods industry group listed on the IDX. Data collection techniques can be done by interviews, questionnaires, observations, and a combination of the three. Data analysis is a process of simplifying data into a younger form that is interpreted. Data that has been collected from the field and library data will be compared, then an analysis is carried out to draw conclusions. The results show that there is a significant or simultaneous influence between fundamental factors and stock returns because the value of F count = 56.233 which is greater than F table which is 5.41 with a significance level smaller than 0.05, which is 0.000 which means rejecting H_0 and accept H_a .

Keywords: Fundamental Factors, Stock Returns, Empirical Studies

1. Introduction

Problems related to trade barriers, uncertainties in the value of foreign exchange, especially the US dollar (USD) are severe obstacles to international trade and the instability of the world monetary system. Uncertainty that occurs in the global trade environment and the direction of US trade policies that tend to change can lead to the collapse of the economies of developing countries around the world. The trade balance deficit of the United States (US) from China in 2017 amounting to USD 375.2 billion made President Donald Trump worried and threatened to increase tax rates for Chinese products entering the US.

At present there are two direct effects of the financial crisis caused by the US and China trade wars on the Indonesian economy. The first effect is on the rupiah exchange rate. The rupiah exchange rate at the beginning of 2018 stayed at the level of 13,543 rupiah, starting to look fluctuating in mid-September 2018. The peak on September 5, 2018 the rupiah exchange rate broke through the figure of 14,927 rupiah per US dollar. This of course makes companies that rely on imported raw materials panic. This decline in the value of the rupiah also resulted in an increase in the prices of goods which ultimately triggered inflation.

In addition to influencing the exchange rate, the second influence on the performance of the Stock Exchange Index in Indonesia. Foreign ownership which still dominates the share ownership of the Indonesia Stock Exchange (IDX), has resulted in the Indonesian stock market being vulnerable to global financial conditions. Many investors who invested their funds in the Indonesia Stock Exchange (IDX) suddenly suffered heavy losses.

Investment in stocks is a type of investment that is quite attractive to investors. There are two advantages that investors expect from stock investment, namely dividend capital gains. Dividends are the distribution of company profits to shareholders, while capital gains represent a

positive difference between the selling price and the purchase price of a stock.

Stock prices are often considered by investors in making investment decisions. Stock prices tend to increase in the short term will provide stock returns in the form of capital gains, while in the long run it means that the company's financial performance is getting better so that investors can get dividends. loss), while in the long run it shows the deterioration of the company's financial performance so that investors experience losses by not getting dividends.

The stock price which has decreased will certainly have implications for the return obtained by investors. Return is a comparison of initial costs with the results obtained by investors. For stocks, the initial cost is the purchase price and the result is the difference between the purchase price and the selling price (capital gain). Investment return will be directly proportional to the risk borne by an investor. The higher the expected return, the higher the level of risk that must be borne by the investor.

Macro fundamental factors in terms of the capital market analysis with the country's fundamental factors, this factor is uncontrollable so that it cannot be controlled by the company. Macro fundamental factors include factors: (1) Economy, (2) social, cultural, demographic and environmental, (3) political, governmental, and legal power, (4) technology, and (5) competition (David, 2003).

Micro fundamental factors in the analysis of capital markets are often referred to as the company's fundamental factors, these factors are controllable so that they can be controlled by the company. Micro fundamental factors can be grouped into factors of company policy and company performance factors.

The capital market has a big role for the economy of a country because the capital market runs two functions at once, namely: as an economic function, because the capital

market distinguishes facilities or vehicles that bring together two interests namely those who have excess funds (investors) and those who need funds (issuer) With the capital market, the party that has excess funds can invest the funds in the hope of obtaining results (returns), while for the company can use these funds for the development of their business. Second, the capital market as a financial function because it provides the possibility and opportunity to obtain returns for the fund owner / investor, according to the characteristics of the chosen investment (Fakhrudin, 2005: 6)

2. Theoretical

2.1 Meaning of Stock Return

Shares are proof of equity participation in a particular company. The form of the stock is a piece of paper that explains that the owner of the paper is the owner of the company that issued the shares. According to Tandililin (2001), stocks are proof of ownership of the assets of the company that issues shares. By owning shares of a company, the benefits include:

- a) Dividend is part of the company's profits distributed to shareholders.
- b) Capital Gain is a profit derived from the difference in selling price and purchase price.
- c) Non-financial benefits, namely the emergence of pride and the power to obtain voting rights in determining the course of the company.

Capital markets provide two main functions for society, namely as economic and financial functions. Capital markets are said to have economic functions because the capital market provides facilities or vehicles that bring together two interests, namely those who have excess funds (investors) and those who need funds (issuers). The existence of the capital market makes it easier for companies to obtain fresh funds from the public, among others, the sale of shares through the procedures of an Initial Public Offering (IPO) or debt securities (Yunita, Andreas and Silfi, 2014, p. 2).

The capital market trades several types of securities which have different risks. Stock is a security that has a high level of risk. High risk is reflected in the uncertainty of returns that will be received by investors in the future. This is because stock risk relates to the circumstances that occur, such as the economy, industrial politics and the state of the company or issuer.

Today, more and more people are brave enough to invest their capital in the property industry because land prices tend to rise. The reason is that land supply is permanent while demand will always be large as population increases. The increase in land prices is estimated at 40%. In addition, land prices are rigid, meaning that price determinants are not markets but people who control land (Anastasia in Yunita, Andreas and Silfi, 2014, p. 2).

Return is the main motivation for investors to invest. Investors who have been willing to invest part of their wealth to invest expect returns as the most important thing

(Dwialesi and Darmayanti, 2016, p. 5372). According to Jones (2014), investment returns have two components, namely yield and capital gain (loss). Yield is periodic cash flow and capital gain (loss) is the profit derived from the appreciation (depreciation) of stock prices. Return has a form of realization that has or expectations are expected to occur (Swift, 1970). Return realization is calculated using historical data and its function is to measure company performance. Return realization is the basis for determining return.

2.2 Understanding Stock Prices

Shares are proof of ownership of a company in the amount of its participation. Evidence of ownership of shares can have a direct impact on the holder because the shareholders can control the activities of the company in the form of limited responsibilities, which are limited to the value of its share ownership (Judisseno, 2005, p. 232). The stock market price is the value of shares that occur because of the sale and purchase of each existing stock. The selling price of shares traded on the primary market is determined by the issuer firm and underwriter (Mulyana, 2011, p. 2).

Stock market prices will always fluctuate and will always be published to potential investors and other parties who need that information to be used as evaluations in each party's decision making (Wilianto, 2012, p. 34). The ever-changing stock price is a continuous process where changes in the environment and instability in the market require this activity to repeat itself (Abedini and Razmi, 2014, p. 797). Stock return is income (income) obtained by shareholders as a result of its investment activities in certain companies (Jogiyanto, 2000, p. 9).

2.3 Kinds of Stock Returns

Stock returns are divided into two types, namely (Jogiyanto, 2000, p. 10):

- a) Expected Return
Return expectations or often referred to as the expected return is the level of return anticipated by investors in the future.
- b) Actual Return (Realized Return)
Actual return or often referred to as realized return is the rate of return that investors have obtained in the past.

Investors who carry out investment activities, surely he will require a certain level of return and if the investment period has passed, the investor will be faced with the level of return he actually receives. The level of expected return and the actual rate of return obtained by investors from their investment activities may be different. The difference between expected returns and actual returns is a risk that must always be considered in the investment process (Jogiyanto, 2000, p. 10).

Furthermore, Jogiyanto stated (2000) that returns are the results obtained from an investment, stock returns are divided into two, namely return realization (realized return) and expected return.

a) Return Realization

This type of return is a type of return that basically has occurred and even already exists in historical data. Return realization is very important in terms of measuring the performance of the company and also often used as a basic form of determining returns, especially for risks to be taken in the future.

b) Return Expectation

Expectation return is often also referred to as a form of expected return in the future and is also categorized as a return that has uncertain or uncertain properties. This is related to the first time when an investor wants to make an investment, which is always faced with various forms of uncertain possibilities. This uncertain possibility is related to the value of the benefits that might be obtained and also the loss as a level of risk that might befall them. Based on this, it is often said that the expected return has a positive relationship with risk, while a higher level of risk will usually be correlated with the opportunity to get a much higher return.

Return on an investment consists of yield or dividend and capital gain (lost). Yield is a return that reflects cash flow or income obtained periodically. While capital gain (loss) is the return obtained from the increase (decrease) in the value of securities (Tandelilin, 2007).

Returns or more often called returns are the rates of return obtained from investments made. These returns are divided into two, namely the actual return calculated based on historical data, and the Expected Return-ER will be obtained in the future. Component returns include:

- a) Profit or capital loss (Capital gain / loss) is a profit (loss) for investors obtained from the excess selling price (purchase price) above the purchase price (selling price) which both occur in the secondary market.
- b) Yield (yield) is income or cash flow that investors receive periodically, for example in the form of dividends or interest. Yield is expressed as a percentage of invested capital.

Based on the two components of return, then the total return and the rate of return can be calculated, namely Total Return = capital gain (loss) + Yield.

2.4 Meanings of Fundamental Analysis

Fundamental analysis is the analysis used to assess an investment. Koetin (2003, p. 413) states that the value of a real stock is determined by the condition of the issuer's fundamentals which include: earnings, sales growth, assets and prospects of the issuer. Fundamental analysis states that every stock investment has a strong foundation called intrinsic value that can be determined through analysis that is very careful about the current condition of the company and its future prospects. Intrinsic value is a function of company factors combined to generate expected returns with a risk inherent in the stock.

Debt to total equity illustrates the extent to which owner's capital can cover debts to outsiders. The smaller the ratio the better. The company's performance certainly also affects

the attractiveness of shares offered in the capital market. The better the company's performance, the higher the attractiveness of the company's shares. Of course this is attractive to investors because these stocks provide prospects that promise profits. If the investor's demand for the company's shares is quite large, this can affect the increase in stock prices.

The relationship between Earning per Share (EPS) and stock price is explained by Taufik (2000, p. 2) that "shareholders are very concerned about the company's earnings per share because it can help predict or forecast dividend flows in the future". Dividend receipts as a form of profit from shares is one of the returns that investors are eagerly awaiting. Thus, the higher EPS will directly make the stock return higher. The high percentage of ROE shows the level of profit (a fairly high return from the use of company capital).

Fundamental factors are factors related to the condition of a company. Doing fundamental analysis means trying to assess the performance of a company. If a company has a good performance, of course, the company will easily benefit. If a company easily gets a profit, the share price will go up (Salim, 2010, p. 113). These shares of the company make investors interested in investing. Return on Investment (ROI) is a ratio that shows the company's ability to generate operating net income against total investment. ROI is calculated by dividing net income after tax with total investment. The total investment in this calculation is the total assets owned by the company.

The greater the ratio, the better the quality of the company because the greater the company's ability to generate profits (Kuswadi, 2008, p. 96). This ROI is an important ratio in assessing the quality of the company. The ability of a company that can generate profits will have an impact on the quality of its shares, where when the profit is high, the quality of the shares will increase and this will affect the changes in the company's stock price.

3. Method

In conducting this research, the author uses empirical research methods. According to Geiger & Gross (2018) empirical studies are ways that can be observed by the human senses, so that others can observe and know the methods used.

In this study the authors used an associative descriptive approach because of the variables to be examined in relation to the purpose of presenting a structured, factual, and accurate picture of the facts and the relationships between the variables studied.

The descriptive approach will be used to identify the factors found in the consumer and financial goods industry groups listed on the IDX. Associative methods of research statements that are asking about the relationship between two or more variables (Cherry, 2018). This associative approach is used for factors found in the consumer and financial goods industry groups listed on the IDX on stock returns.

In the process of collecting data, a tool called an instrument is needed. The selection of the right research instrument is very necessary in order to facilitate research in collecting data. The research instrument is a tool used to measure natural and social phenomena observed (Weatherly, 1996). Specifically all of these phenomena are called research variables.

The instruments used in this study are:

- a) The instrument used is using a closed method questionnaire, where the possibility of answer choices has been determined in advance and the respondent is not given another alternative answer.
- b) The indicators for these variables are described by the author to be a number of statements to obtain qualitative data. This data will be analyzed using a quantitative approach using statistical analysis. While the size technique used is the Likert scale.

The research instrument is a tool used to collect data in a study. This research is basically measuring social phenomena, so in this study there must be an appropriate tool, while the instruments used in this study are using a closed method questionnaire, where the possibility of answer choices has been determined in advance and the respondent is not given an alternative another answer.

The population in this study were companies included in the consumer and financial goods industry group listed on the IDX. According to Arikunto (2012, p. 109) for general guidelines it can be implemented that if the population is below 100 people a sample of 50% can be used and a sample of 15% is used above 100 people.

Sugiyono (2013, p. 193) data collection techniques can be done by interview (interview), questionnaire (questionnaire), observation (observation), and a combination of the three. Data analysis is a process of simplifying data into a younger form that is interpreted. Data that has been collected from the field and library data will be compared, then an analysis is carried out to draw conclusions.

4. Results and Discussion

Quantitative data obtained by questionnaires, then carried out data testing aimed at validating data so that it can be accounted for academically.

a) Multicollinearity

To determine the presence of multicollinearity in calculations using SPSS, use the partial correlation. From the results of multicollinearity tests that have been carried out shows that there is no multicollinearity because the value of significance is greater than 0.025.

b) Autocorrelation

How to find out autocorrelation in regression can use the Durbin-Watson test. The results of the autocorrelation test show the Durbin-Watson value of 2.765. This shows that the regression model can be used even without conclusions.

c) Hypothesis testing

The results showed that the t count of profit margin (PM) amounted to -0.107 which was greater than t table = -2.578 with a significance level greater than 0.025 which is 0.945 which means that H_0 was accepted and refused H_a , there was no influence between profit margin (PM) and stock price.

The results showed that the t count of return on equity (ROE) was -0.407 which was greater than t table = -2.481, with a significance level greater than 0.025 which is 0.674 which means that H_0 was accepted and refused H_a , there was no influence between return on equity (ROE) with stock prices.

The results showed t count of earnings per share (EPS) of 4.785 which is greater than t table = 2.564 with a significance level smaller than 0.025 which is 0.006 which means that H_0 is rejected and accepts H_a means that there is an influence between earnings per share (EPS) and stock price.

The results showed that there was a significant or simultaneous influence between fundamental factors and stock returns because the F count = 56.233 which is greater than F_{table} which is 5.41 with a significance level smaller than 0.05, which is 0.000 which means rejecting H_0 and accept H_a .

There is a significant influence between the analysis of fundamental factors on stock returns because fundamental factors are closely related to the thinking and psychological abilities of entrepreneurs related to the motivation to make stock returns.

This study focuses on four fundamental factors, namely return on investment, price earnings ratio, price to book value and operating profit margin. The four fundamental factors are closely related to the calculation and measurable calculations, so that these four factors determine the actions of the employer who will make a stock return.

References

- [1] Tandelilin, Eduardus. (2010). Portofolio dan Investasi. Yogyakarta: Penerbit Kanisius.
- [2] Yunita, D., Andreas dan Silfi, A. 2014. Faktor Pengaruh Faktor Fundamental terhadap Return Saham (Studi pada Perusahaan Real Estate & Property yang Terdaftar di Bursa Efek Indonesia). JUM FEKON, 1(2), hlm. 1-14.
- [3] Abedini, Bizhan and Narges Razmi. (2014). Investigation Effect of Firm's micro (Internal) Factors on Stock Price, in Tehran Stock Exchange. Indian Journal of Fundamental and Applied Life Sciences, Vol. 4, 2014: 792 - 806.
- [4] Jogiyanto. (2000). Teori Portofolio dan Analisis Investasi. Yogyakarta: BPFE Yogyakarta.
- [5] Dwialesi, J.B dan Darmayanti, N.P.A. 2016. Pengaruh Faktor-Faktor Fundamental Terhadap Return Saham Indeks Kompas 100. E-Jurnal Manajemen Unud, 5(9), hlm. 5369-5397.

- [6] Jones, Charles P. 2014. Investments: Principles and Concept. Asia: John Wiley & Sons.
- [7] Swift, D. J. P. (1970). Quaternary shelves and the return to grade. *Marine Geology*, 8(1), 5–30. [http://doi.org/10.1016/0025-3227\(70\)90070-8](http://doi.org/10.1016/0025-3227(70)90070-8)
- [8] Judisseno, Rimsky K. (2005). Pajak dan Strategi Bisnis. Jakarta: PT Gramedia Pustaka Utama.
- [9] Mulyana, Deden. (2011). Analisis Likuiditas Saham Serta Pengaruhnya Terhadap Harga Saham pada Perusahaan yang Berada pada Indeks LQ45 di Bursa Efek Indonesia. *Jurnal Magister Manajemen*, Vol. 4, No. 1, Maret 2011: 77 – 96.
- [10] Wilianto, Arief. (2012). Pengaruh Kebijakan Dividen, Leverage Keuangan dan Profitabilitas Terhadap Harga Saham Perusahaan Manufaktur di BEI. *Jurnal Ilmiah Mahasiswa Akuntansi*, Vol. 1, No. 2, Maret 2012: 33 – 37.
- [11] Koetin. 2003. Analisis Dasar Pasar Modal. Jakarta : Pustaka Sinar Harapan.
- [12] Taufik, Ariyanto. 2003, Pengaruh Struktur Pemegang Saham Terhadap Struktur Modal Perusahaan, *Jurnal Manajemen Indonesia*, Vol. 1, 2002 : 64-71.
- [13] Salim, Joko. (2010). 30 Strategi Cerdas Investasi Saham Paling Menguntungkan. Jakarta: PT Elex Media Komputinda.
- [14] Weatherly, K. A. (1996). The rapid assessment of organizational culture using the organizational culture survey: Theory, research and application. Dissertation Abstracts International Section A: Humanities and Social Sciences.
- [15] Kuswadi. (2008). Rasio-rasio Keuangan bagi Orang Awam. Jakarta: PT Elex Media Komputindo.
- [16] Geiger, S., & Gross, N. (2018). Market Failures and Market Framings: Can a market be transformed from the inside? *Organization Studies*, 39(10), 1357–1376. <http://doi.org/10.1177/0170840617717098>
- [17] Arikunto, S. 2012. Prosedur Penelitian Suatu Pendekatan Praktek. Jakarta: Rineka Cipta.
- [18] Sugiyono, 2013, Metodologi Penelitian Kuantitatif, Kualitatif dan R&D. Bandung: ALFABETA.
- [19] Cherry, K. (2018). Forming a Good Hypothesis for Scientific Research.