

Determinants of Stock Returns on the Food and Beverage Companies Sub-Sector Beverages on Stock Index Sharia Indonesia 2017-2021

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ABSTRACT

Background. The research was conducted based on the phenomenon that Earning Per Share (EPS) and Price Book Value (PBV) did not increase stock returns linearly, as well as a decrease in the Leverage Ratio (DER) value, did not increase stock returns linearly.

Purpose. This study aims to determine the effect of EPS, DER, and PBV on stock market returns of food and beverage subsector manufacturing companies on the Indonesia Stock Exchange in 2017-2021.

Method. This research was conducted using a quantitative descriptive approach, the research data was accessed through the IDX website at www.idx.co.id. The population of this research data is food and beverage sub-sector manufacturing companies listed on the IDX, the sampling technique uses purposive sampling technique, from determining the sample. get 11 manufacturing companies in the food and beverage sub-sector on the Indonesia Stock Exchange in 2017-2021. Based on initial observations between 2017 and 2021 there is a deviation between each variable, from the theory obtained, if Earning Per share (EPS) increases, stock returns also increase, and vice versa, as well as the Debt to Equity Ratio (DER), if DER increases, stock returns decrease, and vice versa, and if the PBV value is larger, the share price will also increase, If the stock price is higher, then the stock return is also higher. Meanwhile, based on the analysis of financial statement data obtained from the Indonesian Sharia Stock Index in 2017-2021, there are data that are not in accordance with the theory. The software used Eviews12 with the data analysis method is a multiple linear regression test.

Results. This study proves that EPS, DER, and PBV affect Stock Returns. Partially. EPS and PBV do not affect stock returns. DER affects stock returns.

Conclusion. Simultaneously, EPS, DER, and PBV affect Stock Returns. Partially EPS and PBV do not affect stock returns. DER affects stock returns

KEYWORDS

Stock Return, Earning PerShare, Debt to Equity Ratio, Price Book Value

INTRODUCTION

A capital market is a place where long-term financial instruments are traded such as bonds, stocks, mutual funds, derivatives, and others (Aziz et al., 2015). The capital market is where investors make investments (capital investment).

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Investors are principals who have excess funds to invest to get a return in the future (Nuzula & Nurlaili, 2020).

The most important investment activity carried out in the capital market is buying and selling shares. Shares are securities as a sign of participation or ownership of a company, or investors. Currently, the IDX as the operator classifies shares into two categories, namely sharia shares and common shares. Sharia shares are shares that are given special characteristics in the form of strict control over the scope of business carried out by Islamic law. (Khair & Junaidi, 2022). While common stocks are shares that are traded in general, a statement that eliminates the halal-haram aspect by applicable regulations (laws). One of the rewards for investments made by investors is return, in this case, stock returns.

Fundamental analysis is an approach taken to see the company's performance based on macro and microeconomic indicators, company strategy, company management, products produced, company financial status, and other related information. The information obtained from the analysis can be a consideration for investing in which companies get consistent stock returns for investors. This fundamental analysis is very broad and complex in its implementation because it looks at the financial performance of the company's internal conditions (basic financial) and the external scope of the company. The economic resource factors of the company, industry, and macroeconomics, as well as financial statement analysis are basic elements in fundamental analysis, these factors are used to predict events that will occur in the future by comparing the company's internal environment through ratios in financial statement analysis with macro and microeconomic events, in fundamental analysis, investment ratios are ratios that are used as the basis by capital owners (investors) to invest in stocks, these ratios are processed and analyzed based on the company's financial data in the company's financial statements and stock movements traded on the stock exchange (Aziz et al., 2015).

Fundamental analysis is an analysis of the capitalization of the share capital owned by the company. Measuring the level of equity is done by comparing financial ratios with other stocks in the same industry. The most effective fundamental analysis to help investors is earnings per share, debt ratio, and book value (Tryfino, 2017).

Return is the difference in stock prices obtained. Stock returns consist of realized return and expected return, realized return is the return that investors have earned. The calculation of realized return is based on past data. The importance of realized return is as an indicator of measuring the performance of a company using realized return. Realized return is the basis for determining expected return and risk in the future. The expected return is the return that investors expect to get in the future (Hartono, 2022). Stock return is the amount of return obtained by investors from the results of stock investments made (Risdayana & Zaroni, 2016). Stock return is the difference between the purchase price of shares and the selling price of shares plus the dividends earned. To get the maximum stock return, when carrying out investment activities, investors must analyze each stock instrument to be purchased. In general, the analysis that is often done is technical and fundamental.

Technical analysis is a method of observing stock prices by forecasting stock price movements and market trends in the future, an analysis instrument that is carried out through observing and studying stock price charts, trading volumes, and the Stock Price Index index. On the other hand, fundamental analysis analyzes by observing and analyzing business operations based on the basic economic factors of a company, including the company's financial position and business performance. Fundamental analysis is based on the belief that the Company's performance will greatly affect the value of a stock. Knowledge of the Company's fundamental conditions can

provide investors with the right information to avoid losses in purchasing shares of underperforming companies. Simply put, underperforming stocks are stocks of companies that do not make profits and experience losses consistently. These conditions will affect stock price fluctuations.

Earning per share (EPS) is a form of profit distribution to shareholders for each share they own. (Darmawan & Megawati, 2022). Earnings per share (EPS) is a rate of return that is often used by investors to analyze the company's ability to generate profits, EPS is part of the profitability ratio, so the higher the EPS, the more investors are interested in investing in the 'business' (Sitorus & Hutasoid, 2019). Earnings per share (EPS) is a metric that investors consider in making investment decisions, as the company's performance can have a direct impact on the amount of interest earned based on the number of shares owned. Earnings per share (EPS) is the income or profit that shareholders will receive for each share they hold for their shares in the company. An increase in EPS will increase the attractiveness of investors to invest in the company which leads to an increase in stock prices. The increase in stock price will affect the increase in total return earned by investors (Amalia & Utami, 2018).

Price Book Value (PBV) is a ratio that compares the market price per share with the book value per share. Price Book Value (PBV) is part of the market value ratio. A large PBV value is high in stock prices, a high stock price illustrates a high stock return (Aziz et al., 2015). This book value ratio is used to obtain the fair value of shares. PBV is a comparison of the capitalization value of an entity in the capital market based on the valuation of securities from market participants with the capitalization value of the company in the issuer's financial statements. The disparity in the value of the Company is based on the assessment of market participants and the issuer provides information to investors regarding the price of shares being traded. Price Book Value (PBV) variables must be taken into consideration to determine the issuer whose shares will be purchased (Fatmawati & br Sembiring, 2022).

Leverage ratios are also commonly used in investment decision considerations. The risk of fulfilling long-term obligations is predicted by the debt ratio (DER). Debt to Equity Ratio (DER)/ Debt to equity ratio is part of the solvency (leverage) ratio, solvency is the ratio used to calculate the company's leverage. (Hartono, 2022). DER shows the company's ability to meet long-term obligations underlying company equity, Solvency/leverage describes the state of a company's capital structure, this ratio describes the level of risk of non-payment of long-term debt (Candra, 2019).

Debt to equity ratio (DER) is a ratio that reflects the company's ability to meet all its obligations, expressed as a percentage of the company's equity capital used to pay off its debts. The higher the debt-to-equity ratio (DER), the more capital structure the company holds from debt rather than equity. The higher the debt-to-equity ratio (DER), the higher the total debt-to-equity. This shows that the greater the company's dependence on foreigners (creditors), the higher the level of company risk. When company risk is high, it makes investors reluctant to invest in companies with high leverage (DER). The use of debt for a business will lead to an increase in the risk that will be borne by shareholders. When the amount of debt increases in absolute value, it will reduce the solvency of the company and cause a decrease in the value (interest rate) of the company's shares and vice versa. (Putra & Dana, 2016).

In addition to fundamental analysis, stock price movements can also be predicted using technical analysis such as market ratios. One of them is comparing the fair value of shares with the nominal value of shares (Book Value). Book value (PBV) is a ratio that compares the market price per share with the book value per share. Book value (PBV) is included in the market value ratio.

The higher the PBV value, the higher the share price. The higher the stock price, the higher the stock return. (Aziz et al., 2015). The market level reflects investors' opinions about the company's overall prospects. The increasing development of the capital market leads to the use of every relevant fact for consideration as a basis for reflection in evaluating an action.

Manufacturing companies, especially the food and beverage sector in 2017, experienced an economic slowdown due to weakening public purchasing power. The slowing growth rate has an impact on the large-scale food and beverage subsector manufacturing industry listed on the IDX. Based on the financial statements of several consumer issuers during the first semester of 2017, there was a decline in financial performance.

Manufacturing companies, especially the food and beverage sector during the observation period, experienced an increase in financial performance, the return on stock investment made by investors did not increase, in some issuers, EPS increased but stock returns decreased, and DER also decreased but stock returns decreased, in other conditions, DER increased, stock returns also increased. The financial ratios of several other issuer codes analyzed by PBV have decreased, but stock returns have increased, EPS has increased while stock returns have decreased.

The explanation above states that there is a deviation between the expected situation and the facts that occur. EPS has increased, so stock returns have also increased, which means that if EPS has decreased, stock returns should also have decreased. (Hartono, 2022). If DER increases, stock returns decrease, which means that if DER decreases, stock returns should increase. (Putra & Dana, 2016). If the PBV value is large, it is consistent with the high share price. Which will be followed by an increase in stock returns (Aziz et al., 2015). Meanwhile, based on the analysis of financial statement data obtained from the Indonesian Sharia Stock Index 2017-2021, some data are not following the theory

RESEARCH METHODOLOGY

The research used a quantitative descriptive approach. Sample determination using a random sampling technique, data analysis using a quantitative descriptive approach, and explanatory research. Research data was obtained through the Indonesia Stock Exchange which is accessed through www.idx.co.id. The population of this study is Food and Beverage Sub-Sector Manufacturing Companies listed on the Indonesia Stock Exchange during the 2017-2021 period as many as 53 companies and 11 companies were obtained that met the criteria because Manufacturing Companies in the Food Sub-Sector and Drinks that do not publish reports financial statements for the year ended December 31, 2019 book 2017-2021 in Sharia Stock Index Indonesian.

Data analysis using multiple linear regression analysis with panel data using Eviews 12 software. The regression model is formulated as follows:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$$

Where:

Y	= Stock Return
α	= Constant
X_1	= EPS
X_2	= DER
X_3	= PBV
$B_{1,2,3}$	= Regression Coefficient
ε	= Standard Error

Panel Data Regression Model Selection using Chow Test, Hausman Test, Lagrange Multiplier Test, and Classical Assumption Test. Hypothesis testing uses the t-test (partial) and F-test (simultaneous),

and to see the magnitude of the determinant effect of the independent variable on the variable using the R value² (coefficient of determination)..

RESULT AND DISCUSSION

Data Description

The results of data processing through the Eviews 12 application, the description of earning Per Share (EPS) data, Debt to Equity Ratio (DER), Price Book Value (PBV), and stock returns are explained in Table 1.

Table 1 Descriptive Statistics

Description	EPS	DER	PBV	Stock Return
Mean	178.1815	0.800545	2.141455	0.070727
Maximum	870.0000	1.770000	6.860000	2.570000
Minimum	-11.01000	0.160000	0.220000	-0.890000

Source: Data processed

Based on Table 1, it can be seen that the minimum value of the EPS variable is -11.01000, the maximum value of EPS is 870.0000, the mean value of the EPS variable is 178.1815, and the standard error of the EPS variable is 215.9223. The DER variable has a minimum value of 0.160000, the maximum value is 1.770000, while the mean value of the DER variable is 0.800545, and the standard error of the DER variable is 0.425904.

The PBV variable has a minimum value of 0.220000, the maximum value is 6.860000, the average value of the variable is 2.141455, and the standard error value of the PBV variable is 1.718886. The stock return variable has a minimum value of -0.890000, the maximum value is 2.570000, while the average value of the DER variable is 0.070727, and the standard error of the DER variable is 0.462224.

Panel Data Method Estimation

Chow Test

Table 2 Chow Test Results

Effects Test	Statistic	d.f	Prob.
Cross-section Chi-square	114.187618	10	0.0000

Source: Data processed

Based on the table above, it can be seen that the value of the Chi-square probability is 0.0000 < 0.05, which means that hypothesis H_0 is rejected and accepts hypothesis H_1 , therefore the selected model is Fixed Effect and proceeds to the Hausman Test.

Hausman Test

Table 3 Hausman Test Results

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f	Prob.
Cross-section random	13.010369	3	0.0046

Source: Data processed

Based on Table 3, it can be seen that the probability value of the Hausman test is 0.0046 < 0.05, which means that the selected model is the Fixed Effect Model (FEM), so this test is used to find other tests.

Classical Assumption Test

Normality Test

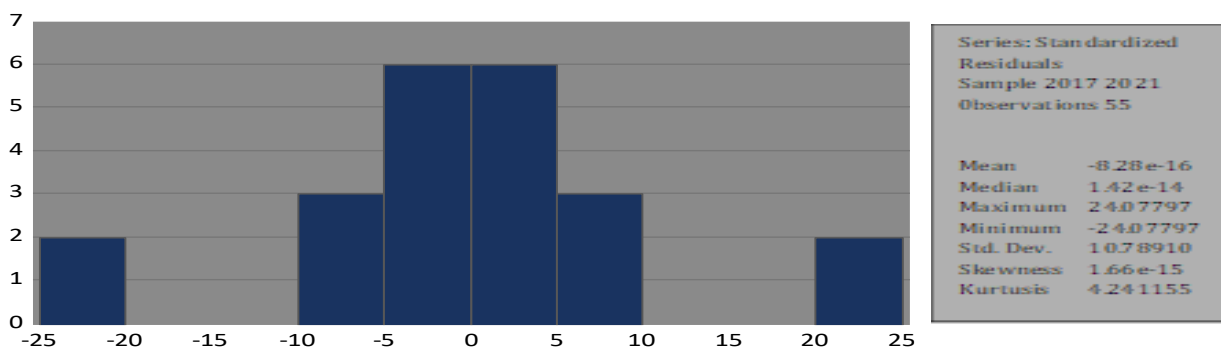


Figure 1. Normality Test Results

Based on the figure above, the normality test results show that the probability value is 0.493591 which indicates that the probability > 0.05, so the data is normally distributed.

Heteroscedasticity Test

Table 4 Heteroscedasticity Test Results

Obs*R-squared	Prob. Chi-Square
4.700248	0.8596

Source: Data processed

Based on the figure above, it can be seen that the value of Prob. Chi-Square (the Obs*R-squared) is 0.8596 > 0.05, so there is no heteroscedasticity problem.

Multicollinearity Test

Table 5 Multicollinearity Test Results

	EPS	DER	PBV
EPS	1.000000	-0.281194	-0.279850
DER	-0.281194	1.000000	-0.164448
PBV	0.279850	-0.164448	1.000000

Source: Data processed

Based on the table above, it can be stated that the correlation coefficient value between EPS and DER is $-0.281194 < 0.85$, the correlation coefficient value between EPS and PBV is $-0.279850 < 0.85$ and the correlation coefficient value of DER and PBV is $-0.164448 < 0.85$, so it can be concluded that there is no multicollinearity problem.

Autocorrelation Test

Table 6 Autocorrelation Test Results

Test	Value
Durbin-Watson stat	2.103985

Source: Data processed

Based on Table 6, the DW value is 2.103985, the DW table value that uses a significant 5%, the number of data (N) is 55 and the independent variable (k) is 3, from the calculation results obtained the upper limit value or Durbin Upper (DU) of 1.6815 and the lower limit or Durbin Lower (DL) of 1.4523. The value of 4-DU is 2.3185 while the value of 4-DL is 2.5477. From the

results of the Durbin Witson calculation, the position of the DW value of 2.103985 is between the DU and 4-DU values so in this model there is no autocorrelation.

Multiple Linear Regression Analysis

Table 7 T-test Results

Variables	Coefficient	Std. Error	t-Statistic	Prob
Stock Return	25.20353	70.11068	0.359482	0.7207
EPS	55.90138	53.97330	1.035723	0.3052
DER	1026.305	304.6668	3.368614	0.0014
PBV	-26.75195	59.85989	-0.446909	0.6568

Source: data processed

Based on Table 7, the multiple linear regression equation is obtained as follows:

$$\text{Stock return} = 25.20353 + 1026.305(\text{DER})$$

The results of the above equation can be explained as follows:

a. Stock Return

Based on the multiple linear regression results above, the constant coefficient value is 25.20353, which means that stock returns will increase if the other independent variables are fixed or constant.

b. Debt to Equity Ratio (DER)

The regression coefficient value of the DER variable is 1026.305, which means that every increase in DER by 1 unit will affect or increase the level of stock returns of manufacturing companies in the food and beverage sub-sector by 1026.305 with the assumption that other independent variables are constant.

Hypothesis testing

t-test

Based on Table 7, it is explained that the t-count value and probability of the EPS variable are 1.035723 and 0.3052 respectively at the 5% alpha level, so individually it does not affect stock returns, which means H_a is rejected. Meanwhile, the t-count value and probability of the DER variable are 3.368614 and 0.0014 within the 5% alpha level, so DER individually affects stock returns, meaning that H_a is accepted. The t-count value and probability of the PBV variable of -0.446909 and 0.6568 at the 5% alpha level individually have no effect on stock returns, which means H_a is rejected.

F test

Table 8 F Test Results

R-squared	F-statistic	Prob (F-statistic)
0.182254	3.788857	0.015745

Source: Data processed

Based on the results of the analysis presented in Table 8, the F-count value is 3.788857 and a probability of 0.015745 using an alpha level of 5% or 0.05, the EPS, DER, and PBV variables jointly affect the increase in stock returns, which means that H_0 is accepted.

Coefficient of Determination (R^2)

The coefficient of determination or goodness of fit is obtained at 0.182254, which means that the ability of the EPS, DER, and PBV variables to explain the stock return variable is 18%, the remaining 82% is explained by other variables / not included in this model. Based on the analysis and hypothesis testing, it is stated that investors' consideration in investing is not always by looking at the EPS value of a company because there are others such as market capitalization, and brand image, more considered by investors in making purchasing decisions. EPS value during the observation in this study in the food and beverage subsector company is high in this study, EPS is still not strong enough to affect stock prices and trading volume activity on the IDX. Based on the analysis, food, and beverage sector companies need additional funds or capital to develop their business. Additional funds are usually obtained from third parties who invest in the company. The development of the company results in the company being able to provide a large return to the owner of the capital or investor.

Price Book Value (PBV) which does not affect stock returns usually occurs because the issuer often experiences losses that cause the company to lose many assets and cause the company to go into debt. The company's debt that continues to increase causes existing assets to continue to be reduced by book value. EPS, DER, and PBV have a significant effect on stock returns of food and beverage subsector companies listed on the IDX, if all of these indicators have a good value, indicating that the company's financial performance is in good condition, this is an allure that can attract investors to invest in these food and beverage subsector companies because there is a guarantee of getting a return on the investment made. This condition can be seen from the simultaneous test results which state that EPS, DER, and PBV affect stock returns by 18%.

CONCLUSION

Conclusions from the results of the research that has been carried out:

1. Earning Per Share (EPS) does not affect the stock returns of manufacturing companies in the food and beverage sub-sector on the Indonesia Stock Exchange in 2017-2021.
2. Debt to Equity Ratio (DER) affects the stock returns of manufacturing companies in the food and beverage sub-sector on the Indonesia Stock Exchange in 2017-2021.
3. Price Book Value (PBV) has no significant effect on the stock returns of manufacturing companies in the food and beverage sub-sector on the Indonesia Stock Exchange in 2017-2021.
4. Simultaneously Earning Per Share (EPS), Debt to Equity Ratio (DER), and Price Book Value (PBV) affect the stock returns of manufacturing companies in the food and beverage sub-sector on the Indonesia Stock Exchange in 2017-2021.

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