



# Factors Affecting the Stock Return (In the Company Property, Real Estate and Building Construction Which is Incorporated in the Indonesia Sharia Stock Index (ISSI))

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**Abstract.** This study aims to examine the extent to which the current ratio, total asset turnover, price earning ratio, and debt to equity ratio affect stock returns. The research sample used in this study were 44 property, Real Estate and building construction companies that are members of the Indonesian Sharia Stock Index (ISSI) on the Indonesia Stock Exchange on 2018–2022. The method used is descriptive method and hypothesis testing using multiple regression analysis. The results of the three-year study obtained significant results at the level of significance of the four independent variables on the dependent variable. The contribution of this study is the discussion of research results that are different from previous research results and related theories.

**Keywords:** Current ratio · total asset turnover · price earning ratio · debt to equity ratio · stock returns · Indonesia sharia stock index

## 1 Introduction

The capital market is an effective means to accelerate the growth of the company. This is possible because the capital market is an important financial instrument in an economy, which functions to mobilize funds from the public to the productive sector (companies). The role of financial intermediation from the community to the business unit is intended to achieve prosperity. The capital market is useful for business expansion, improving capital structure, encouraging the pace of development, encouraging investment, and obtaining dividends for those who have shares and fixed interest or floating interest for bondholders. The presence of the capital market increases the company's alternative choices to obtain sources of funds (especially long-term funds). This means that spending decisions are increasingly varied, so that the company's capital structure can be optimized. Meanwhile, capital market investors will be able to make it easier for investors by investing in several investment instruments at the same time to reduce risk.

The presence of the capital market in Indonesia has added a row of alternatives for investors in investing their funds, one of which is investment in property companies.

The capital market plays an important role in the economic world, the role of the capital market from the company side is the availability of funds from investors to companies while from the investor side it is expected to get a return on the return from depositing these funds. Of the many industrial sectors that are experiencing growth, the property industry sector has a fairly good prospect for the next 5–10 years considering the rapid population growth. So that the property sector is the most strategic land to invest in which will provide high profits for each year. In the next few years, the prospect and development of *property investment in Indonesia* is predicted to experience a very rapid increase. Thus, making property and Real Estate issuers require sources of funds from external parties. According to the Indonesian *Real Estate* Association or abbreviated as (REI) The property business will experience an increase of 20%-30%, this is marked by an increase in demand for more livable houses, and in Indonesia itself still needs at least millions of decent housing.

This situation has invited optimism that in 2020 the Property industry will be able to improve even better because the demand for housing is increasing. From that, researchers are interested in taking the object of research in property companies in addition to developing previous research. This study intends to test whether price growth and return are influenced by the company's fundamental factors alone or there are other factors. In addition, it will also be tested whether the results will be the same if the study is carried out on groups of stocks that are members of the non-sharia index as many previous researchers did with those carried out on sharia stocks (Indonesia Sharia Stock Index) and different periods.

The formulation of this research problem is that there is gap research from subsequent research and research in the Islamic sector (ISSI) has not been carried out much so that analysis using ratios that affect stock returns will be useful for investors and other parties interested in this issue, raising the question of whether current ratio, total asset turnover, price earning ratio, debt to equity ratio and debt to equity ratio affect stock returns. The purpose of this study is to determine the effect of current ratio, total asset turnover, price earning ratio, debt to equity ratio and debt to equity ratio on the return on shares of property companies that are members of the Indonesia Sharia Stock Index (ISSI) on the Indonesia Stock Exchange.

## 2 Study the Theory and Development of Hypotheses

Signaling theory in principle reveals how a company reports the condition of information inside the company to outside parties, especially the capital market. Signal theory is related to the asymmetry of information between the management and outside the company such as investors. This theory states how signals should be given to users of financial statements. Information is an important element for investors and business people because information essentially presents information, notes or a picture both for past circumstances, current and future circumstances for the survival of a company and how it effects its market. Complete, relevant, accurate and timely information is needed by investors in the capital market as an analytical tool to make investment decisions Abdullah [1].

Agency theory explains the relationship between two parties, namely the principal and the agent. A principal is defined as a party who gives a mandate to another party

called an agent, to be able to act on that agent. There are two kinds of agency relationships, namely between managers and shareholders and between managers and lenders (bondholders). Furthermore, Jansen and Meckling stated that an agency relationship is a contract between a manager (agent) and an investor (principal).

Current ratio is a ratio that measures the financial performance of a company's liquidity base. This Current Ratio shows the company's ability to meet its short-term debt obligations in the next 12 months. The higher the current ratio, the more liquid the company causes investors to have more confidence in the smooth running of the company and investors are more interested in investing funds into the company.

Total Asset Turnover is a ratio used to measure how efficient all of the company's assets are used to support sales activities the turnover of total assets shows how the effect of the company uses the overall assets to create sales in relation to obtaining profit. The higher the effectiveness of the company using assets to obtain sales, it is expected that the company's profit will be better. The company's performance is getting better and better. The better performance of the company reflects the impact on the company's share price will be higher and the high stock price provides greater returns. So the relationship between TATO and stock returns.

Price Earning Ratio (PER) describes the willingness of investors to pay a certain amount of shares per share in the hope of obtaining the company's profit. The high value of this ratio indicates that the funds that have been spent by investors where they believe that the company has high growth, which will certainly have an impact on obtaining large profits (Returns) also for investors and indicates that the company's growth and performance are quite good.

Debt to equity ratio (DER) will affect the company's performance and cause stock price appreciation. Too high DER has a bad impact on the company's performance, because the higher level of debt indicates that the company's interest expense will be greater and reduce profits. So the higher the debt (DER) tends to lower the stock return.

### 3 Research Methods

The study used descriptive methods and hypothesis testing. The return on company shares that are dependent on the sample in the study is connected with the company's independent factors, namely Current ratio (CR), Total Asset Turnover (TATO), Price Earning Ratio (PER), and Debt to equity ratio (DER). The category of research carried out in this study is quantitative research to test research hypotheses.

The population used is all property companies that are members of the Indonesia Sharia Stock Index (ISSI) listed on the Indonesia Stock Exchange (IDX) in 2018–2022. Researchers performed a purposive sampling technique, with a total sample of 44 companies. The type of data used in this study is secondary data in the form of company financial statements during the 2018–2022 period.

Data analysis using multiple regression analysis. Multiple linear regression analysis aims to determine the relationship between free variables and bound variables simultaneously or partially. In this case for the dependent variables are the return on shares and the independent variables are CR, TATO, PER, and DER.

### 4 Results and Discussion

This study used a sample of 88 data with descriptive statistics as follows (Table 1):

Stock Return shows an average value of 0.02930 or 0.2% while the standard deviation of 0.405486 or 40% (average value is smaller than standard deviation) meaning that stock returns have a low level of data variation. The current ratio (CR) shows an average value of 41.87034 while the standard deviation of 57.343239 (the average value is smaller than the standard deviation) meaning that the Current ratio has a low level of data variation. Total Asset Turnover (TATO) shows an average value of 0.18226 while the standard deviation of 0.117759 (the average value is smaller than the standard deviation) meaning that Total Asset Turnover has a low level of data variation (Table 2).

Current ratio that measures the company’s financial performance and liquidity. This Current Ratio shows the company’s ability to meet its short-term debt obligations in the next 12 months, The higher the current ratio, the more liquid the company causes investors to believe more in the smooth running of the company and investors are more interested in investing funds into the company, this is in accordance with research conducted by Erari [2], Hidayat and Indrihastuti [3], Hasibuan [4], Raningsih and Putra [5], and Asmi [6] who stated that the Current ratio affects Stock Returns.

Total Asset Turnover is a ratio used to measure how efficient all of the company’s assets are used to support sales activities the turnover of total assets shows how the effect of the company uses the overall assets to create sales in relation to obtaining profit. The higher the effectiveness of the company using assets to obtain sales, it is expected that the company’s profit will be better. The better performance of the company reflects the

**Table 1.** Descriptive Statistics

Variable	Minimum	Maximum	Mean
Stock Returns	88	–,605	2,344
CR	88	,246	314,027
TATTOO	88	,004	,717
PER	88	–266,130	2611,580
DER	88	,030	624,960

**Table 2.** Hypothesis Testing Results

Variable	B	T	Sig
Constant	–0.128		
CR	0.001	1,863	0.066
TATTOO	0.540	1,819	0.073
PER	–0,000	–2,428	0.017
DER	0.004	7,053	0.000

impact on the company's share price will be higher and the high stock price provides greater returns. So TATO affects stock returns. This is in accordance with research conducted by Hasibuan [4], and Asmi [6].

Price Earning Ratio (PER) describes the willingness of investors to pay a certain amount of shares per share in the hope of obtaining the company's profit. The high value of this ratio indicates that the funds that have been spent by investors where they believe that the company has high growth, which will certainly have an impact on obtaining large profits (Returns) also for investors and indicates that the company's growth and performance are quite good. Seeing this, investors will be interested in investing in the company. This is in line with the results of research conducted by Andansari, Raharjo, & Andini [7], Mutia & Martaseli [8], Dewi [9], Dewi, Sedana, & Artini [10], Sodikin & Wuldani [11] who obtained PER results influenced stock returns.

The debt to equity ratio indicates that the business capital structure utilizes debts relative to equity. The higher DER reflects the company's relatively high risk, as a result of which investors tend to avoid stocks that have a high DER. Debt to equity ratio (DER) will affect the company's performance and cause stock price appreciation. Too high DER has a bad impact on the company's performance, because the higher level of debt indicates that the company's interest expense will be greater and reduce profits. So the higher the debt (DER) tends to lower the stock return. This is in accordance with research conducted by Sutriani [12], Erari [2], Hidayat and Nur [13] Basalama, Murni, and Sumarauw [14], Raningsih and Putra [5], Handayati and Zulyanti [15], Asmi [6], Putriani and Sukartha [16], which states that stock returns are influenced by the ups and downs of DER.

## 5 Conclusion

This study aims to test and analyze current ratio, total asset turnover, price earning ratio, and debt to equity ratio to stock return, using descriptive methods and hypothesis testing. The research sample used in this study was 44 Property, Real Estate and Building Construction companies that were included in the Indonesia Sharia Stock Index (ISSI) on the Indonesia Stock Exchange in 2018 – 2022. Based on the results of the tests and analysis that have been carried out, it can be concluded that the Current ratio, Total Asset Turnover, Price Earning Ratio and Debt to equity ratio have a positive and significant effect on Stock Returns.

This study has limitations that may weaken the results, namely a study that only examines 4 variables, namely Current ratio, Total Asset Turnover, Price Earning Ratio, Debt to equity ratio so that there are other factors that affect stock returns, which were not tested in this study. The companies taken as a sample are only companies in the Property, Real Estate and Building Construction sectors that are members of the Indonesia Sharia Stock Index in 2018 – 2022. Researchers can then add variables that are not studied in this study and extend the research period, so that they can update the results of this study which only and can make references to factors that can affect Stock Returns and more deeply explore transactions on the stock exchange, to be more precise in determining the variables to be studied.

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