

## **FACTORS INFLUENCING STOCK RETURNS: A STUDY OF MANUFACTURING COMPANIES IN THE OIL AND GAS SUB-SECTOR LISTED ON THE INDONESIA STOCK EXCHANGE IN 2018–2021**

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### **ABSTRACT**

This study aims to analyze the influence of independent variables on the dependent variable. The independent variables in this study are Return on Assets, Return on Equity, Current Ratio, and Earnings Per Share. The dependent variable is stock returns. The population in this study is manufacturing companies in the oil and gas sub-sector listed on the Indonesia Stock Exchange from 2018 to 2021. The sample selection method used in this study was a purposive sampling method, obtaining a sample size of 18 based on certain criteria. The data analysis technique used was multiple linear regression analysis using SPSS 22. The results of this study indicate that Return on Assets, Return on Equity, and Current Ratio do not have a direct, positive, and significant effect on stock returns, while Earnings Per Share has a direct, positive and significant effect on stock returns.

**Keywords:** Return on Assets; Return on Equity; Current Ratio; Earnings Per Share; Stock Return

### **INTRODUCTION**

The capital market plays a vital role in the advancement of the Indonesian economy. In addition, the capital market serves as an alternative investment medium for investors. In a narrow sense, the capital market refers to a stock exchange or a venue where securities are traded among investors (Samsul, 2015). This implies that the capital market is a meeting place between parties requiring capital or funds and parties possessing surplus funds. Conversely, in a broader sense, the capital market represents a facility utilized by a society that requires long-term capital. The parties requiring capital include private entities or the government, while the society providing the funds is referred to as investors.

Stocks are the most widely utilized instrument by investors. In corporate investment, a company must be capable of assuring investors that they will receive returns on their investments without any fraudulent practices. Investors deploy their capital into a company with the objective of generating profits or income at a specific rate of return, commonly known as stock return. A company will yield a positive stock return if its stock price appreciates; however, if the stock price depreciates, investors will not obtain a stock return (Furry, 2019).

Stock return serves as a primary motivator for prospective investors to invest. Investment is an activity involving the deployment of capital or money provided by investors to a company with the goal of generating profits from that deployment. Stock return is calculated by comparing the difference between the current stock price and the closing price of the preceding period.

The difference in stock price is obtained by subtracting the current closing stock price from the closing stock price of the prior period. Stock returns can be realized in two forms: dividends and capital gains (the appreciation of the stock's selling price over its purchase price). Consequently, investors will naturally select companies that offer high returns when investing. The calculation of stock returns can yield either positive or negative results. A positive return means the investment made by the investor is profitable, or in other words, generates a capital gain. Conversely, if the calculation yields a negative return, it indicates that the investor's investment has incurred a loss, resulting in a capital loss.

Generally, investors are interested in investing if a company is capable of delivering positive stock returns; in other words, the company possesses high quality, making the investment profitable. One profitable mining sub-sector for investment is the oil and gas sub-sector. Oil and gas have become highly critical commodities for many nations worldwide, including Indonesia. Oil and gas are required by virtually all sectors in Indonesia, where some utilize them as raw materials (feedstock) and others use them as fuel. The utilization of oil and gas as feedstock is heavily concentrated in the industrial sector,

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whereas its use as fuel is utilized by almost all sectors—including industry, services, the general public, and the government. It plays an essential role in providing energy in Indonesia, particularly in the supply of fuel oil (BBM). Thus, the oil and gas sub-sector in Indonesia has become an imperative element of the economy. Unfortunately, over the last 4 years, stock returns within this sub-sector have experienced a decline.

The aforementioned phenomenon indicates that stock returns in the oil and gas sub-sector companies during the 2018–2021 period largely declined. In other words, many mining companies in the oil and gas sub-sector exhibited negative stock returns compared to positive ones. In 2018, only 3 companies recorded positive stock returns, which was driven by a drop in oil prices.

The downward trend in oil prices was inextricably linked to anxieties regarding oversupply in the global market. This decline in oil prices subsequently triggered a weakening in the stock prices of several oil companies. Meanwhile, in 2019, 9 companies posted negative stock returns, a result of global oil prices plunging at the close of trade. In 2020, 7 companies recorded negative stock returns. The high number of oil and gas companies with negative stock returns was driven by crashing global crude oil prices, causing stocks across the oil and gas sector to weaken collectively.

One factor influencing the appreciation and depreciation of stock returns can be measured through financial ratio analysis. Several financial ratios reflect the financial health and performance of a firm. These financial ratios are utilized to explain the strengths and weaknesses of a company's financial condition and can predict stock returns in the capital market. Financial ratios serve as analytical parameters to forecast stock returns. Financial ratios are categorized into five types: liquidity ratios, solvency ratios, activity ratios, profitability (rentability) ratios, and market ratios.

Return on Equity (ROE) is a ratio used to measure the capacity of equity capital to generate net wealth for all shareholders, including both common and preferred shareholders (Sujarweni, W.V. 2017). Return on Equity shows the extent to which a company effectively manages its own capital (net worth) and measures the level of profit generated from the investment made by the equity owners or shareholders of the company (Sawir, A. 2009: 20). Based on the statements above, a low Return on Equity value indicates or depicts poor corporate performance. This will have an adverse impact by lowering the rate of return desired by shareholders. Therefore, to satisfy shareholders' expectations, the company must return capital in accordance with its maturity date, which will yield a positive effect,

Return on Equity has a positive effect on stock return. This is in line with research conducted by Choirudodin (2018), which demonstrates that Return on Equity exerts a positive influence on stock returns. However, this finding contrasts with the study by Abdullah & Merdekawati (2015), which indicates that Return on Equity has no empirical effect on stock returns.

The Current Ratio is a metric utilized to measure a company's capacity to fulfill its short-term obligations. This ratio determines the extent of a firm's ability to meet its short-term debt by leverage-utilizing the current assets available within the company. In the capital market context, the Current Ratio reflects how well short-term obligations are covered by liquid assets, evaluated through the spectrum of working capital assets owned by the firm.

The Current Ratio has a positive effect on stock return. This aligns with a study by Laksono (2017), which reveals that the Current Ratio has a positive and significant effect on stock returns. Conversely, this is inconsistent with research by Kurniatun (2017), which concludes that the Current Ratio does not influence stock returns.

The Debt to Equity Ratio represents a comparison between total debt and equity in corporate financing, reflecting the capacity of a company's own capital to meet all of its liabilities (Sujarweni, 2017). The Debt to Equity Ratio (DER) is classified as a solvency ratio related to external corporate financing, specifically measuring the extent to which a firm utilizes debt financing or financial leverage. A higher DER indicates a lower rate of return. The risk borne by investors increases because high debt levels translate into heavier interest burdens, which amplifies financial distress risks and consequently depreciates stock returns.

The Debt to Equity Ratio has a positive effect on stock return. This finding is consistent with research by Apriliany & Effendi (2019), which shows that the Debt to Equity Ratio has a positive effect on stock returns. However, it contradicts the study by Laksono (2017), which demonstrates that the Debt to Equity Ratio has a negative impact on stock returns.

Earning Per Share (EPS) is the ratio of net profit after tax to the total number of outstanding shares (Darmadji & Fakhruddin, 2012). A company's EPS information indicates the amount of net profit available for distribution to all shareholders. When a company's Earning Per Share (EPS) is high, more investors are incentivized to purchase the stock, which subsequently drives the stock price higher (Dharmastuti, 2004).

Earning Per Share has a positive effect on stock return. This is supported by research from Putra (2018), indicating that Earning Per Share positively affects stock returns. Nevertheless, this

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outcome is at variance with the study by Aisah & Mandala (2016), which shows that Earning Per Share has a negative effect on stock returns.

## RESEARCH METHOD

This research is a quantitative study with a survey design. The population used in this study is all manufacturing companies in the oil and gas sub-sector listed on the Indonesia Stock Exchange in 2018-2021, totaling 18 companies. Then, the sampling was carried out using a purposive sampling technique with the following characteristics: (1) manufacturing companies in the oil and gas sub-sector listed on the IDX in the 2018-2021 period, (2) companies that issued annual reports but were incomplete in 2018-2021, and (3) companies that had data that met the criteria and were complete regarding the variables used in this study.

**Table 1. Sample Determination Criteria**

| No                                     | Keterangan                                                                                                                                                                 | Jumlah                       |
|----------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|
| 1                                      | Manufacturing companies in the oil and gas sub-sector listed on the Indonesia Stock Exchange in 2018-2021                                                                  | 18                           |
| 2                                      | Manufacturing companies in the oil and gas sub-sector that did not publish or disclosed their 2018-2021 financial statements or whose financial statements were incomplete | -                            |
| Jumlah Perusahaan                      |                                                                                                                                                                            | 18                           |
| Periode Pengamatan                     |                                                                                                                                                                            | 4 Tahun                      |
| Sampel yang digunakan dalam penelitian |                                                                                                                                                                            | 18 perusahaan x 4 tahun = 72 |

Data collection was conducted using documentation and literature review techniques. The documentation collected consisted of annual reports of manufacturing companies in the oil and gas sub-sector listed on the Indonesia Stock Exchange for 2018-2021, obtained from [www.idx.co.id](http://www.idx.co.id). The study was conducted by studying, reading, and reviewing literature in the form of books and journals to obtain information in accordance with the research title. Data analysis techniques used were descriptive statistical tests, classical assumption tests, multiple linear regression analysis, and hypothesis testing.

## RESULTS AND DISCUSSION

The research results presented are the result of data analysis using (1) descriptive statistical tests, (2) classical assumption tests consisting of normality tests, multicollinearity tests, heteroscedasticity tests, and autocorrelation tests; (3) multiple linear regression analysis, and (4) hypothesis tests consisting of t-tests, f-tests, and coefficients of determination.

### 3.1 Descriptive Statistical Test Results

Based on the descriptive statistical test results, the research data, as seen in Table 2, demonstrates quite diverse characteristics across the sample companies. Liquidity and earnings per share variables exhibit the highest levels of variation, indicating differences in companies' ability to meet short-term obligations and generate profits for shareholders. Meanwhile, companies' funding structures tend to be more uniform than other variables. Stock returns and profitability also show significant variation, indicating that performance and returns on investment vary across companies. Overall, the descriptive statistical results indicate that the research data exhibits sufficient diversity to be used for further analysis of the influence of financial variables on stock returns.

**Table 2. Results of Descriptive Statistical Tests**

|                             | N  | Minimum | Maximum | Mean    | Std. Deviation |
|-----------------------------|----|---------|---------|---------|----------------|
| <i>Return Saham</i>         | 72 | -0,92   | 3,49    | 0,4869  | 0,68673        |
| <i>Return On Equity</i>     | 72 | 0,08    | 7,40    | 1,0315  | 0,96403        |
| <i>Current Ratio</i>        | 72 | 0,08    | 74,84   | 10,3457 | 10,95596       |
| <i>Debt to Equity Ratio</i> | 72 | 0,31    | 2,88    | 1,2144  | 0,50638        |
| <i>Earning Per Share</i>    | 72 | 0,10    | 88,48   | 3,7793  | 7,77629        |

Source: SPSS 22 output (processed data), 2023.

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### 3.2 Classical Assumption Test Results

#### Normality Test Results

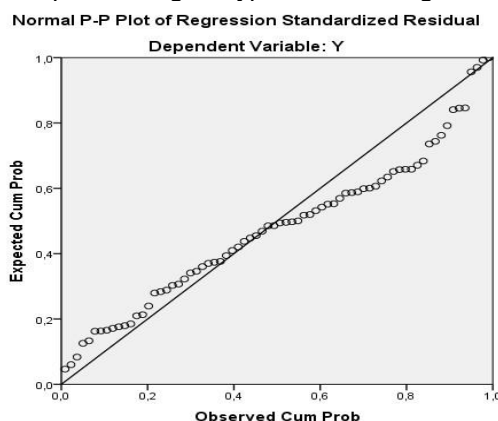
Based on the results of the normality test using the Kolmogorov-Smirnov method, as seen in Table 3, a significance value greater than 0.05 was obtained. This indicates that the residual data in the regression model is normally distributed, thus meeting the normality assumption. Therefore, the regression model is suitable for further analysis as there are no normality issues in the research data.

Tabel 3. One-Sample Kolmogorov-Smirnov Test

|                                  |                | Unstandardized Residual |
|----------------------------------|----------------|-------------------------|
| N                                |                | 72                      |
| Normal Parameters <sup>a,b</sup> | Mean           | 0E-7                    |
|                                  | Std. Deviation | 24.35306724             |
|                                  |                |                         |
| Most Extreme Differences         | Absolute       | .148                    |
|                                  | Positive       | .148                    |
|                                  | Negative       | -.109                   |
| Test Statistic                   |                | .934                    |
| Asymp. Sig. (2-tailed)           |                | .348                    |

- a. Test distribution is Normal.
  - b. Calculated from data.
  - c. Lilliefors Significance Correction.
  - d. This is a lower bound of the true significance.
- Sumber: *Output SPSS 22 (data diolah)*, 2023.

Furthermore, based on the Normal P-P Plot of Regression Standardized Residual graph shown in Figure 1, it can be seen that the residual points are spread around the diagonal line and mostly follow the direction of the line. Although there are slight deviations at several points, especially at the beginning and end of the distribution, these deviations are not too far from the diagonal line. This indicates that the residuals of the regression model are distributed approximately normally, so the assumption of normality can be considered fulfilled. With the fulfillment of the normality assumption, the regression model used is suitable for proceeding to hypothesis testing and further analysis.



Gambar 1. Normal Probability Plot

**Multicollinearity Test Results** Based on the multicollinearity test results (Table 4), all independent variables have a Tolerance value above 0.10 and a Variance Inflation Factor (VIF) value below 10. This indicates that there is no significant correlation between the independent variables in the research model. Therefore, it can be concluded that the regression model is free from multicollinearity issues. Therefore, the variables Return on Equity (ROE), Current Ratio (CR), Debt to Equity Ratio (DER), and Earnings Per Share (EPS) can be used together in the regression model without affecting the accuracy of parameter estimates.

Table 4. Multicollinearity Test Results

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| Model      | Unstandardized Coefficients |            | Standardized Coefficients | T      | Sig. | Collinearity Statistics |       |
|------------|-----------------------------|------------|---------------------------|--------|------|-------------------------|-------|
|            | B                           | Std. Error | Beta                      |        |      | Tolerance               | VIF   |
| (Constant) | 36.902                      | 14.803     |                           | 2.493  | .018 |                         |       |
| ROE        | -.531                       | 1.635      | -.032                     | -.325  | .747 | .918                    | 1.089 |
| CR         | -16.412                     | 9.966      | -.163                     | -1.647 | .109 | .922                    | 1.085 |
| DER        | .450                        | .229       | .190                      | 1.962  | .058 | .964                    | 1.037 |
| EPS        | 11.839                      | 1.507      | .769                      | 7.854  | .000 | .943                    | 1.060 |

Source: SPSS 22 output (processed data), 2023.

#### Heteroscedasticity Test Results

Based on the results of the heteroscedasticity test using the Glejser method, it was found that the variables Return on Equity (ROE), Current Ratio (CR), Debt to Equity Ratio (DER), and Earnings Per Share (EPS) had significance values greater than the 5% level (0.05). These results indicate that there is no significant influence between the independent variables on the absolute residual value. The regression model used in the study on the effect of ROE, CR, DER, and EPS on stock returns did not exhibit heteroscedasticity. Therefore, the classical assumptions of heteroscedasticity have been met, making the regression model suitable for hypothesis testing and further analysis.

Tabel 5. Hasil Uji Heteroskedastisitas

| Model      | Unstandardized Coefficients |            | Standardized Coefficients | t      | Sig. |
|------------|-----------------------------|------------|---------------------------|--------|------|
|            | B                           | Std. Error | Beta                      |        |      |
| (Constant) | 35.228                      | 8.577      |                           | 4.107  | .000 |
| ROE        | -.882                       | .947       | -.150                     | -.931  | .358 |
| CR         | -11.170                     | 5.775      | -.311                     | -1.934 | .061 |
| DER        | -.124                       | .133       | -.147                     | -.934  | .357 |
| EPS        | -1.247                      | .873       | -.227                     | -1.427 | .162 |

a. Dependent Variabel: AbsUt

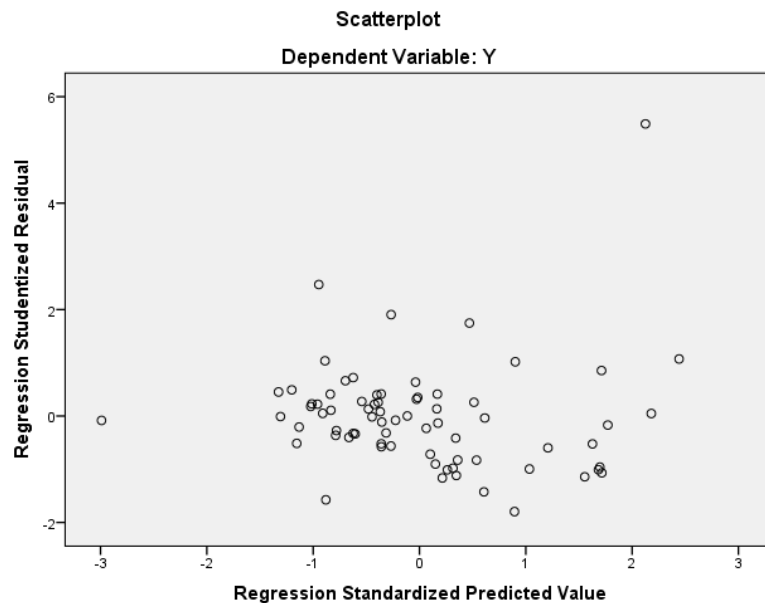
Source: SPSS 22 output (processed data), 2023.

Furthermore, based on the scatterplot graph (see Figure 2), it can be seen that the residual points are randomly distributed above and below zero on the Y-axis and do not form a specific pattern. The random distribution of points indicates that the residual variance in the regression model that tests the effect of Return on Equity (ROE), Current Ratio (CR), Debt to Equity Ratio (DER), and Earnings Per Share (EPS) on Stock Returns is constant. This means that the regression model does not experience symptoms of heteroscedasticity and thus meets one of the classical regression assumptions. Therefore, the regression

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model used is suitable for use in hypothesis testing and further analysis.



Gambar 2. Hasil Uji Heteroskedastisitas Scatterplot

#### Autocorrelation Test Results

Based on the results of the autocorrelation test using the Durbin-Watson method (see Table 6), the Durbin-Watson value was 2.247. This value is around 2, indicating no correlation between the residuals from one observation and the residuals from other observations. Therefore, the regression model examining the effect of Return on Equity (ROE), Current Ratio (CR), Debt to Equity Ratio (DER), and Earnings Per Share (EPS) on stock returns does not exhibit autocorrelation. Therefore, the classical assumption of autocorrelation has been met, making the regression model suitable for further analysis and hypothesis testing.

Tabel 6. Hasil Uji Autokorelasi

| Model | R     | R Square | Adjusted R Square | Std. Error of the Estimate | Durbin-Watson |
|-------|-------|----------|-------------------|----------------------------|---------------|
| 1     | 0,127 | 0,016    | -0,004            | 0,34683                    | 2,247         |

Source: SPSS 22 output (processed data), 2023.

### 3.3 Hasil Analisis Regresi Linear Berganda

Based on the results of the multiple linear regression analysis (see Table 7), the regression equation obtained was:  $Y = 36.902 - 0.531ROE - 16.412CR + 0.450DER + 11.839EPS + e$ . This equation shows that Return on Equity (ROE) and Current Ratio (CR) have a negative influence on stock returns, while Debt to Equity Ratio (DER) and Earnings Per Share (EPS) have a positive influence on stock returns. Based on the significance value, only the Earnings Per Share (EPS) variable has a significant effect on stock returns, while ROE, CR, and DER do not. Thus, changes in stock returns in the companies included in the study sample are more influenced by the company's ability to generate earnings per share than by the company's level of profitability, liquidity, or capital structure. Tabel 7. Hasil Uji Analisis Regresi Linear Berganda

| Model      | Unstandardized Coefficients |            | Standardized Coefficients | T      | Sig. |
|------------|-----------------------------|------------|---------------------------|--------|------|
|            | B                           | Std. Error | Beta                      |        |      |
| (Constant) | 36.902                      | 14.803     |                           | 2.493  | .018 |
| ROE        | -.531                       | 1.635      | -.032                     | -.325  | .747 |
| CR         | -16.412                     | 9.966      | -.163                     | -1.647 | .109 |
| DER        | .450                        | .229       | .190                      | 1.962  | .058 |



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|     |        |       |      |       |      |
|-----|--------|-------|------|-------|------|
| EPS | 11.839 | 1.507 | .769 | 7.854 | .000 |
|-----|--------|-------|------|-------|------|

Source: SPSS 22 output (processed data), 2023.

### 3.4 Hasil Uji Hipotesis

#### t-Test Results

Based on the t-test results shown in Table 8, the Return on Equity variable has no effect on stock returns, as indicated by a significance value of  $0.747 > 0.05$ . The Current Ratio variable has no effect on stock returns, as indicated by a significance value of  $0.109 > 0.05$ . The Debt to Equity Ratio variable has no effect on stock returns, as indicated by a significance value of  $0.058 > 0.05$ . Earnings per Share also has an effect on stock returns, as indicated by a significance value of  $0.000 < 0.05$ .

**Tabel 8. Hasil Uji t**

| Model      | Unstandardized Coefficients |            | Standardized Coefficients | T      | Sig. |
|------------|-----------------------------|------------|---------------------------|--------|------|
|            | B                           | Std. Error | Beta                      |        |      |
| (Constant) | 36.902                      | 14.803     |                           | 2.493  | .018 |
| ROE        | -.531                       | 1.635      | -.032                     | -.325  | .747 |
| CR         | -16.412                     | 9.966      | -.163                     | -1.647 | .109 |
| DER        | .450                        | .229       | .190                      | 1.962  | .058 |
| EPS        | 11.839                      | 1.507      | .769                      | 7.854  | .000 |

Source: SPSS 22 output (processed data), 2023.

#### F-Test Results

Based on the F-test results shown in Table 9, the calculated F-value is 18.898 with a significance level of 0.000. The calculated F-value is greater than the F-table ( $18.898 > 2.69$ ), and the significance level is  $0.000 < 0.05$ . Therefore, the independent variables ROE, CR, DER, and EPS simultaneously influence the dependent variable, Stock Return. Hypothesis 5 is accepted. Therefore, ROE, CR, DER, and EPS simultaneously have a significant effect on Stock Return.

**Tabel 9. Hasil Uji F**

| Model        | Sum of Squares | df | Mean Square | F      | Sig.              |
|--------------|----------------|----|-------------|--------|-------------------|
| 1 Regression | 49953.797      | 4  | 12488.449   | 18.898 | .000 <sup>b</sup> |
| Residual     | 23129.803      | 35 | 660.852     |        |                   |
| Total        | 73083.600      | 39 |             |        |                   |

Source: SPSS 22 output (processed data), 2023.

#### Coefficient of Determination (R<sup>2</sup>) Results

Based on the data processing results using SPSS in Table 4.10, the Adjusted R Square value of 0.647 indicates that the proportion of the influence of the independent variables (ROE, CR, DER, and EPS) on the dependent variable (stock return) is 64.7%, while the remaining 35.3% is influenced by other variables not used in this study.

**Tabel 10. Hasil Uji Koefisien Determinasi**

| Model | R                 | R Square | Adjusted R Square |
|-------|-------------------|----------|-------------------|
| 1     | .827 <sup>a</sup> | .684     | .647              |

Source: SPSS 22 output (processed data), 2023.

### CONCLUSION

Based on the research results, it can be concluded that partially Return on Equity (ROE), Current Ratio (CR), and Debt to Equity Ratio (DER) do not significantly influence Stock Returns, so these three variables cannot be used as the main factors in predicting changes in stock returns in the companies included in the research sample. Conversely, Earnings Per Share (EPS) has a positive and significant effect on Stock Returns. This indicates that the higher the earnings per share generated by the company, the higher the stock returns received by investors. Meanwhile, simultaneously ROE, CR, DER, and EPS have a significant effect on Stock Returns. This means that the combination of these four financial variables together is able to explain changes in stock returns. Thus, EPS is the most dominant variable

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in influencing stock returns, while ROE, CR, and DER play more of a supporting role in explaining the movement of the company's stock returns.

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