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Impact of Financial Performance on Stock Returns and their Implications on the Corporate Value (Study on Coal Mining Sub-Sector Issuers Year 2011-2019)

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Abstract: This study aims to determine the effect of Current Ratio, Debt to Asset Ratio, Return on Asset and Total Asset Turnover on Dividend Payout Ratio. The object of this research is the coal mining sub-sector company in 2011-2019. Data obtained through the IDX website and research design used casual research. The sampling technique used purposive sampling method and from this method, obtained 6 companies that have the criteria of 22 population. The analysis technique used panel data regression using three approaches and alternative method are common effect, fixed effect, and random effect, then use the model selection Chow test and Hausman test and testing using statistical t-test with statistical applications EvIEWS 10. The results of study with using the t-statistic test, shows that CR, DAR, ROA, and TATO have no significant effect on dividend payout ratio, and Dividend Payout Ratio also does not have a significant effect on Market Book Value.

Keywords: Current Ratio, Debt To Asset Ratio, Return On Asset, Total Asset Turnover, Dividend Payout Ratio, and Market Book Value.

I. INTRODUCTION

In general, the purpose of investing investors is to earn income on their investments. For stocks, the form of income can be in the form of capital gains and dividends. Prices traded on the stock market change daily and this is determined by demand and supply (Saleem et al., 2013). Some of the factors behind the decline or increase in demand and stock offering can occur due to market behavior, company fundamentals and external factors (Kurihara, 2006).

Financial performance shown in ratio analysis is a tool to know the weaknesses and strengths of a company. The interpretation of ratios provides more good information about financial conditions and achievements than analysis of non-ratios (Hernendiasoro, 2005). Financial performance is considered by investors to invest in the securities of a company or move to another company

The following three figures describe the relationship between profit making, dividend payments, and company value in coal mining sub-sector issuers in 2011-2019. Earnings tend to rise sharply but this is followed by an increase in dividend payments and the value of the company on a sloping only.

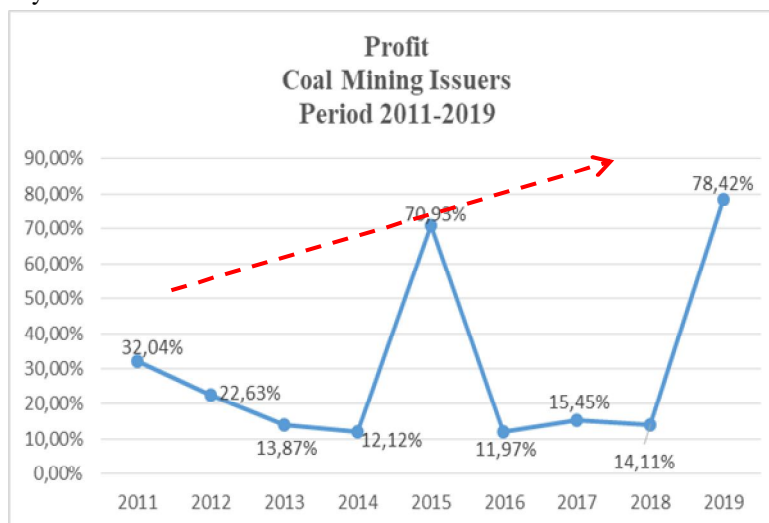


Fig.1 Average profit growth of 6 coal mining companies (Source : <http://idx.co.id/>)

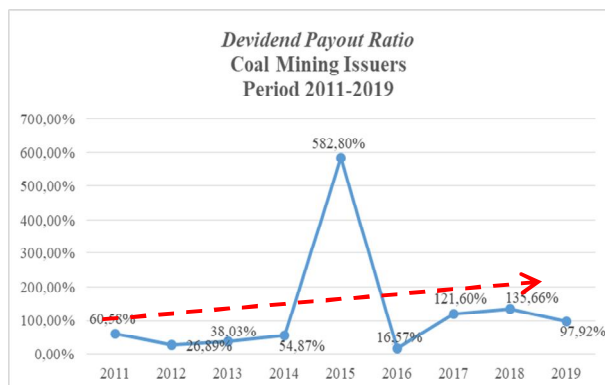


Fig. 2 Development of dividend payments to 6 coal mining issuers (Source : <http://idx.co.id/>)

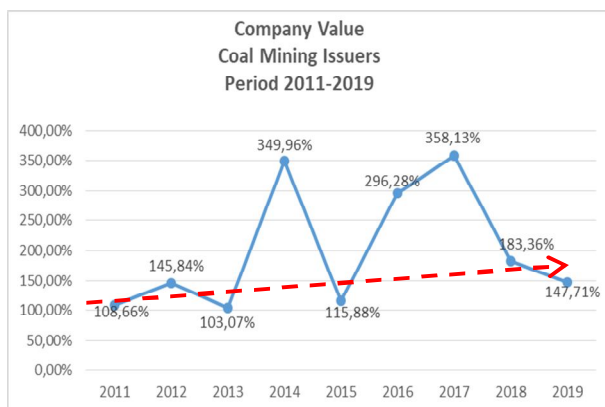


Figure 3 Development of the company's value of 6 coal mining issuers (Source : <http://idx.co.id/>)

II. LITERATURE VIEW

A. Corporate Value

If the company is projected as a prospective company in the future, allowing the share price to be higher, and vice versa (Suharli, 2006). According to Husnan and Pudjiastuti (2002), the value of the company is a price that is willing to be paid by prospective buyers if the company is sold, the higher the value of the company the greater the prosperity that will be received by the owner of the company. The company's value is the company's performance reflected by the share price formed by demand and supply in the market that reflects the public's assessment of the company's performance (Harmono, 2009)

B. Stock Return

Return on shares is the profit or profit enjoyed by the investor on his investment. Return on shares can be capital gain (loss) and or dividends. Here's the stock return count (Hartono, 2013:237)

$$\text{Stock Return} = \frac{P_t - P_{t-1}}{P_{t-1}}$$

C. Financial Performance

Financial performance is a formal effort to evaluate the efficiency and effectiveness of the company in generating certain profits and cash positions. Financial performance according to Fahmi (2012) is an analysis conducted to see the extent to which a company has implemented using the rules of financial implementation properly and correctly.

D. Liquidity

Liquidity is a ratio that shows the relationship between current assets owned by the company and current liabilities owned by the company. Typically this ratio is used by companies to measure the extent of a company's ability to meet all of its short-term obligations (Brigham and Houston, 2004). Current ratio is a ratio is one of the liquidity measuring instruments with the formula:

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Debt}}$$

E. Leverage

The ratio used to measure the extent to which the company's assets are financed with debt or the ratio used to measure the ability of the company to pay all its obligations, both short-term and long-term if the company is dissolved or liquidated (Cashmere, 2008). In practice Debt to Asset Ratio is one of the measuring instruments of the company's solvency, with the formula:

$$DAR = \frac{\text{Total Debt}}{\text{Total Asset}}$$

F. Profitability

According to Hanafi and Halim (2009) profitability is a ratio to measure the size of a company's ability to make a profit. Return On Asset is one of the tools to measure the company's profitability with the formula:

$$ROA = \frac{\text{net income}}{\text{Total Asset}} \times 100\%$$

G. Activity

According to Cashmere and Jakfar (2017) activity is a ratio used to measure the efficiency of the company's resource utilization. Total Assets Turnover is the ratio used to measure the company's activities by the formula:

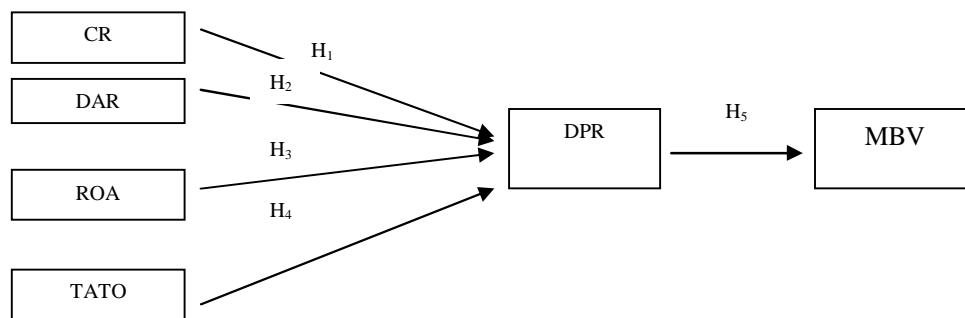
$$\text{Total Asset Turnover} = \frac{\text{Sales}}{\text{Total Assets}}$$

III. METHODOLOGY

The study used a caesal design, with a population of 22 companies and a sample of 6 companies for using purposive sampling. Data used is panel data is a combination of time series data and cross section data. Data analysis uses panel data regression by previously performing Chow test, Hausman test, and Lagrange multiplier test to determine which model is feasible to use.

This research model as seen in Figure 2

FIGURE 2.1
Conceptual Framework Scheme



The research hypothesis is:

- 1) CR positively affects Dividend Payout Ratio
- 2) DAR positively affects Dividend Payout Ratio
- 3) ROA positively affects Dividend Payout Ratio
- 4) TATO negatively affects Dividend Payout Ratio
- 5) DPR positively affects Dividend Payout Ratio

A. Hypothesis Test

The F test is used to determine the feasibility of the model used, by comparing the calculated F against the F table. Coefficient of determination is essentially to measure how far the model can go in explaining variations of dependent variables. The statistical test t is used to determine the significance of the influence of independent variables on dependent variables.

IV. RESEARCH AND DISCUSSION RESULTS

A. Descriptive Statistic

Descriptive statistics of research objects are seen in table 1 below.

Table 1. Descriptive statistics

| | MBV | DPR | CR | DAR | ROA | TATO |
|--------------|----------|----------|----------|----------|----------|----------|
| Mean | 2.009929 | 7.079221 | 2.240002 | 23.66838 | 0.743051 | 14.45561 |
| Median | 0.915081 | 0.134506 | 1.978858 | 0.331136 | 0.095859 | 0.909901 |
| Maximum | 16.81175 | 346.0766 | 5.423627 | 646.4505 | 33.98777 | 727.6976 |
| Minimum | 0.000356 | 2.04E-05 | 0.935265 | 0.144219 | 0.004817 | 0.387019 |
| Std. Dev. | 3.509059 | 47.02665 | 0.924781 | 119.9232 | 4.610274 | 98.89216 |
| Skewness | 2.899478 | 7.131251 | 1.706212 | 4.909067 | 7.138504 | 7.142547 |
| Kurtosis | 11.30163 | 51.91045 | 5.723078 | 25.12071 | 51.97911 | 52.01698 |
| Jarque-Bera | 230.7261 | 5840.214 | 42.88454 | 1317.873 | 5856.268 | 5865.138 |
| Probability | 0.000000 | 0.000000 | 0.000000 | 0.000000 | 0.000000 | 0.000000 |
| Sum | 108.5362 | 382.2780 | 120.9601 | 1278.093 | 40.12476 | 780.6031 |
| Sum Sq. Dev. | 652.6152 | 117209.8 | 45.32661 | 762224.0 | 1126.495 | 518322.0 |
| Observations | 54 | 54 | 54 | 54 | 54 | 54 |

- 1) *Market Book Value*: The minimum value of 0.03% obtained by PT Adaro Energy in 2015, while the maximum value of 16.81% was achieved by PT Resource Alam Indonesia in 2014. The average value of 2.00% means that the average value range with the maximum value is wider than the average value range with a minimum value, so the market book value in coal mining sub-sector companies during 2011-2019 is mostly below average. The standard deviation value of 3.50% is greater than the average value, showed the data in this study varied.
- 2) *Dividend Payout Ratio*: The minimum value of 2.0% obtained by PT Petrosea in 2012, while the maximum value of 346,076% was achieved by PT Golden Energy Mines in 2015. An average value of 7,079% means that the average value range with a minimum value is wider than the average value range with the maximum value, so the dividend payout ratio in coal mining sub-sector companies during 2011-2019 is mostly above average. The standard deviation value of 47.02% is greater than the average value, showed the data of dividend payout ratio in this study varied.
- 3) *Current Ratio*: The minimum value of 0.935% obtained by PT Petrosea in 2011, while the maximum value of 5,423% was achieved by PT Golden Energy Mines in 2011. The average value of 2,240% means that the average value range with the maximum value is wider than the average value range with the minimum value, so the current ratio in coal mining sub-sector companies during 2011-2019 is mostly below average. The standard deviation value of 0.924% is less than the average value, indicating the current ratio data in this study does not vary.
- 4) *Debt to Asset Ratio*: A minimum value of 0.144% was obtained by PT Golden Energy Mines in 2011, while the maximum value of 646,450% was achieved by PT Petrosea in 2012. The average value is 23.66% which means that the average value range with the maximum value is wider than the average value range with the minimum value, so the debt to asset ratio in coal mining sub-sector companies during 2011-2019 is mostly below average. The standard deviation value of 119.92% is greater than the average value, showed debt to asset ratio data in this study varied.
- 5) *Return On Assets*: The minimum value of 0.04% belongs to PT Petrosea in 2014, while the maximum value of 33.98% was achieved by PT Petrosea in 2013. An average value of 0.74% means that the average value range with a minimum value is wider than the average value range with the maximum value, so the return on assets in coal mining sub-sector companies during 2011-2019 are mostly below average. The standard deviation value of 4.61% is greater than the average value, showed the data return on assets in this study varied

- 6) *Total Asset TurnOver*: The minimum value was 0.38% owned by PT Adro Energy in 2016, while the maximum value was 727.69% achieved by PT Petrosea in 2012. An average value of 14.45% means that the average value range with a maximum value is wider than the average value range with a minimum value, so the total turnOver assets in coal mining sub-sector companies during 2011-2019 are mostly above average. The standard deviation value of 98.89% is greater than the average value, indicating that the total asset turnOver data in this study varies.

B. Estimation Model Selection

Model 1 (Influence of CR, DAR, ROA, and TATO on DPR)

- 1) *Test Chow*: Obtained P-value > alpha or $0.4339 > 0.05$ then the Common Effect Model is more feasible to use.
- 2) *Test Hausman*: Obtained P-value > alpha or $0.4977 > 0.05$ then Random-Effect Model is more feasible to use.
- 3) *Test Lagrange Multiplier*: Obtained P-value > alpha or $0.5848 > 0.05$ then the Common Effect model is better used.

Based on the above results, using the Common-Effect Model obtained perhitugan as follows:

Table 2. Common model effect

Dependent Variable: DPR

Method: Panel Least Squares

Date: 11/30/20 Time: 19:03

Sample: 2011 2019

Periods included: 9

Cross-sections included: 6

Total panel (balanced) observations: 54

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|--------------------|-------------|-----------------------|-------------|----------|
| C | 3.619395 | 18.46776 | 0.195984 | 0.8454 |
| CR | 6.358628 | 7.488263 | 0.849146 | 0.3999 |
| DAR | 4.089796 | 3.541255 | 1.154900 | 0.2537 |
| ROA | -73.97078 | 63.92417 | -1.157165 | 0.2528 |
| TATO | -3.639991 | 3.148452 | -1.156121 | 0.2532 |
| R-squared | 0.033894 | Mean dependent var | | 7.079221 |
| Adjusted R-squared | -0.044972 | S.D. dependent var | | 47.02665 |
| S.E. of regression | 48.07246 | Akaike info criterion | | 10.67132 |
| Sum squared resid | 113237.1 | Schwarz criterion | | 10.85548 |
| Log likelihood | -283.1256 | Hannan-Quinn criter. | | 10.74234 |
| F-statistic | 0.429770 | Durbin-Watson stat | | 2.293748 |
| Prob(F-statistic) | 0.786417 | | | |

Based on the Common Effect Model data table above, it can be known that the value of R-Squared is 0.033894.

The regression equation for model 1 is:

$$\text{DPR} = 3.619395 + 6.358628 \text{ CR} + 4.089796 \text{ DAR} - 73.97078 \text{ ROA} - 3.639991 \text{ TATO}$$

Which means:

- a) Constant of 3.619395 indicates if the value of CR, DAR, ROA and TATO is zero (0), then the Dpr is 3.619395
- b) CR coefficient of 6.358628 with a positive mathematical mark is interpreted cr positively affects the DPR, where each CR increase by 1% then the Dpr increases by 6.358628%.
- c) DAR coefficient of 4.089796 with a positive mathematical sign is interpreted as DAR positively affects the Dividend Payout Ratio, where every DAR increase of 1% then the dividend payout ratio increases by 4.089796%.
- d) ROA coefficient of -73.97078 with negative mathematical mark means ROA negatively affects Dividend Payout Ratio, where every ROA increase by 1% then dividend payout ratio decreases by 73.97078%.
- e) TATO coefficient of -3.639991 with negative mathematical sign means TATO negatively affects Dividend Payout Ratio, where every increase in ROA by 1% will dividend payout ratio decrease by 3.639991%.

C. Model 2 (Influence of dpr on MBV)

- 1) *Test Chow*: Obtained P-value < alpha or 0.0000 > 0.05 then the Fixed Effect Model is more feasible to use.
- 2) *Test Hausman*: Obtained P-value > alpha or 0.6440 > 0.05 then Random-Effect Model is more feasible to use.
- 3) *Test Lagrange Multiplier*: Obtained P-value < alpha or 0.0000 > 0.05 then the Random Effect model is better used.

Based on the above results, using the Random-Effect Model obtained perhitugan as follows:

Table 3. Random effect model

Dependent Variable: MBV

Method: Panel EGLS (Cross-section random effects)

Date: 11/30/20 Time: 20:14

Sample: 2011 2019

Periods included: 9

Cross-sections included: 6

Total panel (balanced) observations: 54

Swamy and Arora estimator of component variances

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|-----------------------|-------------|--------------------|-------------|----------|
| C | 2.027430 | 1.287040 | 1.575266 | 0.1213 |
| DPR | -0.002472 | 0.007369 | -0.335493 | 0.7386 |
| Effects Specification | | | | |
| | | | S.D. | Rho |
| Cross-section random | | | 3.045581 | 0.6144 |
| Idiosyncratic random | | | 2.412966 | 0.3856 |
| Weighted Statistics | | | | |
| R-squared | 0.002193 | Mean dependent var | | 0.513216 |
| Adjusted R-squared | -0.016996 | S.D. dependent var | | 2.374557 |
| S.E. of regression | 2.394650 | Sum squared resid | | 298.1862 |
| F-statistic | 0.114284 | Durbin-Watson stat | | 1.980742 |
| Prob(F-statistic) | 0.736680 | | | |

Based on random effect model data table above, it can be known that R-Squared value is 0.002193 and regression equation for model 2 is:

$$\text{Market Book Value} = 2.027430 - 0.002472 \text{ DPR}$$

Which means

- a) Constant of 2.027430 indicates if dpr is zero value (0), then Market Book Value is 2.027430 .
- b) The coefficient of the House of Representatives is -0.002472 with a negative mathematical mark interpreted by the Dpr to negatively affect the Market Book Value, where every increase in the House of Representatives by 1% then the Market Book Value decreases by 0.002472%.

Based on Table 3, t-test and defined as Stock Return has a significance of 0.7366 greater than 0.05. So it can be interpreted that The Return of Shares negatively affects the value of the company. Faced with the hypothesis in Chapter II which states that the Dpr has a positive effect on MBV, the test results state the hypothesis is rejected. These results are not in line with the hypotheses in this study.

V. CONCLUSION

- A. Current Ratio has a positive and insignificant effect on dividend payout ratio.
- B. Debt to Asset Ratio has a positive and insignificant effect on dividend payout ratio.
- C. Return On Asset (ROA) has a negative and insignificant effect on dividend payout ratio.
- D. Total Asset Turn Over (TATO) has a negative and insignificant effect on dividend payout ratio.
- E. Dividend Payout Ratio (DPR) has a negative and insignificant effect on Market Book Value (MBV).

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