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### The Influence of Financial Performance on Stock Returns in Banking Companies Listed on the Indonesia Stock Exchange for the Years 2018-2022

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#### ABSTRACT

*The study aims to determine the impact of financial leverage, profitability and the moderation effect of company size on tax evasion. The population of this study is the property and real estate sector companies listed on the Indonesian Stock Exchange for the period 2016-2022. There are 71 samples, selected using purposive sampling. The analysis in this study uses moderated regression analysis (MRA) to look at the influence of moderation of company size variables. Data collection through the official IDX website: [www.idx.co.id](http://www.idx.co.id). The results show that all the hypotheses built in this study are acceptable, that's financial leverage and profitability have a positive and significant effect on tax evasion. Also, the moderation effect of company size has been shown to strengthen the influence on financial leverage and profitability against tax evasion.*

#### INTRODUCTION

The banking sector serves as the backbone of every country's economy, including Indonesia. The performance of the banking sector can reflect the economic conditions of a country; therefore, understanding the factors influencing the performance of bank stocks is crucial.

The period from 2018 to 2022 has been challenging for the global economy, including Indonesia, due to the impact of the COVID-19 pandemic. Understanding how financial performance affects stock returns provides insights into how the banking sector responds to crises. Analyzing the impact of financial performance on stock returns can serve as a measure of efficiency for banks in managing their resources and capital. For bank management, understanding the influence of financial performance on stock returns is highly important. This understanding can assist them in making strategic decisions, especially regarding resource allocation, product development, service enhancement, and the financial performance of the company.

Stock return is defined as the return comprising dividends and capital gains. Stock return is a significant concept in capital market analysis that has garnered the attention of financial experts. Stock price predictions are based on fundamental analysis and technical analysis. Company performance is a crucial factor in fundamental analysis. Company performance covers various aspects such as

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revenue, net income, revenue growth, financial ratios, cash position, earnings per share, and other operational and financial factors related to the company.

Through financial performance analysis, management can assess the outcomes of decisions and actions taken, as well as evaluate how well they have achieved the set goals and targets. When evaluating financial performance, management can identify key indicators and financial ratios that provide insights into operational efficiency, profitability, liquidity, and financial stability of the company. Various financial ratios can be utilized to assess financial performance especially concerning Stock Returns. Current Ratio (CR), measured by current assets to current liabilities, has been found by Sukamulja (2022) to have a significant positive impact on stock returns. Conversely, Aminah (2021) discovered a significant negative impact of the current ratio on stock returns. Meanwhile, studies by Tikasari, Surjandari (2020) and Allozi, Obeidat (2016) showed that the current ratio does not affect stock returns.

Debt to Equity Ratio (DER), calculated by total debt to total equity, as identified by Suhatmi (2023), has been found to have a significant positive impact on stock returns by Trisnowati et al. (2022). Conversely, research by Sausan, Korawijayanti & Ciptaningtias (2020) revealed a significant negative impact of Debt to Equity Ratio (DER) on stock returns. Tikasari & Surjandari (2020) indicated that Debt to Equity Ratio (DER) does not affect Stock Returns.

Return On Assets (ROA), calculated by net income after tax to company assets, has been shown by Fathony, Khaq & Endri (2020) to have a significant positive impact on Stock Returns. In contrast, research by Andriani and Suryanto (2022) demonstrated a significant negative impact of Return On Assets (ROA) on Stock Returns. Trisnowati et al. (2022) found that Return On Assets (ROA) does not influence Stock Returns.

Return On Equity (ROE) is measured by net income after tax on equity (Suhatmi, 2023:38). According to the research by Andriani and Suryanto (2022), Return On Equity (ROE) has a significant positive effect on Stock Returns. The study by Mudzakar & Wardanny (2021) indicates that Return On Equity (ROE) has a significant negative impact on Stock Returns. The research by Krisna and Hendra (2022) suggests that Return On Equity (ROE) has no effect on Stock Returns.

Net Profit Margin (NPM) is measured by net income after tax on net sales (Suhatmi, 2023). According to the study by Andriani & Suryanto (2022), Net Profit Margin (NPM) has a significant positive effect on Stock Returns. Research by Aminah (2021) shows that Net Profit Margin (NPM) has a significant negative impact on Stock Returns. The study by Allozi and Obeidat (2016) indicates that Net Profit Margin (NPM) has no effect on Stock Returns.

The intensity of stock transactions can impact the value of the Stock Price Index (IHS), which reflects the overall movement of stock prices in the market. IHS is usually calculated based on changes in the stock prices of selected shares, which may include shares with high liquidity or those representing important sectors in the market. One type of stock price index that is highly actively traded on the Indonesia Stock Exchange (IDX) is the Banking sector.

## **MATERIAL AND METHOD**

This study is descriptive quantitative research involving 42 banks listed on the Indonesia Stock Exchange. The sampling method used was purposive sampling based on specific criteria, namely companies that went public between 2018 and 2022. Data collection was done through documentation involving gathering information from various written documents, records, or archives relevant to the research topic such as articles, journals, and published financial reports. The data was analyzed using descriptive analysis and statistical tests. The variables operationalized in this study include human resource competency, information technology utilization, leadership commitment, and budget absorption, which can be summarized in Table 1.

Variable operationalization refers to the research aspect that provides information and guidance on measuring variables to assist other researchers who wish to conduct research using the same variables studied by the researcher.

**Table 1**  
**Variable Operationalization**

No	Variable	Definition	Indicator	Scale
1	<i>Return Saham</i> (RS)	Return on equity is the return on stocks that consists of dividends and capital gains, the selling price of stocks being higher than the purchase price (Sukamulja, 2022).	$Ret = \frac{Pt - (Pt-1)}{Pt-1}$	Ratio
2	<i>Current Ratio</i> (CR)	The Current Ratio (CR), commonly known as the working capital ratio, is a method used to calculate a company's ability to settle all short-term obligations using its current assets.	$CR = \frac{\text{Aset Lancar}}{\text{Liabilitas Jangka Pendek}}$	Ratio
3	<i>Debt to Equity Ratio</i> (DER)	The Debt to Equity Ratio (DER) is a metric that compares the total debt to equity in order to determine how much of a company's assets are financed by debt (Suhatmi, 2023).	$DER = \frac{\text{Total Hutang}}{\text{Total Modal}}$	Ratio
4	<i>Return On Asset</i> (ROA)	Return On Assets (ROA) is a ratio that measures net profit after tax with company assets (Suhatmi, 2023).	$ROA = \frac{EAT}{\text{Asset}}$	Ratio
5	<i>Return On Equity</i> (ROE)	Return On Equity (ROE) is a ratio measurement of net income after tax to equity aimed at determining how well a company can effectively manage its own capital (Suhatmi, 2023).	$ROE = \frac{EAIT}{\text{Equity}}$	Ratio
6	<i>Net Profit Margin</i> (NPM)	Net Profit Margin (NPM) is a ratio that compares net profit after tax to net sales, aiming to determine the net income from sales. Suhatmi, 2023.	$NPM = \frac{EAT}{\text{Penjualan Bersih}}$	Ratio

Sumber: Data diolah oleh penulis

## RESULT AND DISCUSSION

Net Profit Margin (NPM) is a ratio that compares net profit after tax to net sales, aiming to determine the net income from sales (Suhatmi, 2023).

**Table 2**  
**Banking Data Characteristics**

No	Purposive Sampling Criteria	Amount
1.	Banking Company (during the research period) from 2018-2022	46
2.	The company before the IPO (during the research period) from 2018 to 2022.	(4)
	<b>Number of Company Samples</b>	42
	<b>Observation Year</b>	5
	<b>Number of Company Samples for the Period 2018-2022 (42 x 5 years)</b>	210

Multiple regression analysis is utilized to ascertain the influence of independent variables on the dependent variable, while the extent to which independent variables can explain the dependent variable is determined by analyzing the coefficient of determination (adjusted R<sup>2</sup>). The coefficient of determination (adjusted R<sup>2</sup>) indicates the percentage of underpricing explained by the independent variations ranging between zero and one.

**Table 3**  
**Multiple Linear Regression Analysis Results in the Banking Sector**

Model	Unstandardized Coefficients		Standardized Coefficients
	B	Std. Error	Beta
1 (Constant)	8,718	11,267	
CR	020	,779	-0,73
DER	,508	1,608	,022
ROA	,182	2,600	,008
ROE	-,054	,505	,013
NPM	,047	,529	,007

Based on the results of multiple regression analysis, a model of multiple linear regression equation can be formed as follows.  $RS = 8.718 + 0.020CR + 0.508DER + 1.82ROA - 0.54ROE + 0.047NPM$ . This equation can be interpreted as the constant value  $a = 8.718$ , meaning that if the values of CR, DER, ROA, ROE, and NPM are zero or nonexistent, then RS will have a positive value of 8.718. The regression coefficient for CR is  $b_1 = 0.020$ , indicating that if the CR value increases by one unit, the RS value will increase by 0.020. The regression coefficient for DER is 0.508, meaning that if the DER value increases by one unit, the RS value will increase by 0.508. The regression coefficient for ROA is 1.82, suggesting that if the ROA value increases by one unit, the RS value will increase by 1.82. The regression coefficient for ROE is -0.54, indicating that if the ROE value increases by one unit, the RS value will decrease by 0.54. The regression coefficient for NPM is 0.47, implying that if the NPM value increases by one unit, the RS value will increase by 0.47.

**Tabel 4**  
**F-test Result**

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	3,927	5	7,853	2,544	,000 <sup>b</sup>
Residual	63,147	204	3,095		
Total	67,074	209			

The simultaneous test results show that the calculated F value is 33.288 with a probability value (Sig) of 0.000. Based on these results, the calculated F value (2.554) > the tabulated F value (2.26) or the Sig value (0.000) <  $\alpha$  (0.05). Therefore, the alternative hypothesis ( $H_a$ ) is accepted, and the null hypothesis ( $H_o$ ) is rejected. Thus, the conclusion of the F-test in this study is that Current Ratio, Debt to Equity Ratio, Return On Assets, Return On Equity, and Net Profit Margin collectively have a significant impact on Stock Price.

The t-test is used to determine how much the independent variable can explain the variation in the dependent variable (Ghozali, 2021).

**Tabel 5**  
**T-test Result**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	8,718	11,267		4,774	
CR	,020	,779	-,73	3,036	,003
DER	,508	1,608	,022	4,316	,002
ROA	,182	2,600	,008	4,070	,004
ROE	-,054	,505	,013	-3,106	-,001
NPM	,047	,529	,007	3,089	,002

### 1. The Influence of Current Ratio on Stock Returns

The statistical analysis results for the Current Ratio variable show a significance value of 0.003, which is smaller than 0.05, and a calculated t-value of 3.036, greater than 2.344766. This indicates that Current Ratio has a significant positive influence on Stock Returns, where a one-unit increase in Current Ratio will lead to a 0.020 increase in Stock Returns. A positive Current Ratio indicates an increase in current assets compared to current liabilities, reflecting improved management of current assets over current liabilities, which is considered favorable information that attracts investors to engage in stock transactions. Increased demand for stocks relative to supply can raise stock prices, thereby increasing Stock Returns. This research aligns with studies by Trisnowati et al. (2022), Raningsih and Putra (2015), Setiyono and Amanah (2016), stating that Debt to Equity Ratio (DER) significantly influences Stock Returns.

### 2. The Influence Debt to Asset Ratio on Return Saham

The statistical analysis results for the Debt to Asset Ratio variable show a significance value of 0.002, which is less than 0.05. The t-value of 4.316 is greater than 2.344766, indicating a significant positive effect of Debt to Asset Ratio on Stock Returns. With each increase in the Debt to Asset Ratio by one unit, the Stock Returns increase by 0.508.

The research findings suggest that the Debt to Asset Ratio has a positive impact on Stock Returns. It illustrates that by leveraging debt, companies can utilize it optimally, resulting in higher profits and returns compared to using only equity. The higher a company's leverage level, the higher its associated risks. Effective management by the company can ensure a proper balance between total debt and total equity.

These results are consistent with studies conducted by various researchers such as Fathony, Khaq, and Endri (2020), Awalakki and Archanna (2021), as well as Rachmawan and Setyorini (2022).

### 3. The Influence Return On Assets on Return Saham

Statistical analysis results for the Return On Assets variable show a significance value of 0.004, which is smaller than 0.05, and a t-value of 4.070, exceeding 2.344766. This indicates that Return On Assets has a significant positive influence on Stock Return, with a one-unit increase in Return On Assets leading to a 2.618 increase in Stock Price.

A positive Return On Assets variable indicates an increase in profit compared to company assets. This suggests improved asset management for profit generation, positive information that attracts investors for stock transactions. Increased stock demand compared to supply can boost stock prices.

These findings align with the studies by Fathony, Khaq, and Endri (2020), Awalakki and Archanna (2021), as well as the research by Rachmawan and Setyorini (2022).

### 4. The Influence Return On Equity on Return Saham

Statistical analysis results for the Return On Equity variable indicate a significance value of -0.001, which is smaller than 0.05, and a t-value of -3.106, exceeding 2.344766. This suggests that Return On Equity significantly influences Stock Returns negatively, where each increase in Return On Equity by one unit will decrease Stock Price by -0.54.

A negative Return On Equity variable signifies lower net profit relative to total capital, leading to a lower company valuation by investors. These findings are consistent with studies by Haddad (2012), Idowu et al. (2018), and Krisna and Hendra (2022).

### 5. The Influence Net Profit Margin on Return Saham

Statistical analysis results for the Net Profit Margin variable show a significance value of 0.002, which is smaller than 0.05. The t-value is 3.089, greater than 2.344766. This indicates that Net Profit Margin has a significant positive impact on Stock Return, with every one-unit increase in Gross Profit Margin raising Stock Return by 0.47.

Higher Net Profit Margin correlates with higher net income derived from net sales, likely due to high selling prices and low cost of goods sold. Conversely, lower net profit margins signify lower gross profits from net sales, possibly due to low selling prices and high cost of goods sold. These results align with studies by Tikasari and Surjandari (2020), Idowu et al. (2018), and Andiani (2022).

## CONCLUSIONS AND SUGGESTIONS

Based on the study results and data analysis, it is concluded that the Current Ratio (CR), Debt to Equity Ratio (DER), Return On Asset (ROA), Net Profit Margin (NPM) have a significant positive impact on Stock Return, while Return On Equity (ROE) has a significant negative impact on stock return in the banking sector listed on the Indonesia Stock Exchange from 2018 to 2022.

Suggestions for companies to improve their performance include utilizing assets, debt, and equity efficiently and effectively to maximize profits. For investors, it is advisable to conduct a thorough review of the target company before investing. Future researchers can explore additional variables beyond this study and update the research years.

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