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THE EFFECT OF ROA, DER, AND OPM ON STOCK RETURNS OF NON-CYCLICAL CONSUMER COMPANIES

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ABSTRACT

This research aims to find out how significant the influence of Probability through the variables Return on Assets, Operating Profit Margin, and Leverage through the Debt To Equity Ratio variable is on stock returns in non-cyclical consumer sector companies on the Indonesia Stock Exchange (BEI) in 2019-2023. The sample that met the inclusion criteria was 28 companies with a total of 129 data using purposive sampling techniques. This research uses classical assumption tests such as normality, multicollinearity, autocorrelation, and heteroscedasticity. Followed by multiple linear regression tests, coefficient of determination, t and f model tests then hypothesis testing. Data processing uses the SPSS version 27 program. The results of this study show that partially the variables Return on Assets and Debt to Equity Ratio have a significant influence on stock returns but the Operating Profit Margin variable has an insignificant influence on stock returns. This research also reveals that the variables Return on Assets, Operating Profit Margin, and Debt To Equity Ratio have an influence on stock returns simultaneously.

Keywords: Return on Assets, Operating Profit Margin, Debt to Equity Ratio, Stock Return

INTRODUCTION

Previously, the capital market did not receive enough attention from the people of Indonesia even though it has a vital role in the country's economy. However, with the advancement of science and technology, access to information about investment is increasingly accessible to the public. The government is also active in increasing capital market literacy and providing means for the public to be involved in investment, so that more and more people are interested in participating in the capital market. The capital market has a crucial role in the economy in various countries, including Indonesia. In it, companies operating in the non-cyclical consumer goods sector, or known as the primary consumer goods sector, are a collection of companies that produce goods or provide services that are very important in daily life. However, although digital technology continues to develop, this does not directly result in a rapid increase in the company's share price in the non-cyclical consumer goods sector.

During the 2019-2023 period, the non-cyclical consumer sector on the Indonesia Stock Exchange (IDX) experienced increased attention from various parties, especially investors, financial analysts, and decision-makers. This phenomenon is not surprising given the stable nature of this sector in the face of diverse economic fluctuations. The products and services offered in this sector are basic consumer needs that continue to be in demand, both in times of prosperity and when the economy is sluggish. In this situation, the evaluation of the financial performance of non-cyclical consumer companies is very vital.

Various aspects of finance play a big role in determining the value of a company, especially the profitability ratio. The profitability of the company greatly affects the dividend payment policy to shareholders. Companies with high profitability tend to pay dividends regularly, attract many investors, and increase the stock price. Conversely, companies with low profitability may not be able to afford to pay dividends, leading to a decline in the share price and returns received by shareholders. Therefore, profitability is a key factor in determining dividend policy and has a direct effect on the value and return of the Company's shares (Hanafi, 2018). The higher the profitability, the higher the potential return on investment, thus increasing the overall value of the company. In addition, the level of leverage or the use of debt also affects the value of the company. Along with the success of the company, the tendency to use debt also increases. However, if the company's financing is stable, the addition of debt only slightly increases the risk of bankruptcy.

LITERATUR REVIEW

Return on assets (ROA) shows a company's ability to generate profits on all its assets (Wiagustini, 2010: 81). Every business wants a high return on assets (ROA) ratio because it shows how well the company will use its resources to generate profits. The profitability of a company is reflected in the return on assets (ROA) (Arista, 2012). As a result, the price and return of the company's shares

increased and investors were encouraged to buy the shares.

Leverage or solvency is measured by DER which is often associated with stock returns (Prihantini, 2009). The company's debt-to-equity (DER) ratio is displayed. According to Fakruddin and Hardianto (2001) and Arista (2012), a company is said to be safe if its DER value is less than 50%. The lower the value, the better and safer the company will be in meeting its financial obligations using its own resources. Because a low DER can lead to higher stock prices, investors are usually attracted to companies that have a low DER.

Operating Profit Margin is considered "pure" because it reflects revenue generated purely from the company's operations, without taking into account financial obligations such as interest and taxes. The higher the OPM, the better the company's operational performance (Fahrudin & Dillak, 2022).

According to (Suci, 2022), the signaling theory has a meaning as an indicator of failure or management success conveyed to the company owner. This theory explains that the signaling theory in finance describes how the company's management provides signals to shareholders or outside parties through information such as financial statements. These signals can reduce information imbalances among related parties. Financial statements that reflect good performance are considered a positive signal about the company's health, which can influence responses from outside parties. This theory also explains the relationship between financial performance and company value. The signals conveyed can be good or bad, and are expected to be trusted by the recipient of the information.

The novelty of this study is that the profitability variable represented by return on assets and operating profit margin as well as the leverage variable determined by the debt-to-equity ratio (DER) have an effect on the stock return of companies in the consumer staples sector in Indonesia on the IDX 2019-2023.

RESEARCH METHODS

The relationship between Return on Assets, Operating Profit Margin, and Debt to Equity Ratio to Stock Return is quantitatively researched in this paper. This research focuses on companies listed on the Indonesia Stock Exchange (IDX) in the Consumer Non-Cyclical sector, especially stocks traded in major markets. Secondary data is collected from financial statements available on the IDX's official website. The sample consisted of 28 companies that met the inclusion criteria, with a total of 129 observations for the 2019-2023 period. The sampling method uses a purposive sampling approach, with requirements including listing on the IDX since 2018, classification as a non-cyclical consumer company, availability of financial statements for the 2018-2023 period, and active status on the stock exchange.

Data analysis was carried out using descriptive techniques and hypothesis tests, including multiple linear regression. Previously, the data were tested against classical assumptions such as normality, multicollinearity, autocorrelation, and heteroscedasticity. Next, a model test was carried out using the t and f table tests to determine how much the independent variable had an effect on the bound variable.

RESULT AND DISCUSSION

Descriptive Statistics

Table 1. Descriptive Statistical Results

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
ROA	129	-4%	22%	6.47%	5.060%
OPM	129	-117%	745%	23.27%	77.052%
DER	129	10%	490%	100.82%	96.627%
STOCK RETURN	129	-52%	145%	1.83%	23.649%
Valid N (listwise)	129				

Based on the results of descriptive statistical analysis of ROA, OPM, DER, and *Stock Return*, it can be concluded that:

ROA has a total of 129 data with a minimum value of -4%, a maximum value of 22% with an average of 6.47% and a standard deviation of 5.060%.

With a minimum score of -117%, a maximum score of 745%, an average of 23.27%, and a standard deviation of 77.052%, OPM has a total of 129 data points.

With a total of 129 data points, DER has an average of 100.82%, a standard deviation of 96.627%, a maximum value of 490%, and a lowest value of 10%.

A total of 129 data points with an average of 1.83%, a standard deviation of 23.649%, a maximum value of 145%, and a minimum value of -52% are available for Return on Shares.

Classical Assumption Test

1. Test Normality

The results of the normality test show that the value of Asymp. Sig (2-tailed) was 0.16, which was higher than the significant value (0.05). Therefore, the residual variable is normally distributed and can be further tested for classical assumptions.

Table 2. Data Normality Test Results

One-Sample Kolmogorov-Smirnov Test

N			129
Normal Parameters[a,b]	Mean		.0000000
	Std. Deviation		22.88999845
Most Extreme Differences	Absolute		.088
	Positive		.088
	Negative		-.057
Test Statistic			.088
Asymp. Sig. (2-tailed)[c]			.016
Monte Carlo Sig. (2-tailed)[d]	Sig.		.014
	99% Confidence Interval	Lower Bound	.011
		Upper Bound	.017

a. Test distribution is Normal.
b. Calculated from data.
c. Lilliefors Significance Correction.
d. Lilliefors' method based on 10000 Monte Carlo samples with starting seed 2000000.

Source: Spss data processing results

2. Multicollinearity Test

The results of the multicollinearity test showed that the ROA tolerance value was 0.817 > 0.1, OPM 0.994 > 0.1 and DER 0.821 > 0.1 and VIF ROA value of 1.223 < 10, OPM 1.006 < 10 and DER 1.217 < 10. Therefore, since the VIF value of each variable < 10.00 and the tolerance > 0.100, it can be said that this data has no symptoms of multicollinearity.

Table 3. Data Multicostality Test Results

Coefficients[a]

Model	Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.	Collinearity Statistics Tolerance	VIF
1(Constant)	-11.100	4.958		-2.239	.027		
ROA	1.121	.448	.240	2.504	.014	.817	1.223
OPM	.002	.027	.007	.082	.935	.994	1.006
DER	.056	.023	.228	2.387	.018	.821	1.217

a. Dependent Variable: STOCK RETURN

Source: Spss data processing results

3. Uji Autokorelasi

Based on table 3, the tested data totaled 129 and had 3 unbound variables. It can be concluded that the sum (n)=129, k=3 then the value of d= 2.261 for the value of dU=1.7603 for the value of dL=1.6653 and for the value of 4-dU=2.2397 which shows that the value of 1.7603(dU)<2.261(d)<2.2397(4-dU) thus proves that there is no autocorrelation in the data.

Table 4. Data Autocorrelation Test Results

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.251[a]	.063	.041	23.163%	2.261

a. Predictors: (Constant), DER, OPM, ROA
b. Dependent Variable: STOCK RETURN

Source: Spss data processing results

4. Heteroscedasticity Test

The Sig value is above the significance level of 0.05. OPM is 0.193, DER is 0.266, and ROA is 0.402. These findings show that there is no heteroscedasticity in this model.

Table 5. Results of Heteroscedasticity Test through Glacier Test

Coefficients[a]

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	-.035	8.408		-.004	.997
	ROA	.269	.320	.082	.840	.402
	OPM	-.024	.019	-.113	-1.294	.198
	DER1	3.567	1.704	.205	2.093	.038

a. Dependent Variable: Abs_RES2

Source: Spss data processing results

Regression Model Test

Based on the results of multiple linear regression analysis, the regression model in this study can be formulated as follows**:**

Y = -11,100 + 1,121X1 + 0,002X2 + 0,56X3

Table 6. Multiple Linear Regression Analysis Test Results

Coefficients[a]

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	-11.100	4.958		-2.239	.027
	ROA	1.121	.448	.240	2.504	.014
	OPM	.002	.027	.007	.082	.935
	DER	.056	.023	.228	2.387	.018

a. Dependent Variable: STOCK RETURN

Source: Spss data processing results

The interpretation of the regression equation of the panel data is as follows:

With a constant value of -0.2239, the company's value will drop by 0.2239 because ROA, OPM, and DER are all equal to zero.

The ROA variable has a regression coefficient of 2.504. This shows that if other independent variables remain the same, the company's value will grow by 2,504 for every increase in one unit return on assets.

For the OPM variable, the regression coefficient is 0.82. This shows that assuming other independent variables remain the same, the company's value increases by 0.82 for every increase in the OPM value.

The DER variable has a regression coefficient of 2.387. This shows that assuming the other independent variables remain the same, the company's value will increase by 2,387 for every increase in the DER value.

Uji Hipotesis

Test t

Based on the results of the ROA variable test, a tcount value (2.504 > 1.979) was obtained that exceeded the ttable and the significance was 0.014 > 0.05. As a result, the H1 conclusion was accepted. This shows that ROA has a great influence on stock returns.

The OPM variable test was rejected because the tcal value was smaller than the ttable (0.82 < 1.979) and the significance level was 0.935 > 0.05. This shows that the relationship between OPM and stock returns is not statistically significant.

With a significance level of 0.018 < 0.05, the DER variable test shows that the tcount > ttable (2.387 > 1.979) so that it supports H3 acceptance which shows a considerable relationship between DER and stock returns.

Test f

Table 7. Test Results f

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	4522.184	3	1507.395	2.810	.042[b]
	Residual	67065.860	125	536.527		
	Total	71588.043	128			

a. Dependent Variable: STOCK RETURN
Source: Spss data processing results

The results of the testing of the ROA, OPM, and DER variables showed that the value of the calculation f exceeded the f table (2.810 > 2.68) and the significance level of 0.042 exceeded 0.05. This means that X1, X2, and X3 affect Y simultaneously.

Table 8. Coefficient Determination Test Results

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.251[a]	.063	.041	23.163%

a. Predictors: (Constant), DER, OPM, ROA
b. Dependent Variable: STOCK RETURN
Source: Spss data processing results

It can be seen from the table that R square is worth 0.063 or can be interpreted as 6.3%. This figure shows that there is a simultaneous influence between variables X1, X2, and X3 on Y by 6.3% and the remaining 93.3% comes from other variables.

The first hypothesis states that the ROA variable has a significant effect on *Stock Return*, so the hypothesis is accepted. A high ROA value indicates that a company can leverage its assets to generate profits effectively. With a high ROA, the rate of return received by investors also increases, making investment in the company more attractive. This finding is in line with the research of Handayanti & Zulyanti (2018), Basalama et al. (2017), and Gunadi & Kusuma (2015). This result is related to signaling theory, where a high ROA serves as a signal that the company is in good financial condition and is able to generate profits from its assets. This increases investors' positive view of the company, encouraging their interest in buying the company's shares.

The second hypothesis states that OPM is not significant to *Stock Returns*, so this hypothesis is rejected. Signaling theory explains how the information conveyed by a company to the market can influence investors' investment decisions. In this context, OPM is one of the financial performance indicators that can provide signals about the company's operational efficiency. However, although OPM measures management's performance in generating operating profits, research shows that OPM has no significant influence on *Stock Returns*. This means that the signals provided by OPM are not strong enough or relevant for investors to make investment decisions related to Stock Returns. Investors may pay more attention to other indicators that are considered more relevant or informative, such as ROA. A study conducted by Pratiwi & Novelia (2018) also found that OPM does not have a significant impact on stock returns, supporting the view that signals from OPM have less influence than signals from other profitability indicators.

The third hypothesis shows that DER has a significant influence on *Stock Returns*, so it is accepted. In Signaling Theory, a high DER serves as a positive signal to investors that the company is managing its debt well and using leverage for growth and profitability. This signal increases investors' confidence in the company's prospects, encouraging their interest in buying the company's

shares. Research by Gunadi & Kusuma (2015), Basalama & Murni (2017), and Hertina & Saudi (2019) supports these findings by showing that DER affects *Stock Returns*. This shows investors are responding positively to high DERs, signaling that the company is effectively using leverage for growth.

The fourth hypothesis states that ROA, OPM, and DER affect the Return on Shares of non-cyclical companies simultaneously for the period 2019-2023. The results of the simultaneous hypothesis test (F-Test) showed that the significance value was 0.042 < 0.05, with an f-count value of 2.810 which exceeded the f-table value of 2.62. This indicates that overall, the independent variables have a significant effect on the Return of Shares. ROA reflects the efficiency of using assets to generate profits, OPM indicates the effectiveness of operating profits, and DER measures the ratio of debt funding to equity. The combination of these three factors provides a comprehensive picture of a company's financial health, which influences investors' interest and their investment decisions, as well as Stock Returns. Thus, changes in ROA, OPM, and DER together can affect Return on Shares, indicating that a company's financial health has an important impact on investors.

CONCLUSION AND SUGGESTION

From this study, it is clear that ROA has a significant effect on stock returns. This shows how investor interest and stock returns of a company are affected by how well assets are used to generate income. However, OPM has not been proven to significantly affect stock returns, suggesting that there are other factors that may be more important in determining stock returns. However, DER has been shown to significantly affect stock returns, which shows that a company's financial structure is a key factor in attracting investors and increasing stock returns. The results of simultaneous testing further support the idea that the combined effects of OPM, DER, and total ROA have a major impact on a business's stock returns. Therefore, a company's financial health, which includes financial structure, operational profit effectiveness, and asset use efficiency, plays an important role in influencing stock returns and investor interest.

For further research, it is recommended to develop a more comprehensive model by considering other variables that may affect stock returns that have not been included in this study. An in-depth analysis of a particular industry can also be done to understand how industry characteristics affect the relationship between financial factors and stock returns. Additionally, expanding the research period and looking at long-term trends will help in identifying changes that may occur over time. Comparative studies between companies with different characteristics can also provide valuable insights into how these variables relate in different contexts.

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