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THE IMPACT OF COMPANIES' INTERNAL FACTORS ON THE PERFORMANCE OF THEIR STOCK RETURNS

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ABSTRACT

It is commonly known that in the capital market, not all stocks of companies that have a good profile will provide good returns to investors. Therefore, an in-depth analysis of the companies' overall health is needed. This study aims to discuss the impact of companies' internal factors on the performance of their stock returns. The companies meant here are those listed in the Jakarta Islamic Index (JII). The tool by which the data is analysed is panel data which is a combination of time series data and cross section. By employing companies'data of year 2014-2016, the study shows that Return On Assets (ROA), Net Profit Margin (NPM), Debt to Equity Ratio (DER) and Price to Book Value (PBV) simultaneously had a significant effect on the formation of stock returns of companies listed in the JII. Likewise, those four variables namely; ROA, NPM, DER and PBV partially have a significant effect on the formation of stock returns of companies listed in the JII.

Keywords: ROA, NPM, DER, PBV, JII.

INTRODUCTION

Investment is one of the muamalah activities that is highly recommended. It is because by investing, property becomes more productive and also benefits others. Another reason why it is so recommended is because investment is also an active form of Islamic economics. Islam recommends that the existing resources be not only stored, but produced so that they can provide benefits for the people (Akbar and Herianingrum, 2015).

Investments can be made by various parties, including: creditors, bankers, investors, and the government. Investment is to allocate a number of funds at the present time in the intention that the funds will be safe, or increase in value, or be making a return in the future. There are various ways by which the capital owners can invest. One of them is by investing in the capital market. In this case, the capital market is defined as a place where activities such as, public offerings and securities trading take place. It is also a place where public companies have their shares issued, as well as where institutions and professions related to securities exist (Fitri and Herlambang, 2016).

The capital market has an important role to improve the efficiency of the financial system and is one of the financial intermediary institutions that is vital in the modern economy of a country. The capital market has become a mean for developing a country's economy because the capital market can be an alternative source of funds for companies. In line with the development of Indonesia capital market in general, the Sharia-based capital market industry is believed to be one of the pillars of the strength of the Indonesian capital market industry. The rise of Islamic economics in Indonesia today is an interesting and exciting phenomenon for the Indonesian people, the majority of whom are Muslims, while those who are non-Islamic are minorities. In general, Islamic capital markets with conventional capital markets is not much different. However, conceptually Sharia capital market that trades shares must meet Sharia criteria and is free from the elements of usury. Stock transactions is carried out by avoiding various speculative practices. This group of Islamic stock is listed in the JII which consists of 30 companies whose business activities are in line with Sharia. The companies listed in the JII criteria are those whose operations do not contain elements of usury, as well as the capital of the company is not predominantly in form of debt. So, we can say that the shares listed in this JII are shares whose management and management are fairly transparent (Aryanti, Mawardi and Andesta, 2016).

In the capital market, not all stocks of companies that have a good profile will provide good returns to investors so that a more in-depth analysis of the company is needed. A company may experience fluctuating returns at any time due to various factors in microeconomy and macroeconomy. Fluctuations of stock return can be seen in companies that experience fluctuations in the value of stock returns from year to year (Aryanti, Mawardi and Andesta, 2016).

The ratio between investment income over several periods and the amount of funds invested is called the return level. In general, investors expect high profits with the lowest possible risk, so investors try to determine the optimal level of return on investment returns by determining the concept of adequate investment. This concept is important because the expected level of profit can be measured. Based on these problems, the author arises to research about The Impact Of Companies' Internal Factors On The Performance Of Their Stock Returns.

LITERATURE REVIEW

Previous Studies

I will refer to previous literature as a reference in conducting further research. There are no previous studies exactly the same to what researchers will research. However, some previous studies can be used as reference sources and learning for me in developing follow-up research.

Aryanti, Mawardi and Andesta (2016) in their research entitled *Pengaruh ROA, ROE, NPM dan CR Terhadap Return Saham Pada Perusahaan Yang Terdaftar Di Jakarta Islamic Index (JII)* revealed that ROE and CR partially have a significantly negative effect on stock returns. Their research also show that ROA has a positive and insignificant effect on stock returns, while NPM has no significant effect on stock returns. Simultaneously, ROA, ROE, NPM and CR affect stock returns.

Pantawis, Rachmansyah and Ermasari (2016) in their research entitled *Analisis pengaruh ROA, DER, PBV Terhadap Return Pada Perusahaan Sektor Makanan Dan Minuman Yang Terdaftar Di BEI 2012 – 2014* reported that ROA does not significantly influence stock returns, while DER and PBV have a significant effect on stock returns.

Fitri and Herlambang (2016) in their research entitled *Pengaruh Rasio Profitabilitas, Rasio Solvabilitas, Dan Rasio Likuiditas Terhadap Return Saham Perusahaan Properti Dan Real Estate Yang Terdaftar Dalam Indeks Saham Syariah Indonesia (ISSI) periode 2011 – 2014* revealed that ROA, DER and CR simultaneously have no significant effect on stock returns. While partially ROA has a positive and significant effect on stock returns, DER has a negative and insignificant effect on stock returns, and CR has a positive and insignificant effect on stock returns.

Akbar and Herianingrum (2015) in their study entitled *Pengaruh Price Earning Ratio (PER), Price Book Value (PBV) dan Debt to Equity Ratio (DER) Terhadap Return Saham (Studi Terhadap Perusahaan Properti Dan Real Estate Yang Listing di Indeks Saham Syariah Indonesia)* reported that partially PER has a significant negative influence on changes in stock returns; that PBV has a significant positive effect on changes in stock returns; that DER has a non-significant negative effect on changes in stock returns. However, the PER, PBV and DER variables simultaneously are proved to have a significant effect on stock returns.

Abdullah and Merdekawati (2015) in their research entitled *Pengaruh Return On Assets (ROA), Return On Equity (ROE), Current Ratio (CR) dan Debt to Equity Ratio (DER) Terhadap Return Saham pada Perusahaan Manufaktur yang Terdaftar di Bursa Efek Indonesia Periode 2009-2011* reported that partially ROA, ROE, CR, DER have no effect on stock returns. However, independent variables simultaneously do not affect stock returns.

Investment

Investment is in essence to put a number of funds at this time in the hope of obtaining profits in the future. Generally, investments are divided into two, namely investment in financial assets and investment in real assets. Investments in financial assets are carried out in the money market, for example in the form of certificates, deposits, commercial papers, money market, securities and others. Investment can also be done in the capital market, for example in the form of stocks, bonds, warrants, options and others (Arisandi, 2014).

In general, investment means to delay current consumption for consumption in the future, in the sense that investment is placing capital or funds in an asset that is expected to yield results or to increase its value in the future. From here, investment means to sacrifice current consumption to get better or greater opportunities in the future (Rivai, et al. 2010).

As for investment objectives, Kamaruddin Ahmad suggested that someone will invest with some goals in his mind (Burhanuddin, 2008): firstly, to get a more decent life in the future. A wise person will think how to improve the standard of living from time to time, or at least how to try maintaining the current level of income so as not to decrease in the future. Secondly, to reduce inflationary pressures. By investing in the selected companies or other objects, one can protect his wealth in order for it not to decrease in value due to inflation. Thirdly, an encouragement to save taxes. There are some countries which set up many policies to encourage the growth of investment in the community through tax facilities. It is dedicated to people who invest in certain business fields.

Sharia Investment

Islamic law or Sharia is a rule of living a good and perfect life, by nurturing relationships between humans and nature, all of which are carried out within the framework of establishing good relations with God. Thus, faith and charity are the core of Sharia, including public relations through commerce and investment. Islamic investment is an activity to develop money through the use of various resources with the motivation to gain profits as long as it is in line with Islamic principles (Rivai, et al. 2010). According to Burhanuddin, Sharia investment is to invest or to place capital in a place that is expected to bring halal benefits in the future (Burhanuddin, 2008).

Capital Market

The capital market is a market of various long-term financial instruments (or securities) that can be traded. The finansial instrument take a form of money and capital, and it can be issued either by the government, public authorities or private companies (Umam, 2013).

The capital market is also an alternative source of funding for companies . It is also an investment tool for investors. Through capital market, the company can get funded by issuing the securities, either in the form of equity or debt securities. On the other hand, investors can also invest in the capital market by buying these securities (Umam, 2013).

The capital market plays an important role in a country's economy because it creates facilities for industry or investor needs in meeting capital demand and supply. The capital market has a very large role for the economy of a country because the capital market carries out two functions at once, namely the economic function and financial function. It is said to have an economic function because the capital market provides facilities that bring together two interests, namely those who have excess funds (investors) and those who need funds (issuers). Through the capital market, those who have excess funds can invest these funds in the hope of obtaining a return, while the issuer (in this case the company) can use the funds for investment purposes without having to wait for the allocation of gain from the company's operations. It is said to have a financial function because the capital market provides the possibility and opportunity to get a return for the owner of the fund, according to the characteristics of the selected investment (Umam, 2013).

Definition of Capital Market according to the Law of the Republic of Indonesia No. 8 of 1995 is an activity concerned with public offerings and securities trading, public companies involved in issuing the securities, as well as institutions and professions related to these securities. The capital market acts as a liaison between investors and companies or government institutions through long-term financial instrument trading (Umam, 2013).

According to Warkum Sumitro, the capital market is one of the means to conduct investment activities. The capital market is the same as the capital market in general, which is the meeting place between sellers and buyers with the object being traded, the company's rights and ownership, as well as the company's debt statement (Umam, 2013).

Islamic Capital Market

Capital market activities carried out with Sharia principles can be called Sharia capital markets. What is meant by Sharia principles in the capital market is the principles of Islamic law in activities in the capital market sector based on the fatwa of the National Sharia Council of the Indonesian Ulama Council (DSN-MUI), either the DSN-MUI fatwa stipulated in Bapepam and LK regulations or DSN fatwas -MUI which was issued before the enactment of this regulation (Decree of the Chairman of Bapepam Number: KEP-130 / BL / 2006 concerning Sharia Securities Issuance), as long as the fatwa is not contradictory to this regulation and or other Bapepam and LK regulations based on DSN-MUI fatwa (Burhanuddin, 2008).

Activities in the capital market can be categorized as economic activities which are included in muamalah activities, namely an activity that regulates commercial relations (Umam, 2013) as in QS. An-Nisa ‘: 29. According to the Islamic jurisprudence, the law of muamalah activity is *mubah* (permissible), unless there is a clear argument that prohibits it “Basically, all forms of muamalah may be carried out, unless there is a argument that forbids it” (Umam, 2013).

Transactions that are prohibited according to the fatwa of the National Sharia Board No: 40 / DSN-MUI / X / 2003, are those that contains elements of *dharar*, *gharar*, *riba*, *maysir*, *risywah*, *immoral*, and *injustice*. Therefore, the transaction must be carried out according to the precautionary principle, and manipulation as well as speculation must be avoided. Several propositions that are used as the basis for determining the contract in capital market activities that are in accordance with Sharia according to the DSN-MUI fatwa are QS. Al-Ma’idah: 90, QS. Al-Baqarah: 275, as well as the hadith of the Prophet below:

نَهَى رَسُولُ اللهِ صلَّى الله عليهِ وسلَّمَ عن بيعِ الغَرَرِ (رواه البيهقي عن ابن عمر)

“The Messenger of Allāh prohibited the sale and purchase (containing gharar).” (Narrated by Al-Bayhaqiy from Ibn ‘Umar).

The transaction that contain elements of *dharar, gharar, riba, maysir, risywah, immorality, and tyranny* include: to make false offers (*najsy*); to make sales of goods (*Sharia Securities*) that have not been owned (short selling / *bay'u al-Ma'dum*); to use insider information to gain profits on prohibited transactions (insider trading); to generate misleading information; to conduct transactions on Sharia Securities with interest-based loan facilities for the obligation to settle the purchase of the Sharia Securities (margin trading); to make a purchase or collection of a Sharia Securities to cause changes in the price of a Sharia Securities, with the aim of influencing the other Party (*ikhtikar* / hoarding); and other transactions containing the above elements (DSN-MUI, 2014).

The Stock

Stocks are certificates that show proof of ownership of a company, and by which shareholders have claim rights over company income and assets. The price of a stock is strongly influenced by the law of demand and supply. The price of a stock will tend to rise if a stock experiences excess demand and tends to fall if there is an excess supply (Umam, 2013).

The term *stock* can be interpreted as a certificate of equity participation from a person or legal entity to a company. Stocks are written evidence for investors of ownership of a company that has publicly owned. Through the purchase of shares in a certain amount, the shareholders have the rights and obligations to share profit and loss with the entrepreneurs, to attend the General Meeting of Shareholders (GMS), and even to take ownership of the company (Burhanuddin, 2008).

Stock is one of the most dominant securities instruments traded in the capital market. To issue certain amount of shares is an option for the company management to obtain funding sources. For entrepreneurs, the existence of funding sources can serve as capital to establish a company and development. As for investors, stocks are an attractive investment instrument because their existence is considered promising certain benefits. These benefits can usually be obtained from the spread between the purchase price and the sale of shares (capital gain) or through the distribution of profits (dividends) from the results of operations carried out by the company in a certain period.

Sharia Stock

Sharia stocks are shares of companies (issuers) which in their operations are in accordance with the principles of Islamic law (Aryanti, Mawardi and Andesta, 2016). In Islam, the stock is essentially a modification of the joint venture system of capital and wealth, which is known as *syirkah* in the literature of Islamic jurisprudence. The definition of *syirkah* is a contract of cooperation between two parties or more to run a particular business, with profits divided by agreement, while the risk of loss will be borne jointly according to the contribution given (Burhanuddin, 2008).

Basically there is no much difference between Islamic stocks and non-Sharia stock. However, the shares as proof of ownership of a company, can be differentiated according to business activities and the purpose of buying the shares. The shares is licit (according to Sharia) if the shares are issued by a company whose business activities are engaged in a *halal* sector and in the intention to purchase the shares are for investment, not for speculation. To be more secure, the shares listed in the Jakarta Islamic Index (JII) are stocks that are in accordance with Sharia. It is said so, because issuers listed in the Islamic Index will always undergo a screening process based on predetermined criteria.

Jakarta Islamic Index (JII)

In the Indonesia Stock Exchange (IDX) there are several types of indices. However, among those indices it is only the Jakarta Islamic Index (JII) that operate based on Sharia principles. JII was formed from the collaboration between PT BEI (at that time the Jakarta Stock Exchange) and PT Danareksa Investment Management (PT DIM). JII first operated on July 3, 2000. It uses January 1, 1995 as base date (with a value of 100). The purpose of establishing JII is to increase investor confidence to invest in Sharia-based shares and toprovide benefits for investors who invest in the stock exchange (Burhanuddin, 2008).

JII is one of the two indeces, a part from ISSI, in Indonesia that calculates the average price index of shares for types of business activities that meet Sharia criteria. It is said so because the stocks listed in the Shariah index are issuers whose business activities do not conflict with Sharia principles. Based on fatwa No.40 / DSN-MUI / X / 2003 concerning capital markets and general guidelines for the application of Sharia principles in the capital market field, it is stipulates that the criteria for business activities that are contrary to Sharia principles are (Burhanuddin, 2008): 1) Gambling and game business classified as gambling or prohibited trading, 2) Conventional financial institutions (*ribawi*), including conventional banking and insurance, 3) Producers, distributors, and traders of illicit food and beverages, 4) Manufacturers, distributors and or providers of goods or services that are dangerous morally 5) to invest in issuers (companies) whose ratio of corporate debt to *usury* financial institutions are more dominant than their capital.

Based on these criteria, the stocks preferred to be listed in the Shariah index are as follows (Burhanuddin, 2008): 1) a collection of shares with a main business type that does not conflict with Sharia principles and has been recorded for more than three months, with exception if it is listed in the first ten list in term of capitalization, 2) shares based on annual or mid-year financial statements that have a maximum liability ratio of 90%, 3) sixty shares of the above stock composition based on the average order of the largest market capitalization for the last one year, 4) thirty shares in the order based on the level of liquidity of the average regular trading value for the last one year, 5) Evaluation of the index components is done biannually.

Changes in the issuer's main business types will be monitored continuously based on available public data. Companies that change their business lines so that they are inconsistent with Islamic principles will be excluded from the index. While the issuer's shares previously listed will be replaced by shares of other issuers. All of these procedures aim to eliminate speculative stocks. Although some speculative stocks have a high level of liquidity on average regular trade value, but the have a low real sector capitalization rate (Burhanuddin, 2008).

Based on (Article 3 paragraph 4) fatwa No.40 / DSN-MUI / X / 2003, it is mentioned that in order to ensure the consistency of the Shariah index, a company that has joined the JII is required to have a Shariah Compliance Officer (SCO). SCO is a party or official of a company or institution that has received certification from DSN-MUI in understanding Islamic principles in the capital market (Burhanuddin, 2008).

The main difference between the Islamic index and other non-Sharia indices is that all shares that are listed in the JII must be in accordance with Sharia principles. To find out the level of education, there is a need for a screening process for companies that want to be registered in the JII. This screening process is required to determine whether the company's shares can be categorized as a "halal" effect (Burhanuddin, 2008).

There are to approaches to screen a stock in order know whether it is a Sharia stock or not. Firstly, approach in relation to the contract; and secondly aproach in relation to the companies' product. With regard to the contract, if the stock is assumed to be a company asset that can be exchanged for money, the the type of this contract is selling and purchasing. Whereas if the stock is assumed as a statement of cooperation, then the contract is in the form of profit and loss sharing (Burhanuddin, 2008).

RESEARCH METHODS

Analysis Tools and Models

Data analysis used is panel data regression analysis, using the econometric model as follows:

$$RS_{it} = \beta_{\boldsymbol{0}} + \beta_1 ROA_{it} + \beta_2 NPM_{it} + \beta_3 DER_{it} + \beta_4 PBV_{it} + \mu_{\boldsymbol{it}}$$

Legend:

RS : *Stock Return*
ROA : *Return On Assets*
NPM : *Non Profit Margin*
DER : *Debt to Equity Ratio*
PBV : *Price to Book Value*
i : a given company
t : 2014-2016 period
$\beta_{0,1,2,3,4,5}$: Intercept coefficient and *slope*
μ : Interference factor

The econometric model above will be estimated with the stages of the PLS, FEM and REM models. Selection of the best estimation model will be using the Chow test and the Lagrange Multiplier test. The model goodness test includes model existence test (F test) and effect validity test including t test.

Dependent Variable

Dependent variables are variables that are affected by the existence of independent variables (Sugiyono, 2010). The independent variable in this study is the Annual Stock Return (Y) of each listed company.

Independent Variable

The independent variable is a variable that affects or causes changes or the emergence of the dependent variable (Sugiyono, 2010). The independent variable in this study consists of four factors that influence stock returns, including: 1) Return On Assets or ROA (X^1), 2) Net Profit Margin or NPM (X^2), 3) Debt to Equity Ratio or DER (X^3) , 4) Price to Book Value or PBV (X^4).

Source of Data

Data used in this study are secondary data obtained from published financial reports accessed through the www.idx.co.id and Yahoo finance sites which are then reprocessed as needed and then analyzed. The data consists of the annual financial statements of companies listed in the Indonesia Stock Exchange and stock returns on companies listed in the Jakarta Islamic Index (JII) for the period 2014-2016.

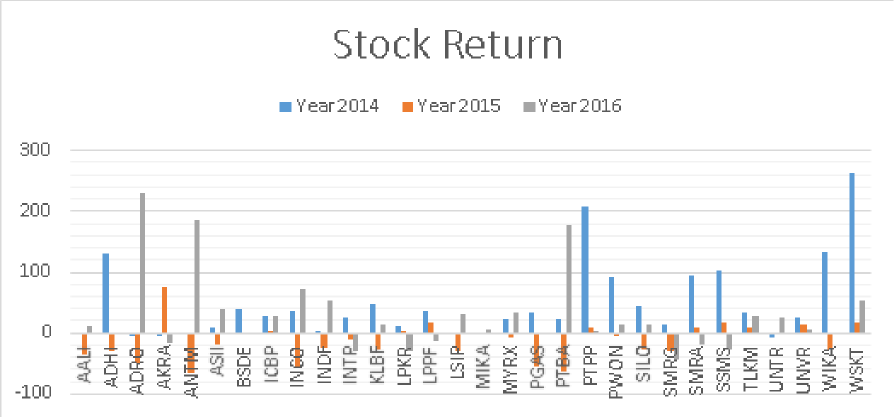
RESULT AND DISCUSSION

Descriptive Analysis of Independent Variables Statistics

Based on Figure 4.1 below, stock returns in companies listed in the Jakarta Islamic Index (JII) in 2014-2016 experienced an increase and decrease each year. The highest stock return value in 2014 was Waskita Karya (WSKT), then in 2015 the company was AKR Corporindo (AKRA), then the highest value of stock return in 2016 was Adaro Energy (ADRO). In addition to the highest value of stock return, there is also the lowest value of stock returns. The lowest value of stock returns in 2014 was United Tractors (UNTR), then in 2015 the company was Aneka Tambang (ANTM), then the lowest value of stock returns in 2016 was Semen Indonesia (SMRG).

Figure 4.1

Stock Returns of Companies Registered in the Jakarta Islamic Index (JII) Period 2014-2016

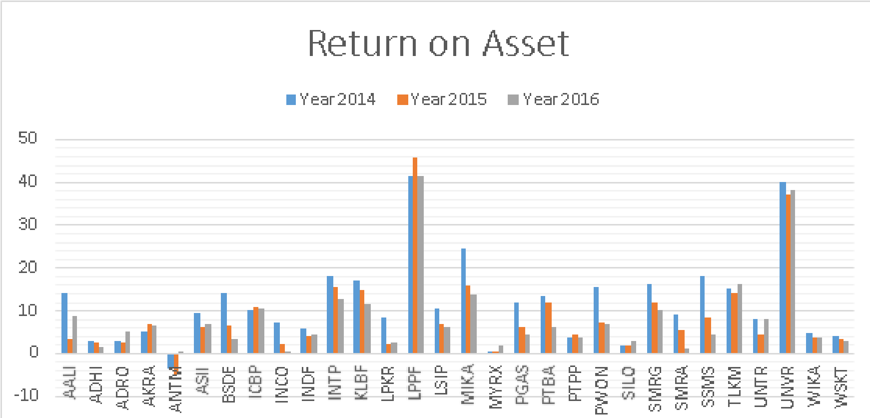


Source: Financial Report of *Jakarta Islamic Index* (JII)

Based on Figure 4.2 below, return on assets of companies listed in the Jakarta Islamic Index (JII) in 2014-2016 experienced an increase and decrease each year. The highest value of return on assets in three consecutive years namely 2014-2016 is the Matahari Department Store (LPPF) company. In addition to the highest return on assets, there is also the lowest return on assets. The lowest return on assets in 2014-2015 was Aneka Tambang (ANTM), then in 2016 Vale Indonesia (INCO).

Figure 4.2

Return On Assets (ROA) of Companies Listed in the Jakarta Islamic Index (JII) Period 2014-2016

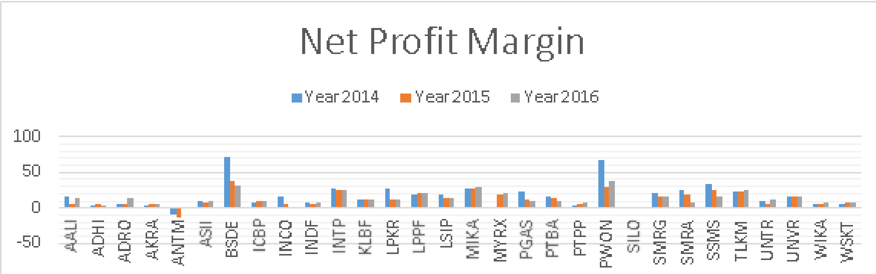


Source: Financial Report of *Jakarta Islamic Index* (JII)

Based on Figure 4.3 below, net profit margins of companies listed in the Jakarta Islamic Index (JII) in 2014-2016 experienced an increase and decrease each year. The highest net profit margin value in 2014-2015 was Bumi Serpong Damai (BSDE), then the highest net profit margin value in 2016 was Pakuwon Jati (PWON). In addition to the highest net profit margin, there is also the lowest net profit margin value. The lowest net profit margin value in 2014-2015 was Aneka Tambang (ANTM), then the lowest net profit margin in 2016 was Vale Indonesia (INCO).

Figure 4.3

Net Profit Margin of Companies Listed in the Jakarta Islamic Index (JII) Period 2014-2016



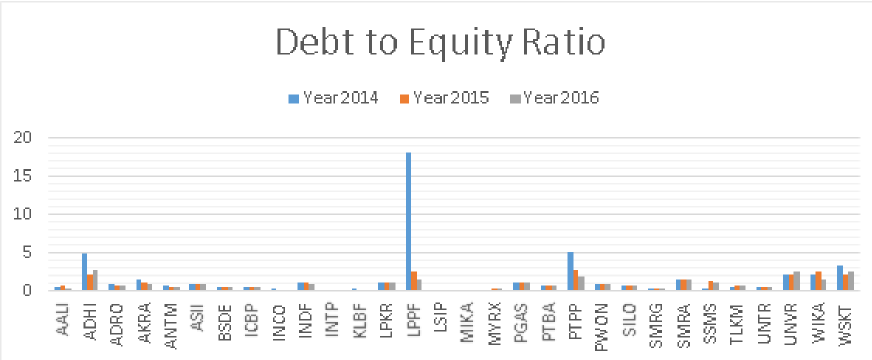
Source: Financial Report of *Jakarta Islamic Index* (JII)

Based on Figure 4.4 below, the debt to equity ratio of companies listed in the Jakarta Islamic Index (JII) in 2014-2016 experienced an increase and decrease every year. The highest debt to equity ratio in 2014 was Matahari Department Store (LPPF), then in 2015 was a Housing Development Company (PTPP), then the highest debt to equity ratio in 2016 was Adhi Karya (ADHI). In addition to the highest debt to equity ratio, there is also the lowest debt to equity ratio. The lowest debt to equity ratio in 2014 was Hanson International (MYRX), then in 2015 was the Mitra Keluarga Kary Advice (MIKA) company, then the lowest debt to equity ratio in 2016 was the Indocement Tunggal Prakarsa (INTP) company.

Figure 4.4

***Debt to Equity Ratio* of Companies Listed in *Jakarta Islamic Index* (JII)**

Period 2014-2016

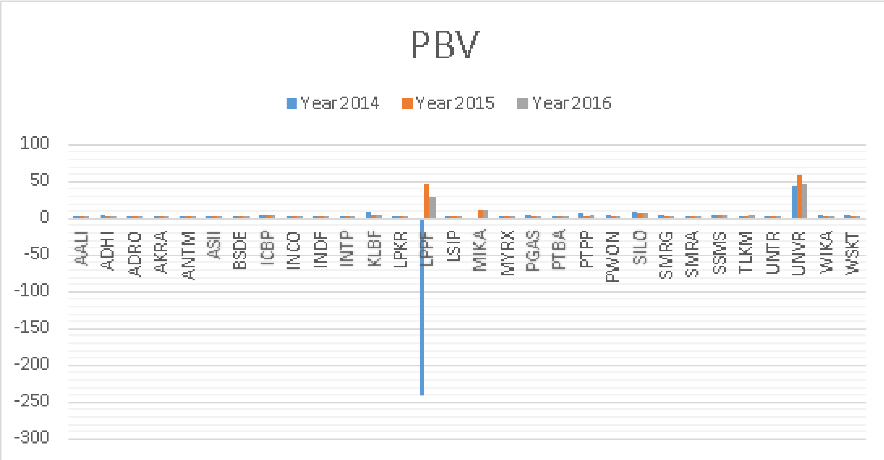


Source: Financial Report of *Jakarta Islamic Index* (JII)

Based on Figure 4.5 below, the price to book value of companies listed in the Jakarta Islamic Index (JII) in 2014-2016 experienced an increase and decrease every year. The highest price to book value for three consecutive years in 2014-2016 is Unilever Indonesia (UNVR). Besides the highest price to book value, there is also the lowest price to book value. The lowest price to book value in 2014 was Matahari Department Store (LPPF), then in 2015 the company was Adaro Energy (ADRO), the lowest price to book value in 2016 was Lippo Karawaci (LPKR).

Figure 4.5

Price to Book Value **of Companies Listed in** ***Jakarta Islamic Index*** **(JII)**



Source: Financial Report of *Jakarta Islamic Index* (JII)

Estimation Result of Panel Data Regression

Estimation Result of Panel Data Regression with three methods *Pooled Ordinary Least Square*, *Fixed Effect Model*, *Random Effect Model* can be seen below in Table 4.1.

Table 4.1

Summary of Study Result

Variable	Coefficient model		
	PLS	FEM	REM
C	-6.074965	-121.4550	-6.074965
ROA	-2.097993	4.200698	-2.097993
NPM	1.059067	1.640559	1.059067
DER	22.10831	55.61723	22.10831
PBV	1.174214	3.044464	1.174214
R^2	0.149176	0.426242	0.149176
Adj. R^2	0.107672	0.086237	0.107672

Variable	Coefficient model		
	PLS	FEM	REM
F-Statistic	3.594291	1.253633	3.594291
Prob F-Statistic	0.009455	0.228020	0.009455

Sources: IDX

Selected Model of Goodness Test

Model selection is based on the results of the test through the Chow Test and the Lagrange Multiplier Test, hence the selected model is the Random Effect Model (REM). That way it needs to be analyzed further, namely by using the test of the goodness of the model which consists of the existence test model (F test) and interpretation of the coefficient of determination (R^2).

Based on the estimation results in Table 4.1, the results of the F test show that prob (F-statistic) is smaller than α which is 0.009455 <0.05, so H0 is rejected, the model used exists. Independent variables like Return On Assets (ROA), Net Profit Margin (NPM), Debt to Equity Ratio (DER) and Price to Book Value (PBV) contained in the regression equation simultaneously or jointly influence the performance of stock returns of companies listed in the Jakarta Islamic Index (JII) for the 2014-2016 period.

R-squared (R^2) Interpreted

The determination coefficient or R Square (R2) is the amount of the independent variable contribution to the dependent variable. The higher the coefficient of determination, the higher the ability of the independent variable to explain variations in changes in the dependent variable. However, the determination coefficient has a weakness, namely the bias towards the number of independent variables included in the regression model where each addition of one independent variable and the number of observations in the model will increase R2 even though the entered variable does not have a significant effect on the dependent variable. To reduce these weaknesses, the adjusted determination coefficient is used, which is Adjusted R Square (Adj R^2).

The adjusted coefficient of determination means that the coefficient has been corrected by entering the number of variables and the sample size used. By using the adjusted coefficient of determination, the value of adjusted coefficient of determination can go up or down by adding new variables in the model. In Table 4.1, the amount of Adjusted R-Square is 0.107672 or 10.77%. It can be concluded that the effect of ROA, NPM, DER and PBV is 10.77%. While the remaining 89.23% (100% - 10.77%) is influenced by other variables not included in this study.

Validity of Test of the Influence of Independent Variables in the Selected Model

After carrying out the overall panel data regression coefficient test, the next step is to calculate the regression coefficients individually, which is called by t test. The t test is used to determine the influence of each independent variable individually (partially) on the dependent variable. The results of testing the hypothesis with the t test (partial) are as follow:

Table 4.2

Estimation Result of *Random Effect Model* Methods

Variable	T	sig. T	Criteria	Conclusion
ROA	-2.097993	0.0145	< 0.05	Have a significant effect
NPM	1.059067	0.0703	< 0.10	Have a significant effect
DER	22.10831	0.0004	< 0.01	Have a significant effect
PBV	1.174214	0.0039	< 0.01	Have a significant effect

Source: IDX.

Based on the table above, we know that variables that have a significant influence are *Return On Assets* (ROA), *Net Profit Margin* (NPM), *Debt to Equity Ratio* (DER) dan *Price to Book Value* (PBV).

Explanation of Independent Variable's Effect in The Selected Model

Based on the effect validity test, variables that have a significant influence are *Return On Assets* (ROA), *Net Proit Margin* (NPM), *Debt to Equity Ratio* (DER) dan *Price to Book Value* (PBV). What follows is the interpretation of the influence of the selected model:

1. *Return On Assets* (ROA)

   Based on the estimation results in Table 4.2, we know that Return On Assets (ROA) affects stock returns. Return on Assets (ROA) has a negative and significant effect on stock returns in 2014-2016 with the magnitude of the coefficient of the variable Return on Assets (ROA) of -2.097993. This means that if the variable Return On Assets (ROA) increases by one percent, it will reduce the company's stock return by 2,097993 percent.

2. *Net Profit Margin* (NPM)

   Based on the estimation results in Table 4.2, we know that Return On Assets (ROA) affects stock returns. Return on Assets (ROA) has a negative and significant effect on stock returns in 2014-2016 with the magnitude of the coefficient of the variable Return on Assets (ROA) of -2.097993. This means that if the variable Return On Assets (ROA) increases by one percent, it will reduce the company's stock return by 2,097993 percent.

3. *Debt to Equity Ratio* (DER)

   Based on the estimation results in Table 4.2, we know that Debt to Equity Ratio (DER) affects stock returns. Debt to Equity Ratio (DER) has a positive and significant effect on stock returns in 2014-2016 with the magnitude of the coefficient of the Debt to Equity Ratio (DER) variable of 22.10831. This means that if the Debt to Equity Ratio (DER) variable rises by one percent, the company's stock return will increase by 22,10831 percent.

4. *Price to Book Value* (PBV)

   Based on the estimation results in Table 4.2, we know that Debt to Equity Ratio (DER) affects stock returns. Debt to Equity Ratio (DER) has a positive and significant effect on stock returns in 2014-2016 with the magnitude of the coefficient of the Debt to Equity Ratio (DER) variable of 22.10831. This means that if the Debt to Equity Ratio (DER) variable rises by one percent, the company's stock return will increase by 22,10831 percent.

Economic Analysis

The panel data estimation results show that Return On Assets (ROA) affects stock returns in companies incorporated in the Jakarta Islamic Index (JII). Return on Assets (ROA) has a negative and significant effect on stock returns in 2014-2016. This shows that the management of the company is still less efficient and effective so that investors see that the company's performance is not good and therefore it causes the stock price to go down. As a result, the stock return is declining. To increase stock returns, the management of the company must be improved effectively and efficiently. Increasing ROA shows better company performance and shareholders will benefit. This will encourage an increase in stock prices which will ultimately increase the stock returns received by investors.

This research contrasts with previous research conducted by Novia Eka Fitri and Leo Herlambang (2016) entitled "Pengaruh Rasio Profitabilitas, Rasio Solvabilitas, dan Rasio Likuiditas Terhadap Return Saham Perusahaan Properti dan Real Estate yang Terdaftar dalam Indeks Saham Syariah Indonesia (ISSI) Periode 2011-2014". The results show that the coefficient of Retrun On Assets (ROA) has a significant positive direction.

Now we have NPM. The estimation results of panel data show that Net Profit Margin (NPM) affects stock returns in companies that are members of the Jakarta Islamic Index (JII). Net Profit Margin (NPM) has a positive and significant effect on stock returns in 2014-2016. Increasing NPM shows good management ability in managing the company to get net profit. This research was supported by previous research conducted by Ferdinand Eka Putra and Paulus Kindangen (2016) entitled "Pengaruh *Return On Assets* (ROA), *Net Profit Margin* (NPM), dan *Earning Per*

Share (EPS) Terhadap *Return* Saham Perusahaan Makanan dan Minuman yang Terdaftar di Bursa Efek Indonesia (Periode 2010-2014)", that shows that Net Profit Margin (NPM) has a positive and significant influence on stock returns.

As for DER, the estimation results of panel data show that the Debt to Equity Ratio (DER) affects the stock returns of companies listed in the Jakarta Islamic Index (JII). Debt to Equity Ratio (DER) has a positive and significant effect on stock returns in 2014-2016. DER, which is the ability of a company to manage its debt will affect the company's ability to make a profit. DER that is too high has a negative impact on the company's performance, because higher debt levels will further reduce profits. The greater the profits earned by the company, the more attractive investors will be, and therefore will increase stock sales. An increase in stock sales compared to sales in the previous year will increase the company's stock returns. This research is supported by previous research conducted by Setyo Pantawis, Yanuar Rachmansyah and Ika Ermasari (2016) entitled "Analisis Pengaruh ROA, DER, PBV Terhadap Return Saham Pada Perusahaan Sektor Makanan dan Minuman yang Terdaftar di BEI 2012-2014". The results of this study indicate that the Debt to Equity Ratio (DER) has a significant effect.

And then PBV. The estimation results of panel data show that Price to Book Value (PBV) affects stock returns of companies incorporated in the Jakarta Islamic Index (JII). Price to Book Value (PBV) has a positive and significant effect on stock returns in 2014-2016. Changes in the value of Price to Book Value (PBV) make a significant positive contribution to stock returns, namely an increase or decrease in PBV will have an impact on the increase or decrease in stock returns in the same direction. This means that when PBV rises it will be followed by an increase in stock returns and when PBV has decreased, the stock return will also decrease.

The fact that the PBV is so significant shows that investors view PBV as one of the factors that need to be considered before they invest in the capital market. PBV is the market ratio (market ratio) used to measure the performance of stock market prices on the value of the book. The higher the PBV rasio, the more successful the company gives divident for shareholders. The better the value of the company, the more interested investors will be to invest their funds. That way the stock price will rise and stock returns will also increase. It can be concluded that in this research period, investors made PBV as one of the reasons or factors for investing in the capital market. This can be seen from the significance of PBV and its coefficient value.

This research was supported by previous research conducted by Rendra Akbar and Sri Herianingrum (2015) entitled "Pengaruh Price Earning Ratio (PER), Price Book Value (PBV) dan Debt to Equity Ratio (DER) Terhadap Return Saham (Studi terhadap Perusahaan Properti dan Real Estate yang Listing di Indeks Saham Syariah Indonesia)". The results showed that the coefficient of Price to Book Value (PBV) had a significant positive direction.

CLOSING

Conclusion

Based on the results of the analysis that has been carried out, it can be concluded as follows:

1. Independent variables such as Return On Assets (ROA), Net Profit Margin (NPM), Debt to Equity Ratio (DER) and Price to Book Value (PBV) simultaneously have a significant effect on the dependent variable, namely stock returns in

companies listed in the Jakarta Islamic Index (JII).

2. Independent variables, such as Return on Assets (ROA), Net Profit Margin (NPM), Debt to Equity Ratio (DER) and Price to Book Value (PBV) partially have the effects, with the explanation as follows:
   a. *Return on Assets (ROA)* has a negative and significant effect on stock returns in companies incorporated in the *Jakarta Islamic Index (JII)*.
   b. *Net Profit Margin (NPM)* has a positive and significant influence on stock returns in companies incorporated in the *Jakarta Islamic Index (JII)*.
   c. *Debt to Equity Ratio (DER*) has a positive and significant influence on stock returns in companies incorporated in the *Jakarta Islamic Index (JII)*.
   d. *Price to Book Value (PBV)* has a positive and significant influence on stock returns in companies incorporated in the *Jakarta Islamic Index (JII)*.

Suggestion

For future researchers, it is expected to add more variables, such as: a) Earning Per Share (EPS) because the company's needs cannot be separated from their desire to make a profit from the issuance of shares, b) Price Earning Ratio (PER) because it is useful to fulfill the wishes of investors or prospective investors in deciding on an investment place that offers a return that is worthy of a stock investment

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