

FINANCIAL RATIO ANALYSIS ON PROFIT GROWTH AND STOCK RETURNS IN RAW MATERIAL SECTOR COMPANIES LISTED ON THE INDONESIAN STOCK EXCHANGE

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ABSTRACT

This research aims to examine the effect of Return on Assets, Net Profit Margin, Debt to Equity Ratio and Total Assets Turn over on Profit Growth and Stock Return at basic materials sector companies listed on the Indonesia Stock Exchange in 2016-2021. This study uses secondary data. The sampling technique used in this study is purposive sampling. The number of samples obtained were 26 companies. The analysis method of this research is descriptive analysis and several types of evaluation using SmartPLS software. Based on this research, it can be concluded that Return on Assets have negative and significant effect on Profit Growth, Net Profit Margin have positive and significant effect on Profit Growth, Debt to Equity Ratio and Total Assets Turn Over have no significant effect on Profit Growth. Return on Assets, Net Profit Margin, Debt to Equity Ratio and Total Assets Turn Over have no significant effect on Stock Return, Profit Growth have positive and significant effect on Stock Return.

Keywords : Stock Return; Profit Growth; ROA; NPM; DER; TATO

INTRODUCTION

Entering the era of the global Covid-19 pandemic in 2020 had resulted in a decline in various aspects of human life, such as health and economy, both on global scale and in Indonesia. Based on GDP growth rates for several business fields in 2020 summarized by the Indonesia Central Agency Statistics (Badan Pusat Statistik), it shows that the largest GDP decline was in the transportation sector at 15.04% compared to 2019. On the other hand, the health services sector grew positively by 11.6% and information sector by 10.58%. Other sectors, such as the manufacturing industry did not experience an immense contraction, decreased by 2.93%. The manufacturing industry sector was the largest contributor to Indonesia's economic growth in 2020, reached IDR 2,209.9 trillion or increased by 19.88%.

The contribution of the manufacturing industry sector in 2020 was supported by the food and beverage industry sub-sector of 38%. Apart from that, other sub-sectors which also supported the size of the manufacturing industry sector contribution in 2020 were the wood industry sub-sector, paper industry sub-sector, chemical industry sub-sector, rubber industry sub-sector, non-metallic mineral goods industry sub-sector and basic metal industry sub-sector which reached 28% of the total contribution of the manufacturing industry in total. These sub-sectors were a new classification implemented by the IDX (Indonesia Stock Exchange) into the classification of the basic materials sector starting by January 25, 2021. According to the IDX, the basic materials sector includes companies that sell products and services that are used by other industries as raw materials to produce final goods.

The stock prices of basic materials sector companies from 2018 to 2021 tended to fluctuate. The average index of basic materials sector companies during the pandemic increased by 26.02%, while the average index of JCI decreased by 1.37% and LQ45 companies also decreased by 2.74 %. Index movement is one of the things that investors really take into account before deciding to invest. Stock return is the profit an investor receives from their investment in a company. In making an investment, an investor certainly expects a high rate of stock return in order to get maximum profit and avoid losses.

The main goal of the company is to get the maximum profit by using the economic resources it has. The profit earned by the company is obtained from the difference between revenue and costs (Trihastuti, 2008). Profit growth is the percentage increase in profits earned by a company. The main reason people invest is to get profits or high stock returns for the funds they have invested. According to (Kasmir, 2010:93) financial ratios are activities of comparing the numbers in the financial statements.

ROA indicates the company's ability to generate net profit on its assets. The greater the ROA number, the more profitable the company is and vice versa (Mokhammad Anwar, 2019:177). Research conducted by (Andriyani, 2015) and (Bionda & Mahdar, 2017) proves that ROA has a significant influence on profit growth. Meanwhile, research conducted by (Safitri & Mukaram, 2018) proves that ROA has a negative and significant influence on profit growth. Research conducted by (Mardiana, 2018) and (Ariyanti, 2016) shows that ROA has a significant and positive effect on stock return, while (Thrisye & Simu, 2010) and (Marlina & Sari, 2009) say ROA has no significant effect on stock return.

Net Profit Margin is a ratio that measures the size of a company's net profit compared to its sales, or in other words this ratio measures net profit after tax on sales, the higher the NPM, the better the company's operational is. (Dermawan, 2020, p. 108). (Baehaqi et al., 2015) and (Safitri & Mukaram, 2018) state that NPM has a significant effect on profit growth. Contrary to the results of research conducted (Bionda & Mahdar, 2017) and (Dianitha et al., 2020) which show that the NPM variable has no effect on profit growth. Research conducted by (L. R. Sari & Sugiyono, 2016) and (Haryani & Priantinah, 2018) state that there is an effect of NPM on stock return. Meanwhile, research conducted by (Ariyanti, 2016) shows that NPM has a significant and negative effect on stock return, and research conducted by (Aryanti et al., 2016) states that NPM has no significant effect on stock return.

Debt to Equity Ratio is a ratio used to assess debt on equity. This ratio is useful for knowing the amount of funds provided by the borrower (creditor) and the company owner. This ratio is to find out every rupiah of own capital that is used as collateral for debt (Kasmir, 2010:112). The result of research conducted by (Mahaputra, 2010) proves that DER has a significant effect on profit growth, while (N. Sari, 2019) states that

there is no significant effect between DER and profit growth. (Ratna Handayati & Zulyanti, 2018) states that DER has an effect on stock returns. This is contrary to the result of research (Naryoto, 2012) and (Himmatussuhra et al., 2018) which state that there is no influence between DER and stock return.

Total Assets Turn Over is an asset turnover ratio that measures the value of a company's sales or income relative to the value of its assets. TATO is used to assess whether all assets in the company are used efficiently or not. Research conducted by (Estininghadi, 2018) states that TATO has a significant effect on profit growth, similar result were also stated by (Gunawan & Wahyuni, 2013). Meanwhile, research conducted by (Andriyani, 2015) states that TATO has no significant effect on profit growth. Research conducted by (Prabawa & Lukiastut, 2015) states that TATO has effect on stock return, while the opposite result are expressed by (Naryoto, 2012) and (Himmatussuhra et al., 2018) who state that TATO has an insignificant effect on stock return.

The company's profit growth is one of the attractions for investors to determine their investment decisions. The result of research conducted by (Muhammad & Destalita, 2017) states that profit growth has a significant effect on stock return. In contrast to the result of research by (Mardiana, 2018) which states that profit growth does not significantly affect the stock return.

The purposes of this study are: (1) Analyze and discover the effect of Return on Assets (ROA) on the profit growth of basic materials sector companies listed on IDX in 2016-2021; (2) Analyze and discover the effect of Net Profit Margin (NPM) on the profit growth of basic materials sector companies listed on IDX in 2016-2021; (3) Analyze and discover the effect of the Debt to Equity Ratio (DER) on the profit growth of basic materials sector companies listed on IDX in 2016-2021; (4) Analyze and discover the effect of Total Assets Turn Over (TATO) on the profit growth of basic materials sector companies listed on IDX in 2016-2021; (5) Analyze and discover the effect of Return on Assets (ROA) on stock return of basic materials sector companies listed on IDX in 2016-2021; (6) Analyze and discover the effect of Net Profit Margin (NPM) on stock return of basic materials sector companies listed on IDX in 2016-2021; (7) Analyze and discover the effect of the Debt to Equity Ratio (DER) on stock return of basic materials sector companies listed on IDX in 2016-2021; (8) Analyze and discover the effect of Total Assets Turn Over (TATO) on stock return of basic materials sector companies listed on IDX in 2016-2021; (9) Analyze and discover the effect of profit growth on stock return of basic materials sector companies listed on IDX in 2016-2021.

LITERATURE REVIEW

Signaling Theory

According to Suganda in (Himawan, 2020), signaling theory is a theory used to comprehend an action by management in conveying information to investors which can ultimately change investors' decisions in viewing the condition of the company. Brigham and Houston in (Rahayu, 2011) stated that a signal is an action taken by company management that provides clues to investors about how management views the company's prospects.

According to Signaling theory, it is said that financial reports can provide positive signals (success) or negative signals (failure) for management (agent) to the owner or user of financial reports (principal). The purpose of using this theory is to avoid information asymmetry that may occur between management and shareholders.

Stock Return

Stock return is the level of profit enjoyed by investors on an investment traded on the capital market (shares of going public companies) which is usually termed as return (Hazira, 2022). According to Tandelilin in (Andriani, 2017), return is one of the factors that motivates investors to invest and is also a reward for the investor's courage to bear the risk of the investment they make.

Profit Growth

The company's main goal is to obtain maximum profits by using the economic resources it has. The profit earned by the company is obtained from the difference between revenue and costs (Trihasuti, 2008). Harahap in (Dianitha et al., 2020) defines operational profit as the difference between arising utilized income from

transactions during one period and the costs associated with that income. Earl K. Stice, James D. Stice and K. Fred Skousen in (Cahyono, 2016) define profit as the result of investment.

Return on Assets

According to Kasmir in (Miladyah, 2020), return on assets is a ratio that indicates the return on the number of assets used in the company. ROA measures a company's ability to use all its assets to generate profits after tax. Sugiono in (Bionda & Mahdar, 2017) states that the higher the ROA, it means that the company is increasingly able to utilize its assets well to gain profits. On the other hand, investors will tend to avoid companies with low ROA because the company is considered unable to generate profits for investors.

Net Profit Margin

Net Profit Margin measures a company's ability to generate net profits from sales. This ratio reflects the efficiency of production, personnel, marketing and finance. The greater the net profit value, the greater the NPM value (Bionda & Mahdar, 2017). According to Bastian and Suhardjono in (Miladyah, 2020), NPM measures profit after tax compared to sales. Therefore, greater NPM value indicates more productive performance of a company, increasing company productivity will have an impact on increasing company profit and profit growth, and will increase investor confidence in investing because investors expect high stock return.

Debt to Equity Ratio

Kasmir in (Laksono, 2017) states that the Debt to Equity Ratio is used to assess debt to equity, to find out the amount of funds provided by creditors and company owners. According to Darsono and Ashari in (Sudarsono & Sudiyanto, 2014) DER is a ratio that shows the percentage of funds provided by lenders to shareholder. The higher the ratio, the lower the company's funding provided by shareholders. From the perspective of the ability to pay long-term obligations, the lower the ratio, the better the company's ability to pay its debts.

Total Assets Turn Over

Total Assets Turn Over is a ratio that measures the efficiency level of a company in using all assets to generate sales. TATO is obtained by comparing sales with the company's total assets (Ariyanti, 2016). The greater this ratio, the better it will be for the company because assets can turn over more quickly and achieve profits and show the more efficient use of overall assets in generating sales.

Relations between Variables

Relationship between Return on Assets (ROA) and Profit Growth

ROA measures a company's ability to use all of its assets to generate profit after tax (Hidayat, 2019). The higher the ROA of a company, the better the company's ability to manage its assets. If a company is able to manage its assets properly, it will have an impact on increasing company profits. This is in line with research conducted by (Andriyani, 2015) and (Bionda & Mahdar, 2017) which proves that ROA has a significant effect on company profit growth.

H1: Return on Assets (ROA) has a positive effect on Profit Growth.

Relationship between Net Profit Margin (NPM) and Profit Growth

Net Profit Margin measures a company's ability to generate net profits from sales. This ratio reflects the efficiency of production, marketing and finance (Hidayat, 2019). (Dermawan, 2020) the higher the NPM, the better a company's operations will be in generating greater profits and increasing the company's profit growth. This is in line with research by (Baehaqi et al., 2015) and (Safitri & Mukaram, 2018) which state that NPM has a significant effect on profit growth.

H2: Net Profit Margin (NPM) has a positive effect on Profit Growth.

Relationship between Debt to Equity Ratio and Profit Growth

Debt to Equity Ratio is used to assess debt to equity, to find out the amount of funds provided by creditors and company owners, indicating the proportion of equity in guaranteeing total debt. The greater the DER indicates

the high dependence of the company's capital on outsiders, this will certainly reduce profit growth and vice versa. Research conducted by (Mahaputra, 2010) proves that DER has a significant effect on profit growth.

H3: Debt to Equity Ratio (DER) has a negative effect on Profit Growth.

Relationship between Total Assets Turn Over (TATO) and Profit Growth

Total Assets Turn Over with a higher value than the previous period means that the company is able to generate a high level of sales with the same number of assets from the previous period. The bigger the TATO, the better because it means all assets are used more efficiently to support sales (Aiki, 2016). This is in line with research of (Estininghadi, 2018) and (Gunawan & Wahyuni, 2013) which state that TATO has a significant effect on profit growth.

H4: Total Assets Turn Over (TATO) has a positive effect on Profit Growth.

Relations between Return on Assets and Stock Return

Increasing ROA defines the increasing the value of net income so that it will also increase the sales value. Companies whose sales increase will encourage a rise in profits, which shows that the company's operations are healthy and good (Ariyanti, 2016). Rational investors will definitely choose to invest in companies that have high profitability so it can be concluded that if ROA increases, stock return will also increase. This is in line with research conducted by (Ariyanti, 2016) and (Mardiana, 2018) which indicate that ROA has a significant effect on stock return.

H5: Return on Assets (ROA) has a positive effect on Stock Return.

Relationship between Net Profit Margin and Stock Return

A high NPM indicates the company's ability to generate high profits at a certain level of sales and vice versa. The bigger the ratio, the better, because it is considered that the company gets a high net profit. This gives investors an encouragement to own shares in the company which can increase stock return in the future. Research conducted by (L. R. Sari & Sugiyono, 2016) and (Haryani & Priantinah, 2018) states that there is an influence of NPM on stock return.

H6: Net Profit Margin (NPM) has a positive effect on Stock Return.

The Relationship between Debt to Equity Ratio and Stock Return

A larger DER indicates that company makes more use of debt than equity in the business capital structure, thus reflecting the company's higher risk and investors will tend to avoid stocks that have a high DER value. This is in line with research conducted by (Ratna Handayati & Zulyanti, 2018) and (Ratna Handayati & Zulyanti, 2018) which states that DER has a partial effect on stock returns.

H7: Debt to Equity Ratio (DER) has a negative effect on stock return.

The Relationship between Total Assets Turn Over and Stock Return

A high TATO ratio shows that a company is efficient in utilizing its assets and the generated sales are greater, which has a positive impact on share prices. If the company can maximize the empowerment of existing resources, the company will be able to increase income which will be attractive to investors and can increase the value of the shares. Research conducted by (Prabawa & Lukiastut, 2015) states that there is an influence between the TATO variable on stock returns.

H8: Total Assets Turn Over (TATO) has a positive effect on stock return.

The Relationship between Profit Growth and Stock Return

Companies that have the ability to increase profits tend to have their share prices increase. If the company earns greater profits, then the company's stock price will be higher than the previous stock price which causes a positive effect on stock return. This shows that accounting profit or profit growth is one of the things considered by investors in choosing stocks to invest. This is in line with research conducted by (Muhammad & Destalita, 2017) stating that profit growth has a significant effect on stock return.

H9: Profit growth has a positive effect on stock return.

METHODOLOGY

This research was conducted by taking data from several sites, including the Indonesian Stock Exchange (IDX), ICMD, Edu Stock and other relevant sources using data from basic materials sector companies. The research period was from August 2022 to January 2023. This research uses quantitative analysis approach. The data used in this study is secondary data in the form of annual financial reports from each company for the period of 2016 – 2021. This data is obtained from IDX (Indonesian Data Exchanges) which can be accessed via www.idx.co.id.

Population and Sample

The population of this research are basic materials sector companies listed on the Indonesia Stock Exchange (IDX) during the 2016-2011 period. Based on data obtained in 2022, there were 95 companies in the population. The sampling technique used in this research is purposive sampling. The sample selection criteria are as follows:

Table 1. Sampling Criteria

No	Sampling Criteria	Number of Companies
1	Basic materials sector companies listed on IDX for period of 2016-2021	95
2	Companies that have done IPO after January 1, 2016	(33)
3	Manufacture companies suspended by IDX	(27)
4	Companies that do not have complete financial report	(3)
Number of Samples		32

Source: Processed data, 2022

Data Analysis Techniques

Descriptive Analysis

This analysis is intended to provide an overview of the general description of the data obtained. This description analysis itself includes the Minimum, Maximum, Mean and Standard Deviation which are directly related to the research instruments. This is in accordance with what was conveyed by Ghazali (2013) who said that descriptive statistics are carried out to provide an overview of research variables.

Multicollinearity Test

The multicollinearity test is used to see whether there is a high correlation between independent variables in a research model. If there is a high correlation between the independent variable and the dependent variable, the relationship between the variables will be disrupted. The statistical tool that is often used to test multicollinearity disorders is using variance inflation factors (VIF). If the VIF value obtained is smaller than 10, then it can be said that the data does not have multicollinearity problems.

Coefficient of Determination Test (R^2)

This model aims to measure how far the model's ability to explain and describe variations in the dependent variable. The range of values for the coefficient of determination is between 0 and 1. The small value of Adjusted R^2 indicates that the ability of the independent variables to explain the dependent variable is very limited. Values close to 1 indicate that the independent variables provide almost all the information needed to predict the variation of the dependent variable. On the contrary, if the adjusted R^2 value obtained is farther from

1, it can be interpreted that the independent variables are considered unable to explain the strong influence on the dependent variable.

Path Analysis

Path analysis is an extension of multiple linear regression analysis, or path analysis is the use of regression analysis to estimate the causal relationship between variables (causal model) that has been previously established based on theory (Ghozali, 2013). The path analysis model is used to analyze the pattern of relationships between variables with the aim of knowing the direct or indirect influence of a set of independent variables (exogenous) on the dependent variable (endogenous). The path analysis model used is a causal relationship pattern. Therefore, the research formulation in the path analysis framework only revolves around the independent variables (X_1, X_2, \dots, X_k) on the dependent variable Y . Analysis model used is as follows:

$$\text{Model 1 : } Y_1 = b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + e_1$$

$$\text{Model 2 : } Y_2 = b_5X_1 + b_6X_2 + b_7X_3 + b_8X_4 + b_9Y_1 + e_2$$

Information:

Y_1 : Profit Growth

Y_2 : Stock Return

X_1 : ROA

X_2 : NPM

X_3 : DER

X_4 : TATO

b_{1-9} : Regression Coefficient

e : Error Term

This research used Partial Least Square (PLS) analysis

Hypothesis Test (t Test)

Ghozali (2018) explains that the t test describes how far the influence is generated between one independent variable consisting of managerial ownership, the proportion of independent commissioners and accounting conservatism individually in explaining the dependent variable. The basis for making a decision on the t test is as follows:

If Sig t < 0.1, then H_0 is rejected and H_a is accepted, which means that the independent variables have a significant influence on the dependent variable.

If Sig t > 0.1, then H_0 is accepted and H_a is rejected, which means that the independent variable has no significant effect on the dependent variable

RESULTS AND DISCUSSION

Descriptive Analysis

Table 2. Descriptive Analysis Result

	Average	Std. Deviation	Minimum	Maximum
Return on Assets	0.031	0.048	-0.188	0.202

	Average	Std. Deviation	Minimum	Maximum
Net Profit Margin	0.044	0.087	-0.545	0.330
Debt to Equity Ratio	0.964	0.819	0.109	4.190
Total Assets Turn Over	0.804	0.623	0.041	4.895
Profit Growth	0.300	5.865	-58.737	20.774
Stock Return	0.234	0.637	-0.473	4.654

Source: Processed data, 2023

Return on Assets (ROA)

The minimum ROA value was -0.188 obtained by the Argha Karya Prima Industry Tbk (ADMG) in 2017, while the maximum value was 0.202 obtained by the Cita Mineral Investindo Tbk (CITA) in 2018. The overall average ROA value was 0.031 and the standard value the deviation shows the number 0.048 which is greater than the average value indicating that there is an imbalance of ROA.

Net Profit Margin (NPM)

The minimum NPM value was -0.545 by the Cita Mineral Investindo Tbk (CITA) in 2016 while the maximum NPM value was 0.330 which was also obtained by the Cita Mineral Investindo Tbk (CITA) in 2018. The average NPM value was 0.044 or 4.4%, while the standard deviation value of NPM is 0.087, which is higher than the average NPM value, this means there is inequality in the distribution of NPM for companies in basic materials sector.

Debt to Equity Ratio (DER)

The minimum Debt to Equity Ratio (DER) value obtained by the Intanwijaya Internasional Tbk (INCI) in 2016 was 0.109, while the maximum value of DER was 4,190 obtained from the Indal Aluminum Industry Tbk (INAI) in 2015. The average value of DER was 0.964 which reflects the high equity or capital of the company that is used as collateral for the company's debt. The standard deviation value of DER is 0.819 which is smaller than the average value, this means that the capital data used as collateral for debts of companies in basic materials sector is quite normal and evenly distributed.

Total Assets Turn Over (TATO)

The minimum TATO value was 0.041 by the Surya Esa Perkasa Tbk (ESSA) in 2017, while the maximum value was obtained by the Tembaga Mulia Semanan Tbk (TBMS) with a value of 4,895 in 2021. The average TATO value for companies in the basic materials sector is 0.804 or in percentage of 80.4%, while the standard deviation value is 0.623 which is lower than the average value. This indicates that the TATO obtained by companies in the basic materials sector is quite normal and evenly distributed.

Profit Growth

The minimum value of profit growth was -58,737 by the Surya Esa Perkasa Tbk (ESSA) in 2012, while the maximum value of profit growth was 20,774 by the Argha Karya Prima Industry Tbk (ADMG) in 2019. The average value obtained from 32 company sample is 0.300 and the standard deviation value is 5.865 which also reflects the contrasting data gaps, this shows that the profit growth of companies in the basic materials sector from 2016 to 2021 is fluctuating.

Stock Return

The minimum stock return value is -0.473 by J Resources Asia Pasifik Tbk (PSAB) in 2021 and the maximum value is 4,654 obtained by Indah Kiat Pulp & Paper Tbk (INKP) in 2017. The average value of stock returns is 0.234 or 23.4% while the standard deviation value obtained is 0.637 which is higher than the average value

indicating the distribution of stock return values obtained by companies in the basic materials sector is quite volatile.

Multicollinearity Test

The result of multicollinearity test for profit growth variable is presented on the table below:

Table 3. Multicollinearity Test Result for Profit Growth Variable

Variable	Collinearity Statistics	Explanation
	VIF	
Return on Assets (ROA)	3.709	There is no multicollinearity
Net Profit Margin (NPM)	3.571	There is no multicollinearity
Debt to Equity Ratio (DER)	1.138	There is no multicollinearity
Total Assets Turn Over (TATO)	1.269	There is no multicollinearity

Source: Processed data, 2023

Dependent Variable: Profit Growth (Y1)

The result of multicollinearity test for stock return variable is presented on the table below:

Table 4. Multicollinearity Test Result for Stock Return Variable

Variable	Collinearity Statistics	Explanation
	VIF	
Return on Assets (ROA)	3.961	There is no multicollinearity
Net Profit Margin (NPM)	3.921	There is no multicollinearity
Debt to Equity Ratio (DER)	1.139	There is no multicollinearity
Total Assets Turn Over (TATO)	1.287	There is no multicollinearity
Profit Growth	1.098	There is no multicollinearity

Source: Processed data, 2023

Dependent Variable: Stock Return (Y2)

The results of the multicollinearity test show that the value of the correlation between dependent variable in the form of profit growth (Y1) and the independent variables consisting of ROA, NPM, DER and TATO has a VIF value < 10 , which indicates that there are no symptoms of multicollinearity. On the other hand, the correlation between dependent variable in the form of Stock Return (Y2) and the independent variables consisting of ROA, NPM, DER, TATO and Profit Growth has a VIF value < 10 , which also indicates that there are no symptoms of multicollinearity.

Coefficient of Determination Test (R^2)

The result of coefficient of determination test are presented on the table below:

Table 5. Coefficient of Determination Test (R^2) Result

Variable	R Square	R Square Adjusted
Profit Growth (Y1)	0.089	0.070
Stock Return (Y2)	0.072	0.048

Source: Processed data, 2023

From the test results above, the R Square Adjusted value for the ROA, NPM, DER and TATO variables on Profit Growth is 0.070, so it can be concluded that each independent variable can only explain 7% of the dependent variable, namely Profit Growth, while the rest 93% is explained by other variables that were not examined in this research. The R Square Adjusted value for the ROA, NPM, DER, TATO and Profit Growth variables on Stock Returns is 0.048 so it can be concluded that each independent variable can only explain as much as 4.8% of the dependent variable, namely stock return, while the rest is explained by other variables not examined in this study.

Table 6. Path Analysis and Hypothesis Test Results

	Original Sample (O)	Sample Mean (M)	Standard Deviation	T Statistics (O/STDEV)	P Values	Conclusion
ROA -> PG	-0.479	-0.539	0.259	1.849	0.065	Significant
ROA -> SR	0.227	0.234	0.166	1.370	0.171	Not Significant
NPM -> PG	0.564	0.603	0.301	1.875	0.061	Significant
NPM -> SR	0.010	0.008	0.160	0.065	0.949	Not Significant
DER -> PG	-0.018	-0.017	0.082	0.217	0.828	Not Significant
DER -> SR	0.096	0.094	0.059	1.618	0.106	Not Significant
TATO -> PG	0.127	0.139	0.121	1.053	0.293	Not Significant
TATO -> SR	-0.001	0.006	0.079	0.016	0.987	Not Significant
PG -> SR	0.119	0.130	0.054	2.200	0.028	Significant

Source: Processed data, 2023

Significant if the P Value < 0.1

Path Analysis

Based on the data above, the equation obtained is as follows:

$$Y1 = -0,479X_1 + 0,564X_2 - 0,018X_3 + 0,127X_4$$

$$Y2 = 0,227X_1 + 0,010X_2 + 0,096X_3 - 0,001X_4 + 0,119Y_1$$

The results of the regression model above show that the ROA regression coefficient is -0.479. This means that if ROA increases by one unit, it will decrease the Profit Growth value by 0.479 and vice versa. The NPM regression coefficient is 0.564. This means that if NPM increases by one unit, it will decrease the Profit Growth value by 0.564 and vice versa. The DER regression coefficient is -0.018. This means that if the DER increases by one unit, it will decrease the Profit Growth value by 0.018 and vice versa. The TATO regression coefficient is 0.127. This means that if TATO increases by one unit, it will increase the Profit Growth value by 0.127 and vice versa. The regression coefficient for the Return on Assets variable is 0.227. This means that if ROA increases by one unit, it will increase the Stock Return value by 0.227 and vice versa. The NPM regression coefficient is 0.010. This means that if NPM increases by one unit, it will increase the Stock Return value by 0.010 and vice versa. The DER regression coefficient is 0.096. This means that if the DER increases by one unit, it will increase the Stock Return value by 0.096 and vice versa. The TATO regression coefficient is -0.001. This means that if TATO increases by one unit, it will decrease Stock Return by 0.001 and vice versa. The Profit Growth regression coefficient is 0.119. This means that if Profit Growth increases by one unit, it will increase Stock Returns by 0.119 and vice versa.

Hypothesis Test

Based on the data contained in table 6, ROA variable has a P Value of 0.065 while alpha is set to be 0.1 (P Value < 0.1). Therefore it can be concluded that Ho is rejected and Ha is accepted. The negative Original Sample calculation results is -0.479 reflecting a negative relationship. Therefore it can be said that Return on Assets has a negative and significant effect on Profit Growth. The NPM variable has a P value of 0.061 while alpha is set to be 0.1 (P value < 0.1). Therefore it can be concluded that Ho is rejected and Ha is accepted. The positive Original Sample calculation result of 0.564 reflects a positive relationship. Therefore it can be said that Net Profit Margin has a positive and significant effect on Profit Growth. The DER variable has a P Value of 0.828 while alpha is set to be 0.1 (P Value > 0.1). Therefore it can be concluded that Ha is rejected and Ho is accepted. The negative Original Sample calculation result of -0.018 reflects a negative relationship. Therefore it can be said that the Debt to Equity Ratio has a negative and insignificant effect on Profit Growth. The TATO variable has a P Value of 0.293 while alpha is set to be 0.1 (P Value > 0.1). Therefore it can be concluded that Ha is rejected and Ho is accepted. The positive Original Sample calculation result of 0.127 reflects a positive relationship. Therefore it can be said that Total Assets Turn Over has a positive and insignificant effect on Profit Growth. The ROA variable has a P Value of 0.171 while alpha is set to be 0.1 (P Value > 0.1). Therefore it can be concluded that Ha is rejected and Ho is accepted. The result of a positive Original Sample calculation of 0.227 reflects a positive relationship. Therefore it can be said that Return on Assets has a positive and insignificant effect on Stock Return. The NPM variable has a P Value of 0.949 while alpha is set to be 0.1 (P Value > 0.1). Therefore it can be concluded that Ha is rejected and Ho is accepted. The Original Sample calculation result is positive at 0.010, reflecting a positive relationship. Therefore it can be said that Net Profit Margin has a positive and insignificant effect on Stock Return. The DER variable has a P Value of 0.106 while alpha is set to be 0.1 (P Value > 0.1). Therefore it can be concluded that Ha is rejected and Ho is accepted. The result of a positive Original Sample calculation of 0.096 reflects a positive relationship. Therefore it can be said that the Debt to Equity Ratio has a positive and insignificant effect on Stock Return. The TATO variable has a P Value of 0.987 while alpha is set to be 0.1 (P Value > 0.1). Therefore it can be concluded that Ha is rejected and Ho is accepted. The result of a negative Original Sample calculation of -0.001 reflects a negative relationship. Therefore it can be said that Total Assets Turn Over has a negative and insignificant effect on Stock Return. The Profit Growth variable has a P Value of 0.028 while alpha is set to be 0.1 (P Value < 0.1). Therefore it can be concluded that Ho is rejected and Ha is accepted. The result of a positive Original Sample calculation of 0.119 reflects a positive relationship. Therefore it can be said that Profit Growth has a positive and significant effect on Stock Return.

Discussion

The Effect of Return on Assets (X1) on Profit Growth (Y1)

Based on this research, it can be concluded that Return on Assets has a negative and significant effect on Profit Growth. This means that if there is an increase in the value of ROA, profit growth will decrease. This result is in accordance with research conducted by (Safitri & Mukaram, 2018) proving that ROA has a negative and significant effect on Profit Growth as well as research by (Andriyani, 2015) and (Bionda & Mahdar, 2017) proving that the ROA variable has a significant influence on Growth Profit. The results of this research are not in line with research by (Purwitasari & Soekotjo, 2019) which proves that the Return on Assets variable partially has a positive and insignificant influence on growth.

The Effect of Net Profit Margin (X2) on Profit Growth (Y1)

Based on this research, it can be concluded that Net Profit Margin has a positive and significant effect on Profit Growth. This means that if there is an increase in the NPM value, profit growth will also increase. The significant relationship is due to the company's ability to increase sales which means the company is able to achieve the expected level of profit or net profit. This result is consistent with research conducted (Baehaqi et al., 2015) and (Safitri & Mukaram, 2018) which state that partially NPM has a significant effect on profit growth. The result of this study is not in line with research (Bionda & Mahdar, 2017) and (Dianitha et al., 2020) which show that the NPM variable has no effect on Profit Growth.

The Effect of Debt to Equity Ratio (X3) on Profit Growth (Y1)

Based on this research, it can be concluded that DER has a negative and insignificant effect on Profit Growth. This means that if there is an increase in the DER value, profit growth will also decrease. However, the relationship is not significant due to the inability of the company to manage debt properly so that a lot of company capital or equity is used as collateral for paying off the debt. This result is consistent with the research conducted by (N. Sari, 2019) stating that, partially, there is no significant effect between the Debt to Equity Ratio on Profit Growth while the research conducted by (Mahaputra, 2010) proves that DER has a significant effect on Growth Profit.

The Effect of Total Assets Turn Over (X4) on Profit Growth (Y1)

Based on this research, it can be concluded that TATO has a positive and insignificant effect on Profit Growth. This means that if there is an increase in the TATO value, profit growth will also increase. This result is in accordance with research conducted by (Andriyani, 2015) stating that the effect of Total Assets Turn Over variable is partially not significant on Profit Growth. Meanwhile research by (Estininghadi, 2018) states that TATO has a significant effect on profit growth, similar result was also stated by (Gunawan & Wahyuni, 2013).

The Effect of Return on Assets (X1) on Stock Return (Y2)

Based on this research, it can be concluded that Return on Assets has a positive and insignificant effect on Stock Returns. This means that if there is an increase in the ROA value, the company's share return will also increase. However, the relationship is not significant due to the inability of the company in managing its assets to achieve the expected level of profit or net profit, which also affects the rate of return on shares to investors thus the company cannot convince investors to invest in the company. This result is consistent with research conducted by (Thrisye & Simu, 2010) and (Marlina & Sari, 2009) which proves that Return on Assets has no significant effect on Stock Returns. Different results were expressed by (Mardiana, 2018) and (Ariyanti, 2016) indicating that ROA has a significant and positive effect on the stock return variable.

The Effect of Net Profit Margin (X2) on Stock Return (Y2)

Based on this research, it can be concluded that the Net Profit Margin has a positive and insignificant effect on Stock Return. This means that if there is an increase in the NPM value, the company's stock return will also increase. However, the relationship is not significant due to the company's inability to increase its sales and achieve the expected net profit target, which also affects the rate of return on shares to investors so that the company cannot convince investors to invest in the company. This result is consistent with research conducted by (Aryanti et al., 2016) stating that NPM has no significant effect on stock return. Meanwhile, research conducted by (L. R. Sari & Sugiyono, 2016) and (Haryani & Priantinah, 2018) states that there is an effect of Net Profit Margin on Stock Return, and research by (Ariyanti, 2016) states that NPM has a significant and negative effect on Stock Return.

The Effect of Debt to Equity Ratio (X3) on Stock Return (Y2)

Based on this research, it can be concluded that the Debt to Equity Ratio has a positive and insignificant effect on Stock Return. This means that if there is an increase in the DER value, the company's share return will also increase. The insignificant relationship means that the company is unable to manage the company's debt and the equity is used as collateral for large amounts of debt, it will pose a risk that the company is unable to pay debts and goes bankrupt. This result is in accordance with research by (Naryoto, 2012) and (Himmatussuhra et al., 2018) which states that there is no significant effect between the DER variable on stock returns. While the research conducted by (Ratna Handayati & Zulyanti, 2018) and (Thrisye & Simu, 2010) states that DER has a significant effect on stock return.

The Effect of Total Assets Turn Over (X4) on Stock Return (Y2)

Based on this research, it can be concluded that Total Assets Turn Over has a negative and insignificant effect on Stock Return. This means that if there is an increase in the TATO value, the company's share return will decrease. However, the relationship is not significant due to the company's inability to utilize its assets to increase sales and achieve the expected net profit target, which can also affect the rate of return on shares to investors so that the company cannot convince investors to invest their capital in the company. This result is in accordance with research conducted by (Naryoto, 2012) and (Thrisye & Simu, 2010) stating that there is no

significant effect between TATO on stock return. Meanwhile Prabawa & Lukiastut (2015) states that there is a significant effect between TATO on stock return.

The Effect of Profit Growth (Y1) on Stock Return (Y2)

Based on this research, it can be concluded that Profit Growth has a positive and significant effect on Stock Returns. This means that if there is an increase in company profits, the company's share returns will also increase. The significant relationship reflects that the company can manage its operational activities and can achieve the expected net profit target, which also influences the level of return on shares to investors thus the company can convince investors to invest their capital in the company. These results are in accordance with research conducted by (Muhammad & Destalita, 2017) stating that Profit Growth has a significant effect on Stock Returns. Meanwhile, the results of research conducted by (Mardiana, 2018) state that Profit Growth does not have a significant effect on the Stock Return.

CONCLUSION

Conclusion

Based on the results and discussion, the conclusions of this study are: (1) Return on Assets (ROA) has a negative and significant effect on Profit Growth in Basic Materials Sector Companies listed on the IDX for the period of 2016 – 2021. (2) Net Profit Margin (NPM) has a positive effect and significant to Profit Growth in Basic Materials Sector Companies listed on the IDX for the period of 2016 – 2021. (3) Debt to Equity Ratio (DER) has a negative and insignificant effect on Profit Growth in Basic Materials Sector Companies listed on the IDX for the period of 2016 – 2021. (4) Total Assets Turn Over (TATO) has a positive and insignificant effect on Profit Growth in Basic Materials Sector Companies listed on the IDX for the period of 2016 – 2021. (5) Return on Assets (ROA) has a positive and insignificant effect on Stock Return in Basic Materials Sector Companies listed on the IDX period of 2016 – 2021. (6) Net Profit Margin (NPM) has a positive and insignificant effect on Stock Return in Basic Materials Sector Companies listed on the IDX for the period of 2016 – 2021 (7) Debt to Equity Ratio (DER) has a positive and insignificant effect on Stock Return in Companies The Basic Materials Sector listed on the IDX for the period of 2016 – 2021. (8) Total Assets Turn Over (TATO) has a negative and insignificant effect on Stock Return at Basic Materials Sector Companies listed on the IDX for the period of 2016 – 2021. (9) Profit Growth has a positive and significant effect on Stock Return in Basic Materials Sector Companies listed on the IDX for the period of 2016 – 2021.

Recommendation

Based on this research and from the conclusions above, the researchers would like to provide suggestions which are expected to be useful for further research as follows: (1) For companies, it is expected that every company can continue to maintain and improve performance and good financial management, thus the profit growth and stock return can be in a good condition. Likewise, for companies that have poor performance and financial management, they should continue to improve their performance, so that investors want to invest in the company. (2) For investors, investors are expected to be careful in analyzing the company's performance or financial ratios to predict profit growth and subsequent stock return. Apart from that, it is recommended that more significant ratios can be used to assess company performance before investing in stocks. (3) For academics, further research in the same sector is recommended to add other variables as the financial ratios used in this research are still limited. (4) For future researchers, it is recommended to expand the population and sample to be studied because it can influence the results of the research.

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