

**AFILIASI:**

¹Universitas Nasional

***KORESPONDENSI:**

hasanudinsadikin910@gmail.com

THIS ARTICLE IS AVAILABLE IN: <https://e-journal.umc.ac.id/index.php/JPK>

DOI: [10.32534/jpk.v11i2.5601](https://doi.org/10.32534/jpk.v11i2.5601)

CITATION:

Hasanudin, H. (2024). The Influence of Financial Performance on Stock Returns In Indonesia Retail Companies. *Jurnal Proaksi*, 11(2), 366–381.

<https://doi.org/10.32534/jpk.v11i2.5601>

Riwayat Artikel :**Artikel Masuk:**

March 21, 2024

Di Review:

May 12, 2024

Diterima:

June 30, 2024

The Influence of Financial Performance on Stock Returns In Indonesia Retail Companies

Hasanudin^{1*}

Abstract

Financial performance can have an impact on the financial activities of an entity, be it a company, organization or individual. Financial performance is a description of an entity's financial position that is examined using financial analysis techniques to determine the entity's good and bad financial conditions, which are indicative of work performance during a specific time period. This research aims to analyze the influence of the variables Earning Per Share (EPS), Return On Equity (ROE), Debt To Equity Ratio (DER), and Price Earning Ratio (PER) on the performance of stock returns in retail trading sector companies listed on the Stock Exchange of Indonesia. This research uses quantitative methods with the Hausman test, Chow test and data analysis using the classical assumption test. Research data was obtained from the official website of retail trade sector company financial reports during the 2015-2022 period with a sample of 12 companies from a population of 32 companies. The results of the research found that individually, Earning Per Share, Return On Equity, Debt To Equity Ratio, and Price Earning Ratio had a positive and significant influence on Stock Returns.

Keywords: Debt, Earning, Equity, Price, Return

Abstrak

Kinerja keuangan dapat mempengaruhi aktivitas keuangan suatu bisnis, baik itu perusahaan, organisasi, atau individu. Kinerja keuangan adalah gambaran posisi keuangan suatu perusahaan, dianalisis menggunakan alat analisis keuangan, dan dapat mencerminkan kinerja selama periode waktu tertentu dan memberi tahu seberapa baik kinerja keuangan suatu perusahaan. Penelitian ini bertujuan untuk menguji pengaruh variabel earnings per share (EPS), return on equity (ROE), debt-to-equity ratio (DER), dan price-to-earnings ratio (PER) terhadap evolusi return saham pada perusahaan yang bergerak di bidang ritel yang tercatat di Bursa Efek Indonesia. Penelitian ini menggunakan metode kuantitatif dengan menggunakan uji Hausman, uji Chow dan analisis data menggunakan uji asumsi klasik. Data survei pelaporan keuangan perusahaan di industri ritel tahun 2015 hingga 2022 diperoleh dari website resmi dengan menggunakan sampel sebanyak 12 perusahaan dari populasi sebanyak 32 perusahaan. Hasil penelitian menunjukkan bahwa earnings per share, return on equity, debt to equity ratio, dan price to earnings ratio masing-masing mempunyai pengaruh positif dan signifikan terhadap return saham.

Kata kunci: Ekuitas, Harga, Hutang, Pendapatan, Pengembalian.

INTRODUCTION

In this modern era, the development of a country's capital market is very important because it has a significant impact on economic growth. The capital market is not only the main source of funding for companies, but also reflects the health and attractiveness of a country's economy. With Indonesia's current rapid economic growth, it is hoped that the business world can develop and survive in their respective industrial fields (Kalbuana et al., 2022). Indonesia's rapidly developing capital market has become a very important investment institution in driving economic growth, with many investors participating in stock trading (Ariadi et al., 2021). On the other hand, investors really feel that when stock returns increase, investors will feel satisfied and happy with the investment results. Investors will be more confident to continue investing and increase their portfolio by buying more shares in companies that provide good returns. Conversely, if stock returns decrease, investors will feel disappointed and worried about investment security. They may consider selling shares of companies that do not provide good returns and look for other investments that are more profitable. Changes in stock returns can fluctuate, causing instability in investment behavior. According Widagdo et al. (2020) investment to make use of several monetary or non-monetary resources in order to reap future rewards. Investors must analyze the factors influencing share prices in order to reach their financial objectives (Ari et al., 2020).

The information in Figure 1 below relates to stock returns from 12 stable-priced companies that were not under the watchful eye of 32 retail trading sector companies listed on the Indonesia Stock Exchange between 2015 and 2022.

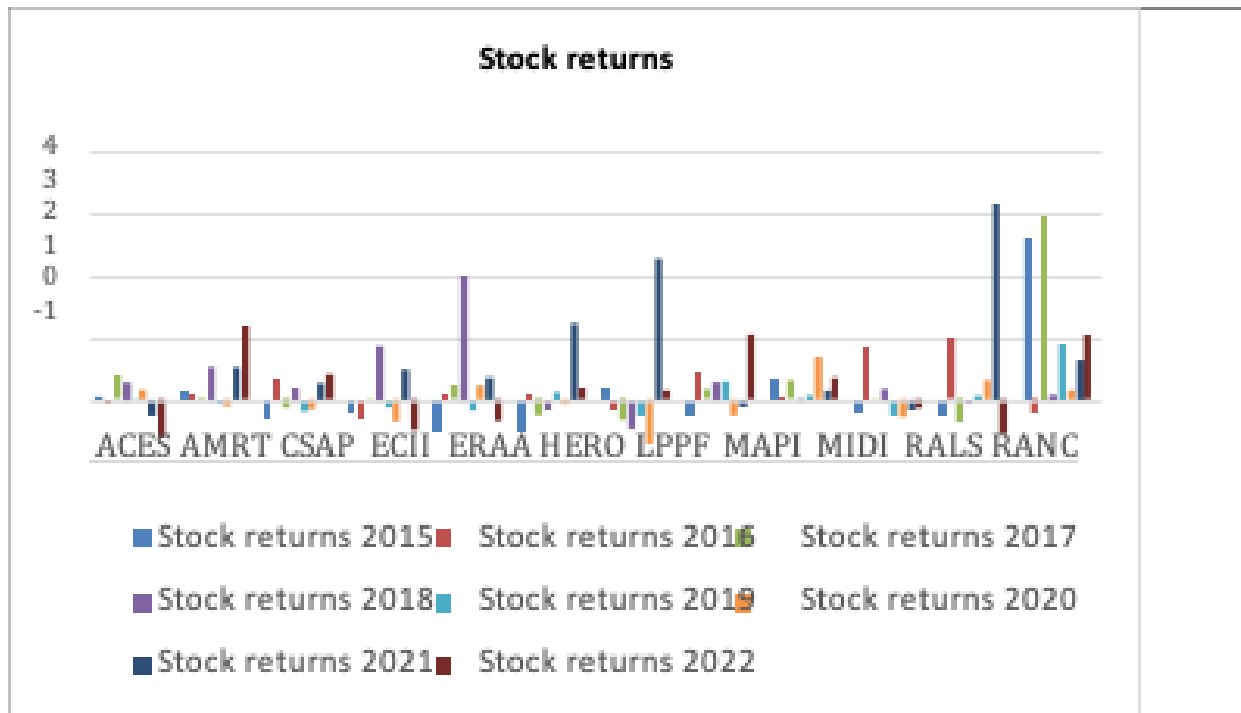


Figure 1. Graph of the movement of stock returns for companies in the retail trading sector

Source: processed 2023

Based on Figure 1 above, it can be seen that the movement of stock returns in the retail trading sector during the period 2015 to 2022 varied and even experienced a significant decline. Many factors influence the movement of stock returns in the retail sector, such as (1) the presence of new competitors, especially from the e-commerce sector, thus placing great competitive pressure on retail companies. This can cause a decrease in market share and revenue for retail companies that are unable to compete

effectively. (2) Fluctuations in macroeconomic conditions, including slowing economic growth, inflation, and changes in interest rates, affect consumer purchasing power. When purchasing power decreases, sales in the retail sector also tend to decrease, which in turn affects company stock returns. (3) Changes in government policy, such as changes in import tariffs, taxes and other regulations, can also affect the performance of retail companies. An increase in import tariffs can increase the cost of goods sold, reduce profit margins, and reduce stock returns. (4) The COVID-19 pandemic is one of the significant factors influencing the movement of stock returns in the retail sector. The 2019 pandemic caused temporary closures of physical stores, supply chain disruptions, and major changes in consumer shopping behavior, which significantly pressured the financial performance of retail companies.

With various factors that can influence the movement of stock returns in the retail sector, there is a need for a strategy to deal with these problems with (1) Digital Transformation is needed for retail companies to invest in technology and digital transformation to develop e-commerce platforms and improve online customer experience. (2) Diversification of product and service offerings, including the development of omni-channel business models, can help retail companies appeal to various consumer segments and reduce dependence on one type of sales channel. (3) Improving operational efficiency and reducing costs can help companies maintain profit margins even when facing price pressures and intense competition. (4) Developing more effective and personalized marketing strategies can help attract and retain customers, increase loyalty, and ultimately increase stock returns.

Additionally, the association between stock returns and Earnings Per Share (EPS) is consistent with research carried out by [\(Krisna & Elizabeth, 2023\)](#) which shows that EPS has a positive and significant effect on stock returns. His research found that if a company's EPS increases, the returns it provides will also increase. Meanwhile research findings [Pandaya et al. \(2020\)](#) revealed that because investors are not interested in seeing a company's Earning Per Share (EPS), stock returns are not influenced by EPS. To assess a company, investors usually consider it with other companies in the same industry. For example, a fairly high profit from a business compared to similar industries can indicate that the business has a strong position and is efficient in managing costs.

Retail business or what is known as retail business is an industry that sells products and services. In Indonesia the retail industry is growing and developing, opening up employment opportunities and making a major contribution to the national economy. As the results of the 2018 Market Profile Survey by the Central Statistics Agency (BPS), there are 1,131 modern shops in Indonesia or 7.06% of the entire market in Indonesia. Meanwhile, shopping centers numbered 708 or 4.42%. And based on the 2019 Global Retail Development Index (GRDI) released by consulting agency A.T Kearney. Indonesian retail still remains in the top 10, namely in 5th position out of 30 developing countries around the world with a score of 55.9% out of 100. However, the Indonesian Retail Entrepreneurs Association (Aprindo) noted that from 2019 to 2020 there were 400 minimarkets closing their business, and in the period March to December 2020, an average of 5 to 6 outlets were forced to close. The rise and fall of the retail industry cannot be separated from the scope of its internal factors [Maulia et al. \(2022\)](#) like : (1) Minimarket management and operations are inefficient in stock management, logistics and daily operations, resulting in difficulties in maintaining profitability. (2) A weak management system can cause problems in managing finances, marketing and human resources, which ultimately has an impact on the overall performance of the minimarket. (3) Ineffective marketing strategies result in minimarkets failing to design and implement effective marketing strategies to retain customers. (4) Lack of innovation in products and services so that they cannot compete with competitors who are more dynamic and responsive to market trends.

Previous research only looked at the impact of company activities on environmental financial performance; consequently, the independent variables Earning Per Share (EPS), Return on Equity (ROE), Debt to Equity Ratio (DER), and Price Earning Ratio (PER) have a positive and significant influence on Stock Returns. Thus, the purpose of this study is to ascertain how price-earning ratio, return on equity, debt-to-equity ratio, and earnings per share affect stock returns for retail trading sector companies that are listed

on the Indonesia Stock Exchange between 2015 and 2022. By examining and testing the models used to examine the link between certain variables in the context of the retail trade industry, the research findings can aid in the study of finance and capital markets. Along with offering insightful information to practitioners and scholars in the domains of finance and management, this study significantly advances our understanding of the variables influencing financial performance and firm value in Indonesia's retail trade industry.

LITERATURE REVIEW

Financial management

Financial management is how a company earns money from its business results, whether from services, trade or manufacturing. Of course, the use and allocation of capital must be done through careful calculations and effective prioritization to maximize business value. The financial management function consists of the function of managing all business activities (financial function), investment function, dividend or profit sharing function.

Analysis Inventasi

When choosing shares to analyze, investors will take into account two primary methods ([Wirdiyanti et al., 2023](#)), specifically, basic and technical analysis. With an emphasis on price movements, technical analysis is a technique for forecasting stock price swings based on data from stock exchange transactions. On the other hand, fundamental analysis is a method that takes into account internal company aspects based on fundamental data like market share, financial reports, and business cycles. This can give a more complete picture of the state of the organization ([Ari et al., 2020](#)).

Stock returns

The potential earnings that investors can get from their investments in the future are known as stock returns ([Lim et al., 2024](#)). The predicted return on a stock or shares split into multiple pools through an investment portfolio is referred to as a stock return ([Ferrat et al., 2021](#)). Financial reports: Examining the financial reports is one approach to determine whether a firm that is going public has demonstrated strong financial success ([Hati et al., 2022](#)). Depending on the requirements and functions needed, many types of financial ratios are used in financial reports ([Fusva et al., 2020](#)). The primary objective of capital market investors in companies going public is to realize substantial capital gains ([Astarini et al., 2020](#)). As a result, the ratio is directly tied, contingent on market conditions, to the stock returns that investors would receive ([Kim et al., 2020](#)). According to [Aswani et al. \(2024\)](#) Stock return can be defined as the profit generated by investors from the business in which they invest, which comes from the operating profit of the business. Apart from that, stock returns can also be defined as the result of subtracting the selling price from the buying price, which can be a profit (positive) or a loss (negative).

Earning Per Share

Because every outcome a company can achieve directly affects the amount of profit obtained based on the number of shares owned by the company, Earning Per Share (EPS) can be interpreted as one of the components that investors compare the most before making investment decisions ([Zhou et al., 2022](#); [Pratiwi et al., 2020](#)). The formula for calculating Earning Per Share is ([S.-F. Wang, 2017](#)):

$$\text{Earning per share} = \frac{\text{Net profit after tax}}{\text{Number of shares outstanding}}$$

Return On Equity

The ability of the business to produce a profit with its own capital is known as return on equity (ROE), which is also sometimes referred to as profitability of its own capital. The demand for shares will

rise if the company can earn a significant profit, which will raise the price of shares. Stock returns will increase in tandem with share prices. On the other hand, a high degree of profitability will result in less need for outside funding. This is true because highly profitable businesses have substantial internal funding, which is why ROE significantly and favorably affects stock returns.

The relationship between Return on Equity (ROE) and stock returns is the same as the research conducted [Liu et al. \(2021\)](#) which states that Return on Equity (ROE) has a positive and significant effect on stock returns. However, this is different from research conducted by [Muna & Kartini \(2023\)](#) claims that the impact of Return on Equity (ROE) is negligible and negative. This suggests that a high Return On Equity (ROE) won't have an impact on an investment because profitable businesses are the ones that can effectively manage their money. Therefore, not every company whose capital declines will see a change in stock returns.

According to [Kyere & Ausloos \(2021\)](#) Generally speaking, when assessing a company's success, investors focus on its financial quality as represented by several calculations. A financial ratio called return on equity (ROE) gauges a company's capacity to generate net profit for its owners by assessing how well it manages its own capital (net worth) and estimating the amount of profit from capital investments made by owners or shareholders in the business ([Harinurdin, 2023](#)). The formula for calculating Earning Per Share is ([S.-F. Wang, 2017](#)):

$$\text{Return On Equity} = \frac{\text{Net profit after tax}}{\text{Total Equity}}$$

Debt To Equity Ratio

Debt to Equity Ratio or commonly abbreviated as DER is a ratio used to assess debt versus equity. This ratio functions to find out how much equity is used as collateral for debt activities carried out. The relationship between Debt to Equity Ratio (DER) and stock returns is in line with [Ngoc et al. \(2021\)](#), [Marlindja & Meirisa \(2022\)](#) demonstrates the favorable and large impact of the Debt to Equity Ratio (DER) on stock returns. On the other hand, research by indicates that the Debt to Equity Ratio (DER) has a substantial and adverse impact on stock returns.

According to [Broadstock et al. \(2021\)](#) A financial measure called the Debt to Equity measure (DER) determines how equally the company's debt and equity are held. When DER is expressed as a percentage, it indicates how much capital a company has relative to its debt; conversely, when considering the company's capacity to meet long-term obligations, a smaller DER percentage indicates a higher capacity for meeting such obligations. Conversely, an increased DER percentage signifies that the company's debt is more than its total capital, implying that the company's capital source is dependent on external sources.. The following is the formula for calculating the DER rasio ([S.-F. Wang, 2017](#)):

$$\text{Debt To Equity Ratio} = \frac{\text{Total Liabilities}}{\text{Total Equity}}$$

Price Earning Ratio

According to [Lehenchuk et al. \(2024\)](#) Financial ratios, sometimes referred to as financial ratios, are crucial for doing an analysis of a company's financial situation. According [Le et al. \(2024\)](#) The Price Earning Ratio (PER) is a ratio that evaluates the difference between the market price of a share and the profit earned from each share sold. This assertion is consistent with studies [Wang et al. \(2020\)](#), [Ningrum \(2019\)](#) It demonstrates that the Price Earning Ratio (PER) significantly and favorably influences stock returns ([Hasanudin, 2022](#)) It demonstrates that the favorable but small impact of PER on stock returns. This differs from the study carried out by ([Karamoy & Tulung, 2020](#)) that there is a negligible and negative impact of the Price Earning Ratio (PER) on stock returns. Nonetheless, the PER value is completely

meaningless in situations where a business makes very little money or even loses money. According to [Lehenchuk et al. 2024](#) Financial ratios, sometimes referred to as financial ratios, are crucial for doing an analysis of a company's financial situation. The market price per share and earnings per share are taken into account to calculate the price-earning ratio, or PER (profit per share). As a result, one kind of ratio that is employed to decide what to invest in is PER. The market price per share and earnings per share are taken into account to calculate the price-earning ratio, or PER (profit per share). According to this definition, the Price Earning Ratio (PER), which compares the share market price to Earnings Per Share (EPS), is one of the most popular techniques for evaluating shares.. PER can be calculated using the formula ([S.-F. Wang, 2017](#)):

$$\text{Price Earning Ratio} = \frac{\text{Price Stock}}{\text{Profit Per Share}}$$

Development of research hypotheses

A research hypothesis is an assertion about the relationship between two or more variables that will be examined in a study. This hypothesis is applied in a particular study context to ascertain whether the independent variables (in this case, profits per share, return on equity, debt to equity ratio, and price earning ratio) and the dependent variable (share returns) are related.

H1: Stock returns in retail exchanging division companies recorded on the Indonesia Stock Trade between 2015 and 2022 are impacted by profit per share. Concurring to this hypothesis, stock returns in companies within the retail exchanging industry are connected with Profit Per Share (EPS). In this specific setting, the consider points to examine the potential relationship between higher EPS and higher stock returns.

H2: For companies within the retail exchanging division recorded on the Indonesia Stock Trade between 2015 and 2022, return on value has an affect on stock returns. According to this concept, stock returns in companies within the retail exchanging industry are affected by return on value (ROE). The think about will examine whether higher stock returns are often seen by companies with higher ROE.

H3: For companies within the retail exchanging sector listed on the Indonesia Stock Trade between 2015 and 2022, the obligation to value ratio encompasses a negative affect on stock returns. Agreeing to this speculation, stock returns in companies within the retail exchanging industry are contrarily affected by the Obligation to Value Proportion (DER). This recommends that stock returns for companies with tall DER may be lower.

H4: For companies within the retail exchanging division recorded on the Indonesia Stock Trade between 2015 and 2022, the Price Winning Proportion incorporates a positive and critical affect on stock returns. Agreeing to this hypothesis, stock returns in retail exchanging segment undertakings are emphatically and altogether affected by the Cost Gaining Proportion (PER). The study will examine the relationship between tall PER companies and higher stock returns.

The research attempts to determine and comprehend the elements that impact stock returns in retail trading sector companies on the Indonesia Stock Exchange between 2015 and 2022 by testing these hypotheses.

RESEARCH METHODS

Location

Collection locations in the retail trading sector listed on the Indonesian Stock Exchange for the last 8 years (2015-2022) sourced from the Official Website of the Indonesian Stock Exchange which provides an online platform containing information about all listed companies, including financial data and stock performance.

Population

The populace or in general unit of investigation in this consider comprises of 32 retail exchanging division companies that have been recorded on the Indonesia Stock Trade all through the final eight a long time, from 2015 to 2022. The ponder centers on stock returns, which are influenced by numerous components like price-to-earning proportion, debt-to-equity proportion, return on value, and profit per share.

Data collection techniques

The official site of the Indonesia Stock Trade is looked as portion of the report consider information collection procedure employed in this think about to guarantee that all related information on the impacts of the Gaining Per Share (EPS), Return On Value (ROE), and Obligation To Value factors are assembled. on the execution of stock returns in retail exchanging division businesses recorded on the Indonesia Stock Trade, as well as Cost Winning Proportion (PER) and Profit Value Proportion (DER).

Data analysis

Utilizing inferential examination, the taking after procedures were utilized to look at the impacts of Winning Per Share (EPS), Return On Value (ROE), Obligation To Value Proportion (DER), and Cost Winning Proportion (PER) on the execution of Stock Returns in retail exchanging segment companies recorded on the Indonesia Stock Trade:(1) Guess The relationship between the autonomous factors (EPS, ROE, DER, and PER) and the subordinate variable (stock return) is tried in arrange to define the invalid theory (no impact) and elective speculation (impact); (2) Relapse investigation is utilized to demonstrate the relationship between one or more free factors and the subordinate variable, deciding the degree to which EPS, ROE, DER, and PER factors have an affect on stock returns. A relapse coefficient depicting the size of the anticipated alter in stock returns in reaction to varieties within the autonomous variable will be given by the relapse discoveries; (3) To decide whether there's a multicollinearity issue between the free factors, utilize a multicollinearity test. This test is performed to decide whether the autonomous factors have a solid relationship that might make it troublesome to decipher the relapse comes about; (4) Fluctuation investigation is performed utilizing the F and T tests to decide whether the relapse show as a entirety altogether predicts varieties in stock returns.

RESULTS

Descriptive Analysis

Table 1. Descriptive analysis

Variable	obs	Mean	Std.dev	Min	Max
Stock returns	96	1.032612	1.076224	-0.79038	2.082067
EPS	96	6.146529	3.981245	0.3249998	14.70763
ROE	96	0.2842083	0.169199	0.0055469	0.5988154
DER	96	2.046624	1.070119	0.0303896	3.989261
PER	96	243.4607	237.7866	7.275137	1020.521

Source: STATA17 output

Based on the output results of table 1, it can be seen that:

- a. PT. Matahari Department Store Tbk owns the stock return variable (Y), which has a minimum value of -0.7903803. discovered in 2018, with PT. Midi Utama Indonesia Tbk owning the highest value of 2.982067 at the time. 1.032612 is the mean value, and 1.076224 is the standard deviation.
- b. In 2017, PT. Electronic City Indonesia Tbk owned the smallest value of the EPS variable (X1), which is 0.3249998. In 2018, PT. Midi Utama Indonesia held the maximum value of 14.70763. 6.146529 is the mean value, and 3.981245 is the standard deviation.

- c. In 2018, the ROE variable (X2) had a maximum value of 0.5988154 held by PT. Midi Utama Indonesia and a minimum value of 0.0055469 owned by PT. Erajaya Swasembada Tbk. The standard deviation is 0.169199, while the mean is 0.2842083. PT. Midi Utama Indonesia owns the DER variable (X3).
- d. A minimum value of 0.0303896 in 2018 and a maximum value of 3.989261 in 2015, which is owned by PT. Catur Sentosa Adiprana Tbk. 2.046624 is the mean value, and 1.070119 is the standard deviation.
- e. The variable PER (X4) has a maximum value of 1020,521 held by PT. Hero Supermarket Tbk in 2021 and a minimum value of 7.275137 owned by PT. Midi Utama Indonesia in 2018. The values of the standard deviation and mean are 237.7866 and 243.4607, respectively.

Chow Test

Table 2. Chow test results

F(11,80) =	2.88
Prob > F	0.0031

Source: STATA17 output

Based on the results of the Chow Test, it is known that the Prob value is $> F 0.0031 < 0.05$, meaning that the estimation model chosen is the Fixed Effect Model (FEM) so that H_0 is rejected. Based on the Chow Test results, the best estimation model is the Fixed Effect Model (FEM).

Hausman Test

Table 3. Hausman Test Results

Number of obs =	96
Number of Groups =	12
Obs Per Gorup =	
Min	8
Avg	8.0
Max	8
Wald chi2 (4) =	230.52
Prob > chi2 =	0.0000

Source: STATA17 output

The Prob>chi2 value in the Hausman Test results shows 0.0000, which means $(\text{Prob}>\text{chi}2) < 5\%$ so H_0 is rejected. Based on the Hausman Test results, the best estimation model is the Fixed Effect Model (FEM). Based on the results of the model testing above, it can be concluded that the selection of the regression model used in this research is the Fixed Effect Model (FEM).

Classic assumption test

Table 4. Normality test results

Skewness and kurtosis test for normality					
-----Joint test-----					
Variable	Obs	Pr(skewness)	Pr(kurtosis)	Adj chi2(2)	Prob> chi
Res	96	0.5192	0.0607	4.05	0.1320

Source: STATA17 output

Based on table 4 above, it can be seen that the figures from the results of the normality test carried out show that each variable has a prob>chi2 value of 0.1320, which indicates that if the value is greater than the value of 0.05, it is declared normally distributed. Where this shows $0.1320 > 0.05$ then

the data is declared to be normally distributed. If the data is declared to be normally distributed, it can be continued with the next analysis test tool.

Table 5. Multicollinearity Results

Vif	Variable	VIF	1/VIF
	EPS	2.88	0.347364
	ROE	1.86	0.536633
	DER	1.55	0.646461
	PER	1.40	0.716455
	Mean VIF	1.92	

Source: STATA17 output

Based on table 5, it can be seen that the number for each variable is close to 1 with a mean Variance Inflation Factor value of 1.92, meaning that the VIF limit of 10 is not exceeded. If the VIF value is less than 10 then there is no indication of multilinearity. It can be concluded that there is no indication of a multilinearity problem in this research.

Table 6. Heteroscedasticity Test Results

Ho : Constant variance		
Chi (1)	=	2.49
Prob > chi2	=	0.1143

Source: STATA17 output

Based on the data above, it is known that the Prob > chi2 value is 0.1143, this shows that the Prob value > 0.05, which means the regression model is free from symptoms of heteroscedasticity or also called homoscedasticity.

Inferential Analysis

Table 7. Results of Panel Data Regression Equation Analysis

Stock returns	Coefficient	Std. Err.	t	P > t	[95% conf. Interval]	
EPS	0.1083025	0.0295611	3.66	0.000	0.0494741	0.1671309
ROE	2.05297	0.4787032	4.29	0.000	1.100321	3.00562
DER	-0.4410251	0.0857518	-5.14	0.000	-0.6116766	-0.2703735
PER	0.0006757	0.0003891	1.74	0.086	-0.000986	0.0014499
_CONS	0.5215727	0.3448607	1.51	0.134	-0.1647218	1.2077867

Source: STATA17 output

$$Y = 0,5215727 + 0,1083025 \text{ EPS} + 2,05297 \text{ ROE} - 0,4410251 \text{ DER} + 0,5215727 \text{ PER}$$

Based on the regression equation it can be explained as follows:

- 1) The constant value is 0.5215727, this means that if the variable size of Earning Per Share (X1), Return On Equity (X2), Debt To Equity Ratio (X3), and Price Earning Ratio (X4) is constant, then the value of Return The stake is 0.5215727.
- 2) The coefficient value of Earning Per Share (X1) is 0.1083025, this means that if EPS (X1) increases by 1 unit where other variables are constant then the Stock Return variable (Y) will experience an increase of 0.1083025.
- 3) The Return On Equity (X2) coefficient value is 2.05297, this means that if ROE (X2) increases by 1 unit where other variables are constant then the Stock Return (Y) variable will experience an increase of 2.05297.

- 4) The Debt To Equity Ratio (X3) coefficient value is -0.4410251 , this means that if DER (X2) increases by 1 unit where other variables are constant then the Stock Return variable (Y) will experience a decrease of 0.4410251 .
- 5) The coefficient value of Price Earning Ratio (X4) is 0.5215727 , this means that if PER (X2) increases by 1 unit where other variables are constant then the Stock Return variable (Y) will experience an increase of 0.5215727

Hypothesis testing

Table 8. Model Feasibility Test Results (F Test)

	F(4,89)	= 61.32
Corr(u _i , Xb) = -0.2439	Prob > F	= 0.0000

Source: STATA17 output

Simultaneous hypothesis testing on the collected data reveals that the computed F-value is 61.32, more than the 2.70 f-table value, with a Prob > F value of $0.0000 < 0.05$. As a result, H1 is approved but H0 is refused. This demonstrates how, all things considered, the variables EPS, ROE, DER, and PER have a major impact on stock returns.

Table 9. Coefficient of Determination Test Results (R^2)

R-Squared
Whithin = 0.7541
Between = 0.1983
Overall = 0.6696

Source: STATA17 output

The aforementioned data indicates that the overall R-squared value is 0.6696, or 66.96%. This indicates that 66.96% of the variation in the Stock Return variable can be explained by the variables EPS, ROE, DER, and PER. Meanwhile, characteristics or variables not covered by this study have an impact on the remaining 33.04%.

Tabel 10. Results T-Test

Stock returns	Coefficient	Std. Err.	t	P > t	[95% conf. Interval]	
EPS	0.1083025	0.0295611	3.66	0.000	0.0494741	0.1671309
ROE	2.05297	0.4787032	4.29	0.000	1.100321	3.00562
DER	-0.4410251	0.0857518	-5.14	0.000	-0.6116766	-0.2703735
PER	0.0006757	0.0003891	1.74	0.086	-0.000986	0.0014499
_CONS	0.5215727	0.3448607	1.51	0.134	-0.1647218	1.2077867

Source: STATA17 output

From the table presented, the following conclusions can be drawn;

With a significance level of 0.000, the computed t value for the Earning Per Share (X1) variable is 3.66, which is more than the t-table of 1.98. This demonstrates that Stock Returns (Y) are significantly and favorably impacted by the Earning Per Share variable (X1). The study's findings indicate that businesses with high earnings per share typically have higher share returns. It follows that businesses with high earnings per share can make more money and see an increase in the value of their stock. As a result, businesses with high earnings per share typically have larger share returns. The study's findings have important commercial ramifications because businesses with high earnings per share are thought to have the ability to raise both the value of their stock and their profits. As a result, investors can utilize the study's findings as a guide to help them choose wisely.

With a significance level of 0.000, the computed t value for the return on equity (X2) variable is 4.29, which is more than the t table of 1.98. This demonstrates that there is a positive and significant relationship between stock returns (Y) and the return on equity variable (X2). The study's findings indicate that businesses with strong returns on equity typically have higher stock returns. Accordingly, businesses with a high return on equity are more likely to be profitable and see a growth in the value of their stock. Thus, businesses with a high return on equity may be thought of as having the ability to raise profits and share value. As a result, investors can make wise investment decisions by referring to the research's findings.

With a significance level of 0.000, the computed t value for the debt to equity ratio (X3) variable is -5.14, which is less than the t table of 1.98. Consequently, stock returns (y) are significantly and negatively impacted by the debt to equity ratio (X3) variable. The study's findings indicate that businesses with high debt-to-equity ratios typically experience poorer stock returns. This implies that businesses with a high debt-to-equity ratio have the potential to produce fewer earnings while seeing an increase in share value. Consequently, stock returns for companies with a high debt to equity ratio are often lower. Businesses with a high debt to equity ratio may be thought of as having the ability to boost earnings and the value of their stock. As a result, investors can make wise investment decisions by referring to the research's findings.

The price earning ratio (X4) variable has a computed t value of 1.74, which is less than the 1.98 t table at the significance level of 0.086. This demonstrates that, while not statistically significant, the price earning ratio (X4) variable has a positive and significant impact on stock returns (Y). Within the business domain, the findings of this study bear noteworthy ramifications for firms possessing a high price-earnings ratio, which is deemed indicative of the ability to augment share value and boost profits. A corporation with a high price earning ratio cannot be regarded as having the ability to considerably raise profits and the value of its shares, though, as the price earning ratio (X4) variable is not statistically significant.

DISCUSSION

Earning Per Share (EPS)

According to study findings, stock returns are positively and significantly impacted by earnings per share, or EPS. This result supports the idea that high net profit levels indicate a firm's ability to make gains that may be paid to shareholders, which makes investors interested in purchasing company shares. Investors will be more inclined to purchase the company's shares due to its excellent returns, which will eventually raise the share price. The results of this research are in line with previous research conducted by [\(Mustofa & Nurfadillah, 2021\)](#) which also shows that EPS has a positive and significant influence on stock returns. This indicates the consistency of findings between this research and previous research, which strengthens the belief in a positive relationship between EPS and stock returns. On the other hand, research conducted by [Chaeriyah et al. \(2020\)](#), [Ahmad et al. \(2021\)](#) found that EPS does not have a significant influence on stock returns. These differences may be caused by factors such as differences in research methodology, sample size, or characteristics of the companies studied. In some cases, these differences may also be due to differences in market conditions or economic environments at the time the research was conducted. Thus, while this research strengthens the finding that EPS has a positive and significant influence on stock returns, the difference in results with previous research shows the importance of conducting further research to understand in more depth the factors that influence stock returns in a broader and varied context.

Return On Equity (ROE)

This finding is in line with previous research conducted by [Wesso et al. \(2022\)](#), [El Khoury et al. \(2023\)](#) which also found that ROE has a positive and significant influence on stock returns. This indicates the consistency of findings between this research and previous research, which strengthens belief in the positive relationship between ROE and stock returns. However, there are studies that state different

results, such as those conducted by [Nurafifah et al. \(2023\)](#) which found that ROE does not have a significant influence on stock returns. These differences may be caused by factors such as differences in research methodology, sample size, or characteristics of the companies studied. In some cases, these differences may also be due to differences in market conditions or economic environments at the time the research was conducted.

Nevertheless, the results of this research provide an important contribution in deepening understanding of the relationship between ROE and stock returns in the context of retail trade sector companies. Moreover, the differences in results with previous studies demonstrate the complexity and variability in the factors influencing stock returns, highlighting the importance of conducting further research to understand in more depth the dynamics of stock returns.

Debt to Equity Ratio (DER).

The study's findings demonstrate that the Debt to Equity Ratio (DER) significantly and negatively affects stock returns. This result is in line with the theory that a company's risk increases with its debt to equity ratio. A high DER suggests that the business is financing its activities more heavily with debt, which raises the possibility of bankruptcy and puts further strain on the business's financial performance. Consequently, due to the dangers involved, investors typically steer clear of equities with high DERs.

This finding is also supported by previous research conducted by [Zakaria \(2021\)](#), [Mohanasundaram & Kasilingam \(2024\)](#) which also found that DER has a negative and significant influence on stock returns. This consistency indicates greater confidence in the relationship between DER and stock returns in a broader context.

However, there is research that produces different results, such as that conducted by [Hakim & Abbas \(2019\)](#), [Agyabeng-Mensah et al. \(2020\)](#) which states that DER has a positive and significant influence on stock returns. These differences may be due to differences in research methodology, sample size, or characteristics of the companies studied. In addition, differences in these results could also be caused by differences in market conditions or economic environments at the time the research was conducted.

Thus, the results of this research provide an important contribution in deepening understanding of the relationship between DER and stock returns in the context of retail trade sector companies. Although there are variations in the results of previous studies, the consistency of these findings with other studies strengthens confidence in the importance of taking into account the DER factor in stock investment analysis.

Price Earning Ratio (PER)

This finding is in line with previous research conducted by [Salisu & Vo \(2020\)](#), [Eviyenti \(2021\)](#) which also found that PER has a positive and significant influence on stock returns. This consistency strengthens confidence in the relationship between PER and stock returns in a broader context.

However, there is research that produces different results, such as that conducted by [Hakim & Abbas \(2019\)](#), [Bătae et al. \(2021\)](#) which states that PER does not have a positive and insignificant influence on stock returns. These differences may be due to differences in research methodology, sample size, or characteristics of the companies studied. In addition, differences in these results could also be caused by differences in market conditions or economic environments at the time the research was conducted.

Nevertheless, the results of this research provide an important contribution in deepening understanding of the relationship between PER and stock returns in the context of retail trade sector companies. Although there are variations in the results of previous studies, the consistency of these findings with other studies strengthens confidence in the importance of taking into account the PER factor in stock investment analysis.

CONCLUSION

The study's outcomes show that the financial performance metrics Price Earning Ratio (PER), Debt to Equity Ratio (DER), Earnings Per Share (EPS), and Return On Equity (ROE) all significantly affect sector firm stock returns. retail industry. By understanding the impact of each variable, such as price-earning ratio (PER), debt-to-equity ratio (DER), return on equity (ROE), and earnings per share (EPS), investors can make more informed investment decisions, and management firms can enhance their companies' financial performance and appeal to investors.

SUGGESTION

Practical Advice

This research provide advice to investors in making investment decisions such as (1) Financial performance analysis to assess company performance from a financial perspective, which is related to financial health, efficient use of resources, and ability to generate profits; (2) Financial ratio analysis which is useful for knowing the extent to which the company achieves its set financial goals. By using financial performance analysis and financial ratios, investors can obtain information about the performance and financial health of retail companies, so that they can help investors make more informed and measurable investment decisions.

Theoretical Suggestions

For further research, it is recommended to involve other variables such as investment and funding decisions to deepen understanding of the factors that influence stock returns in retail trading sector companies. Investment and funding decisions have a strong relationship with a company's stock returns. The right investment can improve company performance, which in turn can influence share prices. Likewise, funding decisions, such as a company's capital structure, can influence the risks and returns expected by investors, thereby affecting stock returns.

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