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RESEARCH ARTICLE

ANALYSIS OF THE EFFECT OF RETURN ON ASSETS AND RETURN ON EQUITY ON STOCK PRICESPT. (PERSERO) MANDIRI BANK TBK

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Abstract : The capital market is a means of corporate finance through which companies obtain capital from investors. The main objective of investors who buy shares is to obtain dividends from the difference between the sale price and the purchase price of the shares. The share price is the price per share of the company issued on the stock exchange. This study aims to examine the relationship between return on assets and return on equity at PT. (PERSERO) MANDIRI Tbk. During the period 2019-2021. The purpose of this research is to discover and analyze the effect of return on assets and return on equity on stock prices at PT. (PERSERO) Mandiri BankTbk. The research method used is descriptive and quantitative methods. The analytical tool used is multiple linear regression and the coefficient of determination. Based on the results of the study, there is no effect (H0 is accepted) of return on assets (ROA) and return on equity (ROE) on stock prices.

Keywords: *Return on assets, Return on equity, Stock prices.*

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INTRODUCTION

In the current capital market development is very important for the Indonesian economy. This is due to the growing public interest in the capital market, the growing number of companies listed on the capital market, and government support through investment policies. Equity investments should generate returns for investors. Equity investment activities are expected to generate profits for investors [1].

Based on law no. 8 of 1995 concerning the capital market, stipulates that activities related to the offering and trading of securities to the public. The capital market plays an important role in the economy of the country, as the capital market is a means of business financing where companies obtain capital from investors. Therefore, in order for investors not to suffer losses, investors should monitor fluctuations and factors that may affect stock prices when making decisions. The share price is the price per share of the company issued on the stock exchange, where the share price is a rather important factor that must be determined in advance by investors who wish to invest their capital. The two issuer, because the share price is an exposure to the performance of the issuer. Unit financial performance measurement can use financial ratios [2]. Return on Assets (ROA) describes a company's ability to earn profit using assets. ROA aims to measure return on invested capital using all assets owned by the company. The higher the ROA value, the more effective it is in providing returns to investors. In other words, the higher the ROA value, the more profit the company generates. If the value of ROA tends to decrease, the company will incur losses. Return on Equity (ROE) describes a company's ability to generate profits based on certain actions. ROE is one of the most important profitability ratios.

The higher the company's ROE value, the better the company's efficiency in generating after-tax net profit. The results of research conducted by Permatasari *et. al.* [3] shows that ROA has a positive effect on stock prices, which is consistent with research by Bahri [4] Untari *et al.* [1], Anwar and

Soedjatmiko [5], Sari [6] and Pane *et. al.* [7] Based on the theory and results of previous research, this research can formulate the following hypotheses: H1: Return on assets has an effect on stock prices Research by Romadhan and Satrio [8] shows that ROE has a negative effect on stock prices, this is consistent with research by Permatasari *et. al.* [3]. Research by Ari et al. [9] shows that ROE has a positive effect on stock prices, which is consistent with research by Bahri [4] and Untari et al. [1].

Based on the theory and results of previous research, this research can formulate the following hypotheses: H0: Return on assets has an effect on stock prices, H1: Return on equity has an effect on stock prices.

RESEARCH METHODOLOGY

This research uses a quantitative approach with descriptive methods. The population of this study is PT Bank Mandiri Tbk. The sampling technique uses purposive sampling with data samples from PT Bank Mandiri Tbk in 2019-2021. The data analysis techniques in this study used financial ratio analysis and statistical analysis using multiple linear regressions. The search framework model is formed:

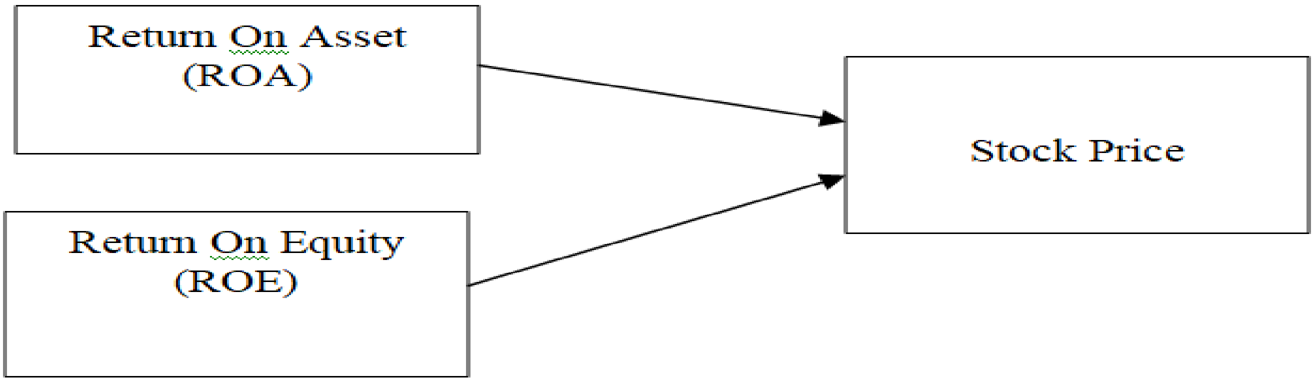

Fig.1: Model research framework

Operationalization of Variables

Table 1: Operationalization of variables

Variable	The measure
Dependen	
Share price	The stock price in this study is each company's closing price obtained from PT's year-end closing price. (PERSERO) MANDIRI Tbk. with the period 2019-2020 recorded at BMRI.JK
Independent	
ROA	ROA is a ratio that represents the return on equity investment of the total assets that the company will use. The formula used to calculate the ROA is the $ROA = \frac{EAT}{\sum asset} X 100\%$
ROE	ROE is the ability of a company to generate profits based on its net capital assets. The formula to use to calculate the ROE is as follows: $ROE = \frac{EAT}{\sum equity} X 100\%$

RESULTS AND DISCUSSION

Multiple Linear Regression Analysis

Multiple linear regression analysis is used to determine the direction of the relationship between the independent variables and the dependent variable, if each variable is independent positively or negatively and predict the value of the dependent variable if the value of the independent variable increases or decreases. The independent variables in this study are return on assets and return on equity. While the dependent variable is the stock price. To estimate the regression coefficients, a data processing system was used using the SPSS program, the results of which can be seen in Table 2.

Table 2: Return on assets and return on equity multiple linear regression

Coefficients[a]								
Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.	Collinearity Statistics Tolerance	Collinearity Statistics VIF
1	(Constant)	5923.720	672.685		8.806	.000		
	roa (x1)	111859.001	86397.456	.709	1.295	.228	.293	3.407
	roe(x2)	-9025.655	14138.668	-.350	-.638	.539	.293	3.407

Multiple Linear Regression Analysis Model Equation:

$$Y = 5923.720+111859.001X1 – 9025.655X2$$

Y = share price, X1 = Return on assets, X2 = Return on equity

- The constant (α) is 5,923,720, which means that if return on assets (ROA) and return on equity (ROE) are equal to 0, the stock price is 5,923,720.
- The return on assets (ROA) regression coefficient (X1) is 111859.001. This means that if the return on assets (ROA) decreases by 1%, the stock price will increase by 111859.001. With a fixed return on investment (ROA) assumption.
- The Return On Equity (ROE) regression coefficient (X2) is -9025.655. This means that if the return on equity (ROE) decreases by 1%, the stock price will increase by -9025,655. With a fixed return on equity (ROE) assumption.

Thus, it can be concluded that return on assets (ROA) (X1) has a positive relationship with stock prices, return on equity (ROE) (X2) has a negative relationship with stock prices.

Multiple Correlation Analysis

Based on the resulting SPSS output, the magnitude of the influence of return on assets (ROA) and return on equity (ROE) as a whole on stock prices is 0.8%, while the The remaining 79.2% are influenced by other factors or have no effect at all.

Table 3: Multiple correlation of return on assets and return on equity

Model Summary[b]					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.456[a]	.208	.032	896.238	1.237
a. Predictors: (Constant), roe (x2), roa (x1)					
b. Dependent Variable: harga saham (y)					

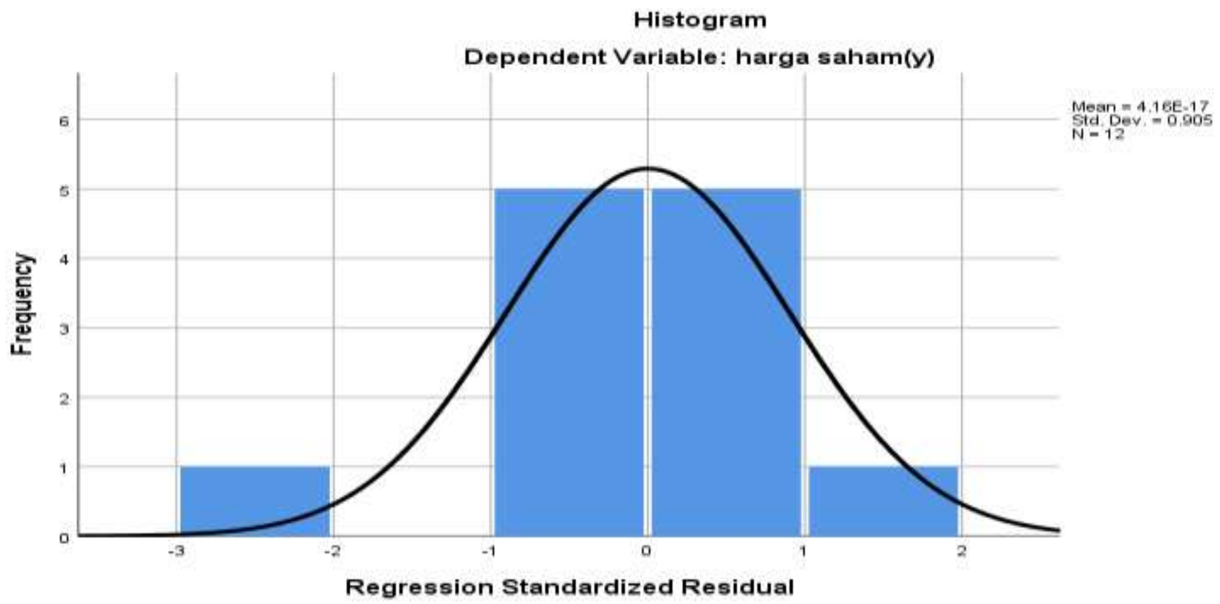

Fig. 2: Dependent variable: share price (y)

Test the Regression Coefficient Together (F-test)

This test determines whether the independent variables jointly have a significant effect on the dependent variable. know whether the regression model can be used to predict the dependent variable or not. From the result of the regression analysis, it can be seen that the F value is in Table 4.

Table 4: Return on assets and return on equity together (F-test)

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1900420.410	2	950210.205	1.183	.350[b]
	Residual	7229181.296	9	803242.366		
	Total	9129601.706	11			
a. Dependent Variable: harga saham (y)						
b. Predictors: (Constant), roe(x2), roa (x1)						

Sig = 0.350 > 0.05 then Ho is accepted or there is no significant effect. This means that the independent variables Return On Assets (ROA) and Return On Equity (ROE) simultaneously have no significant effect on the dependent variable on stock prices.

Partial Test

This test is used to determine if the independent variable regression model partially has a significant effect on the dependent variable. To determine the level of materiality simultaneously, the effect of accounting conservatism, audit committee, independent board of auditors and company size will lead to changes in tax evasion can be explained in Table 5 .

Table 5: Partial test results

Coefficients[a]							
	Unstandardized coefficients		Standardized coefficients			Collinearity Statistics	
Model	B	Std. Error	Beta	t	Sig.	Tolerane	VIF
Constant	5923.720	672.685		8.806	.000		
ROA (x1)	111859.001	86397.456	.709	1.295	.228	.293	3.407
ROE (x2)	-9025.655	14138.668	-.350	-.638	.539	.293	3.407

Test of the Regression Coefficient of the Return on Assets Variable

Hypothesis H1: the return on assets has an effect on stock prices

The results of the partial test calculations obtained results indicating that the return on assets (ROA) calculation has a significance level of 2.28 while the error rate is 5% (α = 0.05) of so that 2.28 > 0.05 means return on assets (ROA) partially has no significant effect on stock prices.

This means that if the profit of the company is low, investors will consider it more when evaluating the level of profitability of the company. The results of this study indicate that the Return On Assets (ROA) variable has no significant effect on the stock price of PT Bank Mandiri Tbk. This can be interpreted as follows: the lower the return on assets (ROA), the higher the number of investors giving a negative reaction with the ability to stop investing.

Test of the Regression Coefficient of the Return on Equity Variable

Hypothesis H1: Return on equity affects stock prices

The return on equity (ROE) has a significance level of 0.539 while the error rate is 5% (α = 0.05), so that 0.539 > 0.05 means that the return on equity (ROE) partially has no significant effect on stock prices. The results of this study indicate that the Return On Equity (ROE) variable has no significant effect on the stock price of PT Bank Mandiri Tbk in 2019-2021. Thus, most investors are not interested in obtaining long-term profits in the form of dividends, but are more interested in short-term profits, namely capital gains, so that when they plan to buy shares, they do not take ROE into account.

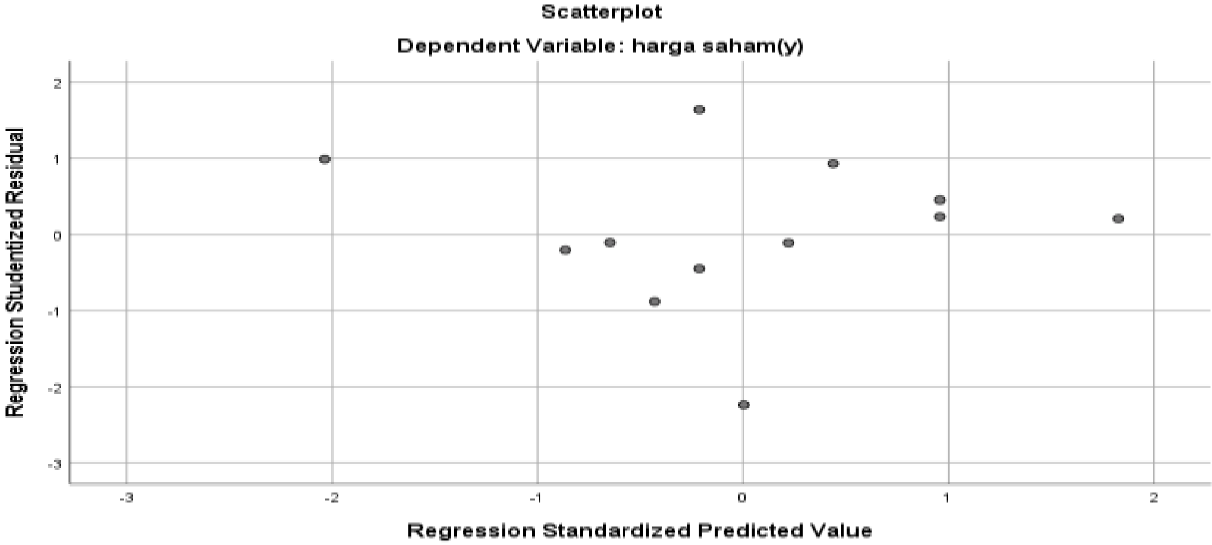

Figure 3: Dependent variable: Share Price (y)

According to Imam Ghozali [10] there is no heteroscedasticity if there is no clear pattern (wavy, widened and then narrowed) in the scatterplot image, and the points s 'spread out below and are numbered 0 on the axis.

CONCLUSION

Return on assets, return on equity and stock prices of PT (Persero) Bank Mandiri Tbk did not experience fluctuating changes. The magnitude of the effect of return on assets (ROA) and return on equity (ROE) as a whole on stock prices is 20.8% while the remaining 79.2% is the influence of other factors or no effect at all, test the hypothesis simultaneously return on assets and return on equity have no significant effect on stock prices. Meanwhile, partially, return on assets and return on equity also have no significant effect on stock prices.

This impact was caused by the COVID-19 pandemic during the period 2019-2021. The way to overcome this is to implement macroeconomic policies. In the implementation of macroeconomic policy, it will be based on the plans and actions of the government, planning the amount of supply and demand, maintaining monetary values.

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