

CHAPTER 1

INTRODUCTION

1.1 Overview of Research Objects

The stock exchange is actually the same as other markets, namely a place for transactions between sellers and buyers which is a place to accommodate the needs of demand and supply. What is different in the stock exchange is trading securities such as stocks, bonds and others. The stock exchange in Indonesia, commonly known as the Indonesia Stock Exchange, is the result of a merger between the Jakarta Stock Exchange (JSX) and the Surabaya Stock Exchange (BES). The government decided to merge the two stock exchanges as a market to create operational and transaction effectiveness, the Indonesia Stock Exchange began operating on December 1, 2007. According to Law no. 8 of 1995 concerning the capital market, a stock exchange is a party that organizes and provides systems and or facilities to bring together offers to buy and sell Securities of other Parties for the purpose of trading Securities between them. Meanwhile, securities are securities, namely debt acknowledgments, commercial securities, shares, bonds, proof of debt, Participation Units in collective investment contracts, futures contracts for securities, and any derivatives of securities.

The Indonesia Stock Exchange (IDX) is divided into nine sectors, namely the agricultural sector which is further divided into 6 sub-sectors, the mining sector which is further divided into 5 sub-sectors, the basic and chemical industry sector which is further divided into 9 sub-sectors, the various industry sectors which are divided into five sub-sectors. again into 7 sub-sectors, the consumer goods industry sector which is further divided into 5 sub-sectors, the property real estate and building construction sector which is further divided into 3 sub-sectors, the utility and transportation infrastructure sector which is further divided into 6 sub-sectors, the financial sector which is divided into three sub-sectors. again into 5 sub-sectors, and the service trade and investment sector which is further divided into 8 sub-sectors. Meanwhile, based on the classification, the IDX is divided into three sectors, namely the main sector, the manufacturing sector, and the

service sector. The number of companies listed on the Indonesia Stock Exchange is 766 companies by the end of 2021.

In addition to being divided into several sectors, the Indonesia Stock Exchange also groups companies according to criteria into several indexes. In the capital market, stock indexes are created so that investors have a reference when investing in the capital market. These indices include the Composite Stock Price Index (JCI), IDX80, LQ45, IDX30, IDX Quality 30, IDX Value 30, IDX Growth 30, IDX ESG Leaders, IDX High Dividend 20, IDX BUMN20, Indonesia Sharia Stock Index Index (ISSI), Jakarta Islamic Index 70 (JII70), Jakarta Islamic Index (JII) IDX-MES BUMN 17, IDX SMC Composite, IDX SMC Liquid, KOMPAS100, BISNIS-27, MNC36, Investor33, infobank15, SMinfra18, SRI-KEHATI, ESG Sector Leaders IDX KEHATI, Quality 45 IDX KEHATI, PEFINDO25, PEFINDO i-Grade, Main Board Index, Development Board Index, and indexes by sector.

The stock index itself is a statistical measure that can describe the overall movement of stock prices using a group of stocks selected through certain criteria and methodologies and always evaluated periodically. The benefits of creating a stock index are for portfolio benchmarks, measuring market sentiment, and in terms of measuring or modeling returns.

One index that is relatively new on the Indonesia Stock Exchange is the IDX80 index. The IDX80 index was formed in early 2019 with the aim of being a reference for investment managers' investment portfolios. IDX80 has almost the same characteristics as IDX30 and LQ45, only that IDX80 has more members. After backtesting since 2012, IDX80's return is quite competitive with the JCI. Every 3 and 6 months the Indonesia Stock Exchange conducts an evaluation aimed at maintaining the quality of the index criteria. If in the evaluation there are shares that do not meet the criteria in the form of high liquidity, large market capitalization and are supported by good company fundamentals, the shares will be removed from the IDX80 index and replaced with shares that meet the criteria. Therefore, companies that survive in the IDX80 index have large valuations, based on this the authors choose companies listed on the IDX80 index in 2019-2021 as objects of research.

1.2 Research Background

Investment is an activity to invest, either directly or indirectly, with the hope that investors will benefit in the future. According to Jogiyanto (2017: 7) investment in financial assets is divided into two categories, namely direct investment and indirect investment. Direct investment is simply an investment method that requires investors to be directly involved in controlling activities, managing them, and being the responsible party. Meanwhile, indirect investment or portfolio investment does not require the direct involvement of investors. Generally this is because there is a third party in charge of managing investor funds directly. Investment is important for investees and investors. Investees get a source of capital while investors get stock returns. Therefore, stock returns are a reference for investors. Stock return is the profit earned by investors on the invested capital. In stock returns there are two important components, namely capital gains (losses) and yields. Capital gain (loss) is the gain (loss) from buying shares, while yield is dividend and interest. The higher the stock return obtained, the higher the interest of investors to invest.

Companies that need funds for their operational needs can sell securities in the capital market. The new securities issued by the company are sold to the primary market. The company's newly issued securities are sold in an initial public offering (IPO) or additional new securities if the company has gone public. Furthermore, if the securities are already in circulation, the securities are traded on the secondary market. Another type of capital market is the third market and the fourth market. The third market is the market for securities transactions carried out by brokers when the second market closes. The role of the broker in the third market is to bring together buyers and sellers when the second market closes. The fourth market is the capital market which is conducted among large capacity institutions to avoid commissions to brokers. The fourth market generally uses communication networks to trade shares in large blocks

In the capital market an index is needed as an indicator to observe price movements. Until now, the Indonesia Stock Exchange has several indices, namely the

Composite Stock Price Index (CSPI), IDX80, LQ45, IDX30, IDX Quality 30, IDX Value 30, IDX Growth 30, IDX ESG Leaders, IDX High Dividend 20, IDX BUMN20, Stock Index Sharia Indonesia/Indonesia Sharia Stock Index (ISSI), Jakarta Islamic Index 70 (JII70), etc. The index is different from the average, the index uses the base year in its calculations, while the average does not.

At the beginning of 2019 the Indonesian stock exchange inaugurated IDX80 which represented 80 companies with the largest valuations on the Indonesian stock exchange. According to Vendi (2019) Companies listed on the IDX80 index can represent 80-90 percent of the Indonesian stock market in terms of transaction value, transaction volume, etc. This is intended to make it easier to reference the investment portfolio of investment managers. This proves that the companies listed on the IDX80 index are companies that have good business continuity. Good business continuity is a plus in the eyes of investors. Good business continuity does not necessarily prove the company has a good stock return.

The following is a picture of 1.1 average company stock returns on the IDX80 index in 2012- January 2021



Figure 1.1 average stock returns IDX80 index in 2012-January 2021.

In 2014 the average YoY stock return on the IDX80 index was 27.1%. In 2015, return YoY decreased by -13.8%. In 2016 and 2017 the YoY stock returns on the IDX80 index

increased by 14.2% and 17.8%, respectively. In 2018 the YoY stock return of the IDX80 index decreased to -6.7%, and in 2019 it increased slightly to 2.6%. Meanwhile in 2020 the IDX80 index stock return decreased by -5.7% as the market was destroyed by the pandemic. From these data it can be concluded that, although the average stock return of the IDX80 index sometimes declines, this index can rise again.

Every investor must invest their capital in companies that have good future prospects. But every company must have experienced a decline in stock prices. The decline in stock prices will have a direct impact on the stock returns that investors receive for their invested capital. There are two factors that affect stock returns, namely internal factors and external factors. Internal factors are related to company performance, management decisions and policies. External factors are macroeconomic fundamentals, fluctuations in currency exchange rates, government policies, panic factors, market manipulation factors. The company cannot control external factors because external factors are outside the company's power. However, companies can control internal factors, such as by improving company performance. Company performance can be analyzed through index ratios.

One of the ratios that affect stock returns is the index of Price to book value. PBV is used to determine the stock price of an overvalued or undervalued company. If the PBV result is less than one, it can be concluded that the company is overvalued or expensive. On the other hand, if the PBV result is more than one, it can be concluded that the company is undervalued or cheap. The higher the PBV value, the higher the investor's assessment of the company. A high PBV means that the company's stock price is also high, which has a positive impact on stock returns. This is evidenced by the results of research Sugiarto (2011) states, PBV has a positive and significant impact on stock returns. Compared to the results of research by Sha (2015) and Kusmayadi, et al (2018) which concluded, PBV does not have a significant effect on stock returns.

Another index that may affect stock returns is the Debt to Equity Index. This index is used to determine the price of how big the risk of the company, investors as much as possible avoid companies that have a high DER value. The higher the DER value, the higher the risk of the company which results in the company's stock price declining. The declining stock price has a negative effect on stock returns. This is evidenced by the results of research by Hermawan (2012) and Abdullah, et al (2015) which state that DER

has a negative and significant effect on stock returns. Compared with the results of research by Dwialesi & Darmayanti (2016) and Allozi & Obeidat (2016), which concludes that DER does not have a significant effect on stock returns.

Another indeks that affects stock returns is the indeks of Earnings per share. This indeks is used to find out how much profit per share the company gets. The higher the company's EPS, the higher the profit earned by the company and the result is an increase in stock prices and has a positive effect on stock returns. This is evidenced by the results of research by Gunadi & Kesuma (2015) and Khan, et al. (2013) which state that EPS has a positive and significant effect. Compared with the results of research by Putra & Kindangen (2016) and Sharma, et al (2015) which concluded that EPS did not have a significant effect on stock returns.

In addition to PBV, DER, and EPS, the indeks that affects stock returns is the indeks of Return On Assets (ROA). ROA is a indeks used to measure how well a company operates its business. The higher the value of the Return On Assets of a company, the higher the net profit that can be generated from funds embedded in total assets and results in increased stock prices and a positive effect on returns. share. This is evidenced by the results of research by Gunadi & Kesuma (2015), Putra & Kindagen (2016), Tran Nha Ghi (2016), Allozi & Obeidat (2016) which state that ROA has a significant positive effect on Stock Return. This is compared to the results of Purnamaningsih & Wirawati (2014) research which states that ROA does not have a positive and significant effect on stock returns.

This thesis does not focus on indeks indicators alone Board Diversity, Macro economic and Green accounting are also added as variables. According to Astuti (2017) will affect the composition of the board of directors that is believed to affect the value of the company. This diversity focuses on existence member in board director, the existence of a female board of directors, existence member in board commissioner, and existence member in Audit Committee.

Macro economics was motivated by the Great Depression that hit developed countries and spread throughout the world in the 1930s. In this study, the macroeconomic focus used is inflation and the BI rate. Inflation is a phenomenon of price increases that

take place simultaneously, if it occurs at a low level it can be said that it does not endanger economic conditions, but if it occurs at a high level it will be very detrimental to the economy because people's purchasing power will decrease sharply. While the benchmark interest rate is part of monetary policy that functions to maintain currency stability.

Green accounting is a means to report the operations of a company related to the environment. Musyarofah (2013) states that environmental accounting, green accounting is a term related to the inclusion of environmental costs into the accounting practices of companies or government agencies. Environmental costs are both monetary and non-monetary impacts that must be borne as a result of activities that affect environmental quality.

However, the research that has been mentioned is usually carried out when there is an economic crisis. The crises that impacted Indonesia were the 1998 crisis, the 2008 crisis, and the Covid-19 pandemic crisis.

The first crisis that occurred in 1998 is commonly referred to as the monetary crisis. The reason is that changes in the fixed exchange rate become a floating exchange rate which causes a balance of payments crisis. This monetary crisis then turned into a multidimensional crisis with layoffs, a decline in development performance, an increase in poverty, to the point of entering into social, economic, and political aspects.

The second crisis is the global crisis caused by Bank Lehman Brothers which carries out derivative investment products. This crisis occurred in 2008, at which time there was a bank supervision crisis. As a result, a global panic arose which caused the exchange rate to move.

The third crisis was caused by the Covid 19 pandemic. In this crisis, burdened directly by the life-threatening health crisis caused the government to take preventative and life-saving measures that are deadly social and economic. The chaos that occurred at that time spread to the stability of the capital market, investors flocked to their investments from the capital market which resulted in stock corrections in all sectors. Companies with large valuations did not escape the correction that occurred. Based on this description, the authors are interested in conducting further research on the effect of PBV, DER, EPS, ROA, Firm Size, Firm Age, Board Diversity, Macro Economic, and Green Accounting on stock returns. Therefore, this research is entitled "Determinant Factors Of

Stock Returns During Pandemic Covid-19” (Study of Companies Listed on the IDX80 Indeks in 2019-2021)”

1.3 Identification of Problems

Every stock investor expects a high stock return on his investment. Stock returns have a special attraction for investing, therefore stock returns are an important point for investors. The higher the stock return on the company, the higher the interest of investors to invest in the company. This is what makes stock returns one of the considerations for investing.

Based on the background that has been explained, there are many other factors that affect stock returns. these factors can affect the return obtained by investors. Therefore, it is necessary to conduct research to prove the factors that can affect stock returns such as price to book value (PBV), debt to equity ratio (DER), earnings per share (EPS), and return on assets (ROA), firm size, firm age, board diversity, macro economic, green accounting.

Based on the explanation that has been presented, the following questions can be formulated:

1. Do PBV, DER, EPS, and ROA simultaneously affect stock returns in companies listed on the IDX80 index during pandemic period in 2019-2021?
2. Does PBV partially affect stock returns in companies listed on the IDX80 index during pandemic period in 2019-2021?
3. Does DER partially affect stock returns in companies listed on the IDX80 index during pandemic period in 2019-2021?
4. Does EPS partially affect stock returns in companies listed on the IDX80 index during pandemic period in 2019-2021?
5. Does ROA partially affect stock returns in companies listed on the IDX80 index during pandemic period in 2019-2021?

1.4 Research Objectives

Based on the problem formulation that has been explained, the objectives of this research are as follows:

1. To get the value of PBV, DER, EPS, ROA, and stock returns in companies listed on the IDX80 index in 2019-2021.
2. To obtain the value of the simultaneous influence of PBV, DER, EPS, and ROA on stock returns in companies listed on the IDX80 index in 2019-2021.
3. To find out the partial effect of PBV on stock returns in companies listed on the IDX80 index in 2019-2021.
4. To find out the partial effect of DER on stock returns in companies listed on the IDX80 index in 2019-2021.
5. To find out the partial effect of EPS on stock returns in companies listed on the IDX80 index in 2019-2021.
6. To find out the partial effect of ROA on stock returns in companies listed on the IDX80 index in 2019-2021.

1.5 Research Uses

This research is expected to have benefits that can be learned by all interested parties. The benefits obtained in this study are as follows:

1. Academic benefits, it is hoped that this research will add insight into the ratios that have the potential to affect stock returns in crisis situation. And it is hoped that this research can be used as a reference or comparison with previous research.
2. Practical Benefit
 - a. Company
This research can be used as learning material and insight for companies to predict stock returns which are influenced by the ratio of PBV, DER, EPS, and ROA.
 - b. Investors
This research can add insight to investors to understand the factors that can affect stock returns and become a tool in choosing the right stocks even in crisis situation.

1.6 Writing Systematics

The writing systematics that the author uses in this research process are as follows:

CHAPTER I INTRODUCTION

Chapter I contains an overview of the research object, research background, formulation of the problem to be studied, research questions to be asked, research objectives, research benefits, and the systematics of writing the final project.

CHAPTER II LITERATURE REVIEW

Chapter II contains theories related to research and previous studies that are related to research problems, problems, or variables. A framework that will discuss the series of thoughts that will be used in describing the research problem that will lead to the conclusions of the study. The research hypothesis is a temporary answer to a problem whose answer still has to be tested empirically and the scope of the research that explains in detail the limitations and scope of the research.

CHAPTER III RESEARCH METHODOLOGY

Chapter III contains a collection of information needed to process data and obtain results in accordance with research objectives. The research stages described in this chapter include problem formulation, processing and collecting data, analyzing problems in the company, and concluding research stages. Data to be used in research. The data can be in the form of secondary data and primary data.

CHAPTER IV RESEARCH RESULTS AND DISCUSSION

Chapter 4 contains the results of research and analysis will be described systematically in accordance with the formulation of the problem and research objectives and presented in separate sub-headings. This chapter is divided into two parts: the first part presents the research results and the second part presents the results of the research analysis.

CHAPTER V CONCLUSIONS AND SUGGESTIONS

Chapter V contains conclusions, which are a complete application of the results of observations, suggestions are recommendations for further researchers who take the same topic.