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## The Effects of Return on Assets (ROA), Return on Equity (ROE), and Debt to Equity Ratio (DER) on Stock Returns in Wholesale and Retail Trade Companies Listed in Indonesia Stock Exchange



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### ABSTRACT

The purpose of this study is to determine and analyze the effects of return on assets (ROA), return on equity (ROE), and debt to equity ratio (DER) on stock returns in Wholesale and Retail Trade Companies listed in Indonesia Stock Exchange (ISE). This research is useful to broaden the writer's insight and knowledge about the effects of return on assets (ROA), return on equity (ROE), and debt to equity ratio (DER) on stock returns in Wholesale and Retail Trade Companies listed in ISE year 2010-2011. Purposive sampling is used as a technique for determining the sample, which for this study consists of 24 companies. The data used are secondary data collected through documentation technique. In the present study, the data collected were analyzed using multiple linear regressions. Based on the results of the discussion it is concluded that the multiple linear regression equation obtained is  $Y = 0.483 - 0.702X_1 + 0.155X_2 - 0.090X_3 + \epsilon$ . It follows that return on assets has a negative effect on stock returns, return on equity has a positive effect on stock returns, and debt to equity ratio has a positive effect on stock returns. Based on the F-test it is concluded that return on assets, return on equity, and debt to equity ratio does not have a significant effect simultaneously on stock returns in the wholesale and retail trade companies listed on the ISE for the 2010-2011 period. This is evident from the comparison of the value of F-counted of 0.893 with the value of F-table of 2.76 where the significance value is 0.451 and the 95% confidence level ( $\alpha = 0.05$ ). Viewed from the t-test, return on assets has a partially insignificant negative effect on stock returns. This is evident from the comparison, for the ROA variable, the value of t-counted of -0.683 and the value of t-table of 1.980 with a significance level of 0.498 and a 95% confidence level. Since the value of t-counted <t-table and sig table> 0.05, return on equity has an insignificant positive effect on stock return. This is evident from the value of t-counted of 1.191 for the ROE variable with the significance level of 0.239 while the value of t-table is 1.980 with a 95% confidence level. Debt to equity ratio has an insignificant negative effect on stock returns. This is evident from the value of t-counted of -0.261 with a significance level of 0.795 while the value of t-table is 1.980 with a 95% confidence level. Thus, suggestions that can be given for other researchers to consider are that the sample and research variables should be improved to obtain more accurate analysis results.

## INTRODUCTION

The wholesale and retail trade company is a company that is very sensitive to various risks and economic policies governed by the government. That is what makes a wholesale and retail trade company should be able to prepare and present financial statements that can be accounted for and interpreted correctly by potential readers. If the financial statements of a company can provide good information then investors will be interested in investing funds.

One factor that investors consider in investing their funds is the profitability of the company. Profitability of a company describes the comparison of assets or capital used to generate profits. Profitability is the ability of a company to generate profit over a certain period.

Investors can find out information about whether the company experienced a profit or loss in the previous period by consulting the company's financial statements. These financial statements are the result of an accounting process designed to meet information needs in decision-making, cash flow, and other information related to investment decisions. For investors, information from financial statements can be used as a basis for decision making, whether they will buy, hold or sell their securities. Seeking profit from the buying and selling of shares is the main objective of trading activities of investors in the capital market.

In fundamental analysis, the future stock price is estimated by assessing the value of the fundamental factors affecting future stock prices and by applying the relationships of these variables so that the estimated stock price is obtained. Fundamental analysis is related to the assessment of company performance, i.e. effectiveness and efficiency of the company to achieve its target. Generally, the fundamental factors studied are intrinsic value, market value, return on assets (ROA), return on equity (ROE) and debt to equity ratio (DER).

Technical analysis uses published market data i.e. stock prices, trading volume, and individual and combined stock price indexes in an effort to access the demand and supply of certain shares as well as the market as a whole.

Sofyan (2001) states that return on assets (ROA) is a ratio that describes the assets measured by sales volume. The greater this ratio will be better for the company. This means that the rate of return will be greater. The greater the ROA, the higher the profits generated by the company, so that investors will buy more shares of the company.

According to Sofyan (2001), return on equity (ROE) is a ratio that shows what percentage of net income is earned when measured from the owner's capital. The higher the profits generated by the company, the higher the return will be generated company. A high corporate return will cause its stock price to move up, so investors will buy more of the company's stock.

Darsono and Ashari (2005) stated that the debt to equity ratio (DER) is a ratio that shows the percentage of the provision of funds by shareholders to lenders. The higher this ratio, the lower the company is funding provided by the shareholders. From the perspective of ability to pay long-term liabilities, it is known that the lower the ratio the better the company's ability to pay long-term liabilities.

Stock return is the result of an investment. Stock return can be a realized return that has occurred and expected return that has not happened but is expected to occur in the future. Returns obtained if the current stock price is higher than the stock price in the past period represents a capital gain, and vice versa if the current stock price is lower than the stock price in the past period then capital loss occurs.

## FORMULATION OF THE PROBLEM

The problem in this study is whether the return on assets (ROA), return on equity (ROE) and debt to equity ratio (DER) have a separate and simultaneous effect on stock returns of wholesale and retail trade companies listed in Indonesia Stock Exchange.

## THEORETICAL BASIS AND DEVELOPMENT OF HYPOTHESES

### *a. Return on Assets (ROA)*

According to J. Fred Weston and Thomas E. Copeland (2001), the profitability ratio is the net result of various policies and decisions. Lyn and Aileen (2008) stated that return on assets shows the number of profits earned relative to the level of investment in total assets. To calculate ROA the following formula can be used.

$$\text{Return on Assets (ROA)} = \frac{\text{Net Profit}}{\text{Total Assets}} \times 100\%$$

The higher this ratio means the company is more effective in utilizing the assets to generate net income. Thus the higher ROA means the company's performance more effective because

the rate of return will be greater. This will further increase the company's attractiveness to investors. Increased attractiveness of the company causes the company increasingly in demand by investors because it can provide great benefits (return) for investors. In other words, ROA will have an effect on stock returns that will be accepted by investors

***b. Return on Equity (ROE)***

Lyn and Aileen (2008) state that return on equity is a measure of return earned by ordinary shareholders. This ratio is also calculated as a return on the equity of a common stock if a company has preferred stock outstanding. The higher ROE is an indication for shareholders that the return on investment rate is higher. According Lestari and Sugiharto (2007) ROE rate can be said well if greater than 12%. The ROE formula is as follows:

$$\text{Return on Equity (ROE)} = \frac{\text{Net Profit}}{\text{Total Capital}} \times 100\%$$

The higher the ROE, the more effective the performance of a company. This ratio is also used to measure the ability of own capital to generate profits for all shareholders, both common stock, and preferred stock. An increase in the company's stock price will provide a high return for investors. This will further increase the attractiveness of the company for investors. This increase in attractiveness makes the company more attractive to investors because the rate of return will be greater.

***c. Debt to Equity Ratio (DER)***

Lyn and Aileen (2008) argue that the debt ratio is a consideration of the portion of all debt-financed assets. The ratio of long-term debt to total capitalization illustrates the extent to which the use of long-term debt is used by management to fund the company permanently (both long-term debt and shareholder equity). The higher the proportion of debt, the greater the level of equity risk because the liability to the creditor must take precedence over the owner in case of bankruptcy. The formula for calculating DER is as follows:

$$\text{Debt to Equity Ratio (DER)} = \frac{\text{Total Debt}}{\text{Total Capital}} \times 100\%$$

Debt to Equity Ratio (DER) is one of the leverage ratios that measure the contribution of own capital and long-term debt to capital structure. The high DER indicates that owners' participation is less than the long-term creditor participation in the capital structure of the

firm. The higher debt to equity ratio (DER) shows the composition of total debt is greater than the total own capital, thus the impact of the burden of the company is increasingly greater on the outside (creditor).

#### ***d. Stock***

According to Mohamad (2006), shares are a proof of ownership of a person or entity over a company, in which the owner is also called a shareholder or stockholder. Evidence that persons or entities may be considered shareholders are if they are listed as shareholders in a book called Shareholder List. Therefore, the shares are divided into:

1. Common stock is the type of stock that will receive profit after the profit for preferred stock is paid.
2. Preferred stock is a type of stock that has the right to take precedence in receiving profits and has the right to cumulative profits.

According to Brigham (2001), an individual or institution in a company may define shares as securities, which are evidence of participation or ownership. A stock is in the form of a piece of paper certifying that the paper owner is the owner of the company issuing the securities. The portion of ownership is determined by how much inclusion is invested in the company. That is, if someone buys a company's stock, he has included capital into the company as much as the number of shares purchased. In trading activities that take place in stock exchanges, stocks traded in the stock market have different types of levels. This difference is sorted by the value of the collateral provided by the stock.

#### ***e. Stock Return***

According to Jogiyanto in Dyah Ayu (2003), the stock return is the result obtained from the investment. Return can be realized a return and expected a return. Realized return is a return that has occurred and is calculated based on historical data. Realized return is important because it is used as one of the company's performances measurements. This historical return is also useful as a basis for determining the expected return and risk in the future.

Expected return is the return expected to be obtained by investors in the future. In contrast to realized returns that have already occurred, expected returns have not yet occurred but are expected to occur. Return is one of the bases used by investors to make investment decisions

because the return is the main goal of people to invest. With this return, people are expected to be motivated to invest. Return is also a reward given by a company to investors for their courage to bear the risk of their investment. The total return, which is often also called stock return, is the change of prosperity gained from changes in stock prices and income changes from dividends received. This change of prosperity shows the increase in wealth to the previous wealth.

Return used in this research is realized return, which is capital gain/capital loss that is the difference between the stock price in the current period ( $P_t$ ) and stock price in the previous period ( $P_{t-1}$ ). Mathematically, the actual return can be formulated as follows:

$$\text{Stock Return} = \frac{P_t - P_{t-1}}{P_{t-1}} \text{Where:}$$

$P_t$  = stock price of closing in period t

$P_{t-1}$  = stock price of closing in period t – 1

#### *f. Stock Price*

The stock price on the stock exchange will be determined by the strength of demand and supply. When stock demand increases, stock prices tend to increase. Conversely, when many people sell their stocks then the stock price will tend to decrease.

In displays showing stock trades, some stock terms are listed as follows:

1. The previous Price is showing the price at the time of closing on the previous day.
2. Open or Opening Price is showing the first price at the opening of the session I of trade, which is at 9.30 a.m.
3. High or Highest Price is showing the highest price of a stock that occurs during trading on that day.
4. Low or Lowest Price is showing the lowest price of a stock that occurred during trading on that day.
5. The last Price is showing the last price that occurred in a stock.
6. Change is showing the difference between the opening price and the current price.

7. Close or Closing Price is showing the closing price of a stock at the end of session II, i.e. at 4.00 p.m.

### EFFECTS OF ROA, ROE, AND DER ON STOCK RETURN

Investors expect profits on dividends in the future. If the income or dividend of a stock is stable then its price tends to be stable. Conversely, if the income or dividend of a stock fluctuates then the stock price will tend to fluctuate.

1. Profit margin and total assets affect return on Assets (ROA). To increase ROA, a company may choose to increase profit margin and maintain total assets. A high-profit margin signifies a company's ability to generate high returns at a certain level of sales.

2. Return on Equity (ROE) is a measure of the company's ability to earn a return on the investment made by investors (shareholders), therefore the higher the ROE, the greater the return of shares obtained by the company.

3. Debt to Equity Ratio (DER) is a measure of a company's ability to compare total liabilities to total equity owned by a company.

### Conceptual Framework

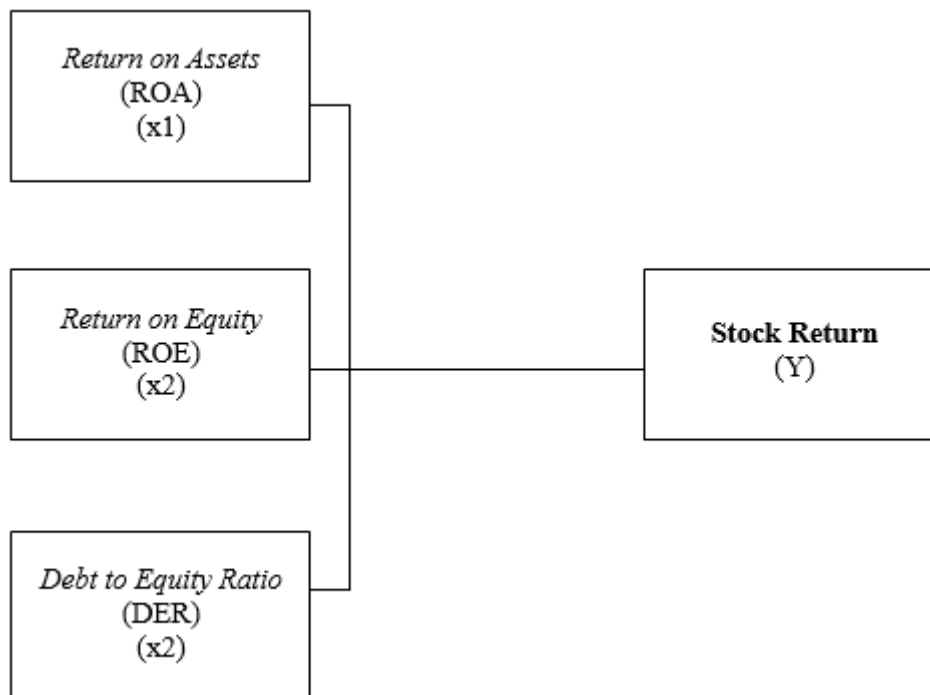


Figure: Conceptual Framework

## Hypothesis

Hypothesis in this research is Return on Assets (ROA), Return on Equity (ROE), and Debt to Equity Ratio (DER) have partial and simultaneous effect on shares of Wholesale and Retail Trade companies listed on Indonesia Stock Exchange

## MATERIALS AND METHODS

### Population and Sample

#### *Population*

The population in this study is banking companies listed on the Indonesia Stock Exchange in the period between 2010 to December 2011.

#### *Sample*

The sample for this research is obtained by using the purposive sampling method that is sampling technique with certain consideration or criterion. The sample is selected based on the following criteria:

1. The sample in this study is wholesale and Retail Trade companies listed on the Indonesia Stock Exchange in the period 2010-2011.
2. The Wholesale and Retail Trade companies are publishing complete financial statements and are never delisted during the 2010-2011 period.

Based on the criteria mentioned above, then the sample in this study consists of 24 companies.

### Operational Variables

Independent Variables:

#### a. *Return on Assets*

$$\text{Return on Assets (ROA)} = \frac{\text{Net Profit}}{\text{Total Assets}} \times 100\%$$



b. *Return on Equity*

$$\text{Return on Equity (ROE)} = \frac{\text{Net Profit}}{\text{Total Capital}} \times 100\%$$

c. *Debt to Equity Ratio*

$$\text{Debt to Equity Ratio (DER)} = \frac{\text{Total Debt}}{\text{Total Capital}} \times 100\%$$

Dependent Variable

Dependent variable in this research is stock return,

$$\text{Stock Return} = \frac{P_t - P_{t-1}}{P_{t-1}}$$

**Classical Assumption Testing**

To determine the accuracy of the regression model then testing some of the classical assumptions underlying the regression model needs to be done as follows:

1. Normality test
2. Multicollinearity Test
3. Heteroscedasticity Test
4. Autocorrelation Test



**Data Analysis Technique**

The data collected in this research is analyzed by multiple regression analysis models, which its basic model is as follows:

$$Y = \alpha + b_1X_1 + b_2X_2 + b_3X_3 + \epsilon$$

Where:

Y = Stock Return

$\alpha$  = a constant

X1 = Return on Assets

X2 = Return on Equity

X3 = Debt to Equity Ratio

a1,b2,b3 = partial regression coefficients for X1, X2, X3

$\epsilon$  = disturbance error / residual

For statistical analysis in this study the following test is used:

1. t-test
2. F-test

## RESULTS

### Descriptive Statistics Test

#### Descriptive Statistics

	N	Range	Minimum	Maximum	Sum	Mean	Std. Deviation	Variance	Skewness	Kurtosis			
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
ROA	24	15.110	-10.660	4.450	92.720	1.59862	.272258	2.073452	4.299	-3.824		21.429	.618
ROE	24	129.50	-64.85	64.65	954.17	16.4512	2.20251	16.77379	281.360	-2.097	.314	11.189	.618
DER	24	12.59	3.03	15.62	517.40	8.9207	.36984	2.81658	7.933	.345	.314	.007	.618
Stock Return	24	48.36	-36	48.00	64.20	1.1069	.82545	6.28645	39.520	7.539	.314	57.185	.618
Valid N (listwise)													

### Results of Classical Assumption Testing

Normality Test

Figure: Normality Test

Source: Results of the research that has been processed

From the picture above it appears that the dependent variable i.e. stock return is normally distributed. This is shown by the graph of the distribution of data on stock returns that are not skewed to the left or right. Another way to test the normality of data with graphs is to look at the spread of data (dots) on the diagonal line of the normality graph (Normal P-P Plot).

**Multicollinearity Test**

The results of data processing for multicollinearity test are shown in the following table:

**Table: Multicollinearity Test**

**Coefficients**

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)	.483	3.002		.161	.873		
ROA	-0.702	1.028	-0.232	-0.683	.498	.153	6.516
ROE	.155	.130	.414	1.191	.239	.146	6.837
DER	-0.090	.345	-0.040	-0.795	.795	.740	1.351

<sup>a</sup> Dependent Variable: Stock Return

Source: Results of the research that has been processed

From the table above it is seen that the VIF value for each independent variable is ROA = 6.516, ROE = 6.837 and DER = 1.351 and respectively <10. The tolerance is not smaller than 0.1, that is ROA = 0.153, ROE = 0.146 and DER = 0.740. This shows that in the model used in this study there are no symptoms of multicollinearity (homoscedasticity).

**Autocorrelation Test**

The results of regression for the three independent variables (k = 3) with the sum of data (n) = 24 and  $\alpha = 0.05$  are shown in the following table.

**Autocorrelation Test**

**Model Summary<sup>b</sup>**

Model	R	R-Square	Adjusted R-Square	Std. Error of Estimate	Durbin-Watson
1	.217 <sup>a</sup>	.047	-0.006	6.30420	2.124

<sup>a</sup> Predictors: (Constant), DER, ROA, ROE

<sup>b</sup> Dependent Variable: Stock Return

Source: Results of the research that has been processed

From the table above it appears that the value of Durbin-Watson is 2,124. To determine whether or not there is autocorrelation, the Durbin-Watson test is used and Ghozali determines the value of Durbin-Watson (DW) of 2.124 which will be compared with the value of DW-table for  $\alpha = 5\%$ ,  $n = 24$  and  $k = 3$ . From the table obtained the value of  $du = 1.69$  and  $dl = 1.48$ . Since the value of DW-counted = 2.124 is greater than the upper limit ( $du$ ) = 1.69 and less than  $4 - 1.69$  ( $1.69 < 2.124 < 4 - 1.69$ ), it can be concluded that autocorrelation does not occur.

**Heteroscedasticity Test**

The heteroscedasticity in this study is determined by whether or not a particular pattern exists in the scatter plot between SRESID and ZPRED, where the Y-axis is predicted and the X-axis is the residual (predicted Y - Y actually) which has been studentized as in the following figure.

**Figure: Scatterplot**

Source: Results of the research that has been processed

If we look at the scatter plot above it appears that the points spread randomly above the number 0 on the Y-axis, and hence it can be concluded that there is no heteroscedasticity in the regression model. Thus the regression model is feasible to be used to predict stock return based on the input of variables of Return on Assets, Return on Equity, and Debt to Equity Ratio.

**Multiple Linear Regression Analysis**

This analysis is used to calculate the magnitude of the effects of Return on Assets, Return on Equity, and Debt to Equity Ratio on Stock Returns in companies listed on the Indonesia Stock Exchange. Based on the limitations of the problems as well as hypotheses that have been stated previously, then the results of processing and analysis of data is as shown in the following table.

**Table: Variable Entered / Removed**

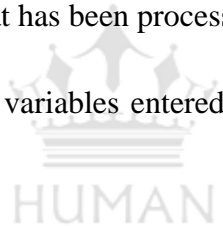
Model	Variables Entered	Variables Removed	Method
1	DER, ROA, ROE <sup>b</sup>		Enter

<sup>a</sup> Dependent Variable: Sock Return

<sup>b</sup> All requested variables are entered

Source: Results of the research that has been processed

In the table above it appears that the variables entered are Debt to Equity Ratio, Return on Assets and Return on Equity.



**Test of Determinant *Goodness of Fit* (R<sup>2</sup>)**

Determinants are used to determine how large the effect of independent variables on the dependent variable. If this value of determinant (R<sup>2</sup>) is greater or closer to 1, then the effect of the independent variables (X1, X2, and X3) on the dependent variable (Y) is stronger. If this value of determinant (R<sup>2</sup>) is getting smaller or closer to 0, then the effects of the independent variables (X1, X2, and X3) on the dependent variable (Y) are weaker. Based on the output of SPSS it appears that the simultaneous effects of the 3 independent variables (Return on Assets, Return on Equity and Debt to Equity Ratio) on Stock Return are as shown in the following table.

**Table: Goodness of Fit (R<sup>2</sup>) Test**

**Model Summary<sup>b</sup>**

Model	R	R-Square	Adjusted R-Square	Std. Error of Estimate
1	.217 <sup>a</sup>	.047	-0.006	6.30420

<sup>a</sup> Predictors: (Constant), DER, ROA, ROE

<sup>b</sup> Dependent Variable: Stock Return

Source: Results of the research that has been processed

The value of the coefficient of determination (R-Square) is 0.047 which means the variances of the variables of Return on Assets, Return on Equity and Debt to Equity Ratio explain 4.7% variance of variable Share Return, and the remaining 95.3% by another variable not examined in this study. Standard Error of Estimate (SEE) is 6.30420. The smaller the value of SEE will make the regression model more appropriate to predict the dependent variable.

**Partial Significance Test (t-Test)**

This test is conducted to determine whether there is a partial effect of independent variables (Return on Assets, Return on Equity and Debt to Equity Ratio) on the dependent variable (Stock Return). The hypothesis is as follows:

Using the significance level of  $\alpha = 5\%$ , if the significance value  $t > 0.05$  then H0 is accepted, meaning there is no significant partial effect of the independent variables on the dependent variable. Conversely, if the significance value  $t < 0.05$  then H1, H2, H3 is accepted, which means there is a significant partial effect of independent variables on the dependent variable.

**Table: Results of Partial Test (t-Test)**

**Coefficients**

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig
	B	Std. Error	Beta		
1 (Constant)	.483	3.002		.161	.873
ROA	-0.702	1.028	-0.232	-0.683	.498
ROE	.155	.130	.414	1.191	.239
DER	-0.090	.345	-0.040	-0.795	.795

<sup>a</sup> Dependent Variable: Stock Return

Source: Results of the research that has been processed

The result of the statistical test as shown in the above table shows that the value of t-counted for the variable Return on Assets (X1) with significance level of 0.498 is -0.683, while the value of t-table at 95% confidence level is 1,980 (0.683 < 1,980). Since t-counted < t-table and table significance level > 0.05, then H0 is accepted and H1 is rejected. Thus, it is concluded that the variable Return on Assets has an insignificant negative partial effect on Stock Return. That means that the independent variable of Return on Assets has no significant effect on Return Shares in Wholesale and Retail Trade companies listed on the Indonesia Stock Exchange.

Table 5.8 shows that the value of t-counted for the variable Return on Equity (X2) with a significance level of 0.239 is 1.191, while the value of t-table at 95% confidence level is 1.980 (1.191 < 1.980). Because of t-counted < t-table and significance level of the table > 0.05 then H0 is accepted and H2 is rejected. Thus, it is concluded that the variable Return on Equity has a positive effect remains insignificant on Stock Return. It follows that the independent variable Return on Equity does not have a significant effect on the Stock Return in Wholesale and Retail Trade companies listed on the Indonesia Stock Exchange.

The table above also shows that the value of t-counted for the variable Debt to Equity Ratio (X3) with the significance level of 0.795 is -0.261, while the value of t-table at 95% confidence level is 1,980 (0.261 < 1.980). Because t-counted < t-table and the significance level of the table > 0.05, then H0 is accepted and H3 is rejected. Thus, it is concluded that the Debt to Equity Ratio variable has an insignificant negative effect on Stock Return. It follows

that the independent variable Debt to Equity Ratio does not have a significant effect on the Stock Return in Wholesale and Retail Trade companies listed on the Indonesia Stock Exchange.

**Simultaneous Significance Test (F-Test)**

This test is conducted to determine whether all independent variables have an effect simultaneously on the dependent variable. The hypothesis is as follows:

Using the alpha significance level  $\alpha = 5\%$ , if the significance value of  $F > 0.05$  then  $H_0$  is accepted, meaning that there is no significant simultaneous effect of the independent variables on the dependent variable. Conversely, if the significance of  $F < 0.05$  then  $H_4$  is accepted, it means that there is a significant simultaneous effect of the independent variables on the dependent variable.

**Table: Results of Simultaneous Test (F-Test)**

ANOVA<sup>a</sup>

Model	Sum of Square	df	Mean Square	F	Sig.
1 Regression	106.495	3	35.498	.893	.451 <sup>b</sup>
Residual	2146.117	24	39.743		
Total	2252.612	27			

<sup>a</sup> Dependent Variable: Stock Return

<sup>b</sup> Predictors: (Constant), DER, ROA, ROE

Source: Results of the research that has been processed

The table above shows that the value of F-counted is 0.893 with the significance level of 0.451, while the value of F-table at 9% confidence level ( $\alpha = 5\%$ ) is 2.76. Since  $F\text{-counted} < F\text{-table}$  ( $0.893 < 2.76$ ) it can be stated that  $H_0$  is accepted and  $H_4$  is rejected. It follows that there is no significant simultaneous effect of the independent variables, that is Return on Assets, Return on Equity, and Debt to Equity Ratio on the dependent variable that is Stock Return.



## DISCUSSION

### **The Effect of Return on Assets on the Stock Return of Wholesale and Retail Trade Companies Listed on the Indonesia Stock Exchange**

The results of statistical tests show that the t-counted for the variable ROA (X1) with the significance level of 4.498 is -0.683, while the t-table at the 95% confidence level is 1.980 ( $0.683 < 1.980$ ). Since  $t\text{-counted} < t\text{-table}$  and significance of table  $> 0.05$  then  $H_0$  is accepted and  $H_1$  is rejected. Thus it is concluded that the independent variable Return on Assets has a negative partial effect that is not significant on the Stock Return. This shows that the independent variable Return on Assets does not have a significant partial effect on Return on Assets of Wholesale and Retail Trade companies listed on the Indonesia Stock Exchange in 2010-2011.

### **The Effect of Return on Equity on the Stock Return of Wholesale and Retail Trade Companies Listed on the Indonesia Stock Exchange**

The results of statistical tests show that the t-counted for the variable ROE (X2) with the significance level of 0.239 is 1.191, while the t-table at the 95% confidence level is 1.980 ( $1.191 < 1.980$ ). Since  $t\text{-counted} < t\text{-table}$  and significance of table  $> 0.05$  then  $H_0$  is accepted and  $H_2$  is rejected. Thus it is concluded that the independent variable Return on Assets has a positive partial effect that is not significant on the Stock Return. This shows that the independent variable Return on Equity does not have a significant partial effect on Return on Assets of Wholesale and Retail Trade companies listed on the Indonesia Stock Exchange in 2010-2011.

### **The Effect of Debt to Equity Ratio on the Stock Return of Wholesale and Retail Trade Companies Listed on the Indonesia Stock Exchange**

The results of statistical tests show that the t-counted for the variable DER (X3) with the significance level of 0.795 is -0.261, while the t-table at the 95% confidence level is 1.980 ( $0.261 < 1.980$ ). Since  $t\text{-counted} < t\text{-table}$  and significance of table  $> 0.05$  then  $H_0$  is accepted and  $H_3$  is rejected. Thus it is concluded that the independent variable Debt to Equity Ratio has a negative partial effect that is not significant on the Stock Return. This shows that the independent variable Debt to Equity Ratio does not have a significant partial

effect on Return on Assets of Wholesale and Retail Trade companies listed on the Indonesia Stock Exchange in 2010-2011.

### **The Effects of Return on Assets, Return on Equity, and Debt to Equity Ratio on the Stock Return of Wholesale and Retail Trade Companies Listed on the Indonesia Stock Exchange**

The results of statistical tests show that the t-counted is 0.893 with the significance level of 0.451, while the t-table at the 95% confidence level ( $\alpha = 0.05$ ) is 2.76. Since t-counted < t-table (0.893 < 2.76) then  $H_0$  is accepted and  $H_4$  is rejected. Thus it is concluded that the independent variables of Return on Assets, Return on Equity, and Debt to Equity Ratio have not a significant simultaneous effect on the Stock Return. Based on the calculation of the above coefficients, the multiple linear regression models obtained in this study are as follows:

$$Y = 0.483 - 0.702X_1 + 0.155X_2 - 0.090X_3 + \epsilon$$

1. Constant value of 0.483 means that if the value of independent variables Return on Assets ( $X_1$ ), Return on Equity ( $X_2$ ), and Debt to Equity Ratio ( $X_3$ ) is 0, then the value of Return Share will remain at 0.483 points.
2. The regression coefficient of Return on Assets is -0.702 which means that if Return on Assets has a 1% change it will cause a decrease in the value of Return of Shares by 70.2%, assuming that the other variables remain unchanged or not equal to zero.
3. The regression coefficient of Return on Equity is 0.155 which means that if Return on Equity has a 1% change it will cause an increase in the value of Return of Shares by 15.5%, assuming that the other variables remain unchanged or not equal to zero.
4. The regression coefficient of Debt to Equity Ratio is -0.090 which means that if Debt to Equity Ratio has a 1% change it will cause a decrease in the value of Return of Shares by 9%, assuming that the other variables remain unchanged or not equal to zero.

## CONCLUSIONS

Based on the results of research conducted by the author then some conclusions can be taken as follows:

1. The Return on Assets, Return on Equity, and Debt to Equity Ratio has not a significant simultaneous effect on the Stock Return of Wholesale and Retail Trade companies listed on the Indonesia Stock Exchange in 2010-2011. This is indicated by the value of F-counted of 0.893 with a significance level of 0.451, while the value of F-table with 95% confidence level ( $\alpha = 5\%$ ) is 2.76. Because of F-counted < F-table then it is stated that H0 is accepted and H1 is rejected.
2. The Return on Assets has a negative partial effect that is not significant on the Stock Return of Wholesale and Retail Trade companies listed on the Indonesia Stock Exchange in 2010-2011. This is indicated by the value of F-counted for the variable ROA of -0.683 with a significance level of 0.498, while the value of F-table with 95% confidence level is 1.980. Since F-counted < F-table with the significance of table > 0.05 then H0 is accepted and H4 is rejected.
3. The Return on Equity has a positive effect that is not significant on the Stock Return of Wholesale and Retail Trade companies listed on the Indonesia Stock Exchange in 2010-2011. This is indicated by the value of F-counted for the variable ROE of 1.191 with a significance level of 0.239, while the value of F-table with 95% confidence level is 1.980. Since F-counted < F-table with the significance of table > 0.05 then H0 is accepted and H2 is rejected.
4. The Debt to Equity Ratio has a negative effect that is not significant on the Stock Return of Wholesale and Retail Trade companies listed on the Indonesia Stock Exchange in 2010-2011. This is indicated by the value of F-counted for the variable DER of -0.261 with a significance level of 0.795, while the value of F-table with 95% confidence level is 1.980. Since F-counted < F-table with the significance of table > 0.05 then H0 is accepted and H3 is rejected.

## SUGGESTIONS

Suggestions, which according to the authors need to be submitted in accordance with this research, are as follows:

1. The next researcher in the same field should increase the number of variables and prolong the observation period in his research in order to obtain more valid and complete data for the problems studied.
2. The investors who want to know the return of the company should pay attention to other aspects of the company apart from considering the ratios studied in this study.

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