THE EFFECT OF PROFITABILITY ON STOCK RETURN

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ABSTRACT: This study aims to determine the effect of Return On Assets (ROA), Return On Equity (ROE) and Net Profit Margin (NPM) on stock returns. This research was conducted at manufacturing companies on the Indonesia Stock Exchange (IDX) for the 2017-2019 period. Total population of 105 companies with the method of determining the sample random sampling obtained a sample of 83 companies. The data collection method used is non-participant observation method with multiple linear regression data analysis techniques. Based on the analysis, it is found that ROA, ROE and NPM simultaneously have a significant positive effect on stock returns. ROA partially has a significant positive effect on stock returns. This shows that the higher the ROA, the higher the profits the company gets, which causes stock returns to increase and investors are interested in investing in manufacturing companies. NPM also partially has a significant positive effect on stock returns. This shows that the higher the NPM, the higher the profits obtained by the company on sales, which causes stock returns to increase and investors are interested in investing in manufacturing companies. ROE has a positive and insignificant effect on stock returns, which is increasing shows that the company's performance is getting better and can potentially increase stock returns. However, ROE did not have a significant effect on stock returns because during the observation period, investors paid less attention to ROE in making their investment decisions.

Keywords: stock return, ROA, ROE, NPM.

I. INTRODUCTION

The capital market in Indonesia is currently becoming a trend among people, the development of the capital market in Indonesia has increased very rapidly and is evidenced by the high volume of stock trading. The capital market as an investment vehicle can be used by investors to participate in the share ownership of a company. Investors in making transactions in the capital market can analyze the advantages of each offering capital (Kasmir, 2014: 182). The capital market trades securities in the form of stocks and bonds which are called capital market instruments. Shares are securities that are ownership, which means that the shareholder is the owner of the company (Kasmir, 2014: 183). Investors who have large shares in a company have great power in that company. There are two types of shares in terms of collectibility, namely common stock and preferred stock. Ordinary shares are securities sold by a company which explains the nominal value where the holder is given the right to attend the GMS (General Meeting of Shareholders) and EGMS (Extraordinary General Meeting of Shareholders) while special shares are securities sold by a company describes the nominal value at which the holder will receive fixed income in the form of dividends received every quarter. This study uses the type of common stock because the profits obtained from ordinary shares are higher than special shares and the turnover obtained from ordinary shares is very high (Fahmi, 2018: 271).

Return can be used as a measuring tool to measure the success of the company. Investors want to buy shares to get profit in the form of stock returns. Stock returns are the returns received by investors for investing in companies that issue shares. The number of investors who buy shares will increase the stock price and stock returns. There are 2 types of stock returns, namely yield or dividend and capital gain (loss). Yield is a component of return that reflects the flow of cash or income that can be obtained periodically from an investment (Tandelilin, 2010: 102), if investors invest in stocks, the amount of yield is shown in the amount of dividends we get, while capital gain (loss) is an increase. (decrease) the price of securities that can provide profit (loss) for investors (Tandelilin, 2010: 102). This study uses capital gain (loss) because investors are required to be active in carrying out activities in the stock market and have the ability in technical analysis which is useful for getting big profits, while this study does not choose to use yield (dividends) because investors are more passive, just waiting, companies to distribute profits in the form of dividends and investors must have sufficient capital to invest in the company.

There are 2 factors that affect stock returns, namely micro factors and macro factors. Micro factors exist in the company itself in the form of profitability ratios, book value per share, debt to equity ratios, market ratios, earnings per share, and other financial ratios. As for macro factors, namely factors originating from
outside the company in the form of inflation, general domestic interest rates, foreign exchange rates and the company's economic conditions (Tandelilin, 2010: 102). Based on the factors that influence stock returns, this study uses internal factors because they can be controlled and refined by the company itself so that it can provide benefits and benefits to the parties concerned, and can be used as a parameter used by investors to obtain information in investment decisions. Meanwhile, external factors cannot be changed and controlled. What can be done by the company is only to adjust and take steps according to external factors. The internal factor used is the profitability ratio because it can measure the success of a company in generating profits that will increase the return on shares obtained by investors in the company, because the goal of investors is to get dividends that are in accordance with the level indicated. This study uses profitability ratios projected in 3 independent variables, namely Return On Assets (ROA), Return On Equity (ROE) and Net Profit Margin (NPM). These ratios are able to provide an overview of the company's ability to generate profits or a measure of the effectiveness of management management that is useful for the company itself and for external interested parties so that these ratios are used as variables in this study.

Profitability is an important aspect for a company because in its survival, it must be in a favorable condition. Profitability measures the effectiveness of management as a whole, indicated by the size of the profits obtained from sales and investment (Fahmi, 2018: 80). The higher the value of profitability, the higher the profits obtained by the company so that the company's stock price increases and the stock returns obtained by investors also increase (Fahmi, 2018: 80). Investors in determining investment decisions are more careful in analyzing the company's ability to earn profits because the objective of investors to invest is to obtain dividends and the market price of their shares. According to Wiagustini (2014: 90) there are 3 projections in measuring profitability ratios, namely return on assets, return on equity, and net profit margin.

Return On Asset (ROA) is one of the profitability ratios that looks at the extent to which the investment made is able to produce the expected return (Fahmi 2018: 82). This study uses a proxy for return on assets because it can measure the resulting net income on assets owned by the company. Return on assets is an important indicator to assess the extent to which companies invested by investors provide a return value that is in accordance with the level indicated by investors, thus return on assets has a positive effect on stock returns (Tandelilin, 2010: 372). This theory is supported by previous research by Wulansari (2018), Sorongan (2016),wijaya and Sedana (2020), Anwaar (2016), Sari et al., (2017), Salamat and Mustafa (2016), Putra et al., (2018), Tyas et al., (2018), Putra and Kindangen (2016), Ariyanti (2018), Mayuni and Suarjaya (2018), Basalama et al. (2017), Mahampang (2016) which states that return on assets (ROA) has a significant positive effect on stock returns. Different findings examined by Afrini and Masudi (2019), Hertina et al., (2019), Aisah and Mandala (2016), Tumonggor et al., (2017), that return on assets has no effect on stock returns.

Return On Equity (ROE) is the ratio of profitability as the second variable in this study. Return on Equity (ROE) is the company's ability to generate profits based on its net capital. This ratio measures the extent to which a company can use its resources to be able to generate a return on equity (Fahmi, 2018: 82). Return On Equity (ROE) is the difference between the amount received and the amount invested, and is divided by the amount invested. According to Tandelilin (2010: 372) return on equity is the second proxy of the profitability ratio which is also an important indicator for investors to get a return that is in accordance with their investment, so the higher the ROE value, the better the company's performance will be and have an impact on increasing the company's stock price. if the stock price increases, the return will increase. This statement is supported by previous research by Sorongan (2016), Chandra (2016), Kai and Rahman (2018), Sari et al., (2017), Adawiyah and Settyawati (2019), Anjani and Syarif (2019), Tumonggor et al., (2017) that Return On Equity (ROE) has a significant positive effect on stock returns. Different findings examined by Hertina et al., (2019), Anwaar (2016), Sari (2016), Aisah and Mandala (2016) state that return on equity has no effect on stock returns.

Net Profit Margin (NPM) shows the rate of return on net profits against net sales. Net Profit Margin is a profitability ratio that is used to measure profits achieved compared to sales (Wiagustini, 2014: 90). The higher the net profit, the more effective and healthy the company will be. This study uses this proxy because if the company is declared healthy seen from the net profit margin, investors will also invest in the company because it is related to the stock returns received by investors, in other words, the net profit margin has an effect on stock returns (Brigham and Houston, 2018 : 140). This statement is supported by previous research by Sorongan (2016), Öztürk and Karabulut (2017), Anwaar (2016), Anjani and Syarif (2019), Sari (2016), Putra and Kindangen (2016), Ariyanti (2016), Mahampang (2016) ) that Net Profit Margin (NPM) has a significant positive effect on stock returns. Different findings were found by Sumani (2020), Kusmayadi et al., (2018), Aisah and Mandala (2016) which state that net profit margin has no effect on stock returns.

This research was conducted on manufacturing companies listed on the Indonesian stock exchange for the 2017-2019 period. Manufacturing companies are predicted to continue to rise in line with technological advances due to technological advances in production processes that will be more efficient and Indonesia also has the advantage of geographical location and the domestic market so that trade relations in the manufacturing industry in the ASEAN region can occur. Judging from the comparison of the average JCI in the manufacturing
sector, raw material-producing sector and service sector, which shows that manufacturing companies have the highest JCI average value of 2.7% compared to the service sector, namely 2.4%, raw material-producing sector 0.6% in the 2017-2019 period (www.idx.co.id). This means that the manufacturing sector is performing well and is profitable for investors compared to the service sector and the raw material producing sector.

II. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Return on assets is an important indicator in assessing the company's future prospects. The higher this ratio, the better the condition of the company, and vice versa, low return on assets can be caused by the use of large debt, in this case high interest expenses will cause low net income (Brigham and Houston, 2018: 141).

According to Tandelilin (2010: 372), return on assets is one of the important indicators to assess the extent to which companies invested by investors provide return values that match the levels indicated by investors, thus return on assets has a positive effect on stock returns. This theory is supported by research by Wulansari (2018), Sorongan (2016), Wijaya and Sedana (2020), Anwar (2016), Sari et al., (2017), Salamat and Mustafa (2016), Putra et al., (2018), Tyas et al., (2018), Putra and Kindangen (2016), Ariyanti (2018), Mayuni and Suarjaya (2018), Basalama et al. (2017), Mahampang (2016) which states that return on assets (ROA) has a significant positive effect on stock returns. This is the basis for the development of the hypothesis proposed in this study, namely:

H1: Return on assets has a significant positive effect on stock returns.

Net Profit Margin is a profitability ratio which is a ratio to measure net profit per dollar from sales and is calculated by dividing net profit by sales (Brigham and Houston, 2018: 140). Net Profit Margin is used to measure profits achieved compared to sales (Wiagustini, 2014: 90). If the company's performance in increasing net profit on sales increases, it will have an impact on the income received by investors, in other words the higher the value of net profit This margin, the higher the income received by investors.

The increasing Net Profit Margin illustrates that the company's performance is getting better and the profits obtained by shareholders or investors will also increase, if the company is declared healthy, seen from the net profit margin, investors will also invest their funds in the company because it affects the stock returns received by investors, in other words, net profit margin has an effect on stock returns (Brigham and Houston, 2018: 140). This theory is supported by research from Sorongan (2016), Öztürk and Karabulut (2017), Anwar (2016), Anjani and Syarif (2019), Tumonggor et al., (2017) that Return On Equity (ROE) has a significant positive effect on stock returns. This is the basis for the development of the hypothesis proposed in this study, namely:

H2: Return on Equity has a significant positive effect on stock returns.

Net Profit Margin is a profitability ratio which is a ratio to measure net profit per dollar from sales and is calculated by dividing net profit by sales (Brigham and Houston, 2018: 140). Net Profit Margin is used to measure profits achieved compared to sales (Wiagustini, 2014: 90). If the company's performance in increasing net profit on sales increases, it will have an impact on the income received by investors, in other words the higher the value of net profit This margin, the higher the income received by investors.

This research was conducted at manufacturing companies on the Indonesia Stock Exchange for the 2017-2019 period which can be accessed at www.idx.co.id. The object of this research is manufacturing companies on the Indonesia Stock Exchange for the period 2017-2019.

The population in this study were 105 companies registered consecutively in manufacturing companies listed on the Indonesia Stock Exchange during the 2017-2019 period. The method of determining the sample of this study was selected using simple random sampling technique, in which the sample was randomly selected regardless of the level in the population. In calculating the determination of the number of samples from a particular population developed, the Slovin formula is used. So, the population sampled in this study were 83 manufacturing companies on the Indonesia Stock Exchange for the 2017-2019 period. In determining 83 company data from 105 existing company data is taken randomly.

III. METHODS

This research was conducted at manufacturing companies on the Indonesia Stock Exchange for the 2017-2019 period which can be accessed at www.idx.co.id. The object of this research is manufacturing companies on the Indonesia Stock Exchange for the period 2017-2019.

The population in this study were 105 companies registered consecutively in manufacturing companies listed on the Indonesia Stock Exchange during the 2017-2019 period. The method of determining the sample of this study was selected using simple random sampling technique, in which the sample was randomly selected regardless of the level in the population. In calculating the determination of the number of samples from a particular population developed, the Slovin formula is used. So, the population sampled in this study were 83 manufacturing companies on the Indonesia Stock Exchange for the 2017-2019 period. In determining 83 company data from 105 existing company data is taken randomly.
The data collection method used in this study was non-participant observation. This study observes data that has been published on the official website of the Indonesia Stock Exchange (www.idx.co.id).

Testing the hypothesis of this study using multiple linear regression analysis. Wirawan (2017: 268) multiple linear regression equation can be formulated as follows:

\[ Y = b_0 + b_1 x_1 + b_2 x_2 + b_3 x_3 + e \] ................................. (1)

**Description:**

\( Y \) = Stock Return

\( b_0 \) = Constant

\( b_1 \) = Regression coefficient from sample of return on assets

\( X_1 \) = Return on assets

\( B_2 \) = Regression coefficient from sample of return on equity

\( X_2 \) = Return on equity

\( b_3 \) = The regression coefficient of the sample net profit margin

\( X_3 \) = Net profit margin

\( e \) = Residual

**IV. RESULTS AND DISCUSSION**

**Research Descriptive Statistics**

Descriptive data analysis was carried out to provide an overview or description of the variables studied which consisted of return on assets (\( X_1 \)), return on equity (\( X_2 \)), net profit margin (\( X_3 \)) and stock returns (\( Y \)) which are shown in Table 1 below:

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROA</td>
<td>249</td>
<td>.05</td>
<td>92.10</td>
<td>9.1450</td>
<td>10.07712</td>
</tr>
<tr>
<td>ROE</td>
<td>249</td>
<td>.04</td>
<td>122.99</td>
<td>10.5994</td>
<td>12.49600</td>
</tr>
<tr>
<td>NPM</td>
<td>249</td>
<td>.12</td>
<td>113.67</td>
<td>10.4720</td>
<td>15.40274</td>
</tr>
<tr>
<td>STOCK RETURN</td>
<td>249</td>
<td>-95.51</td>
<td>580.00</td>
<td>18.9496</td>
<td>75.45794</td>
</tr>
</tbody>
</table>

Valid N (listwise) 249

Table 1 shows that the data or N in this study amounted to 249 data samples. The results of the descriptive statistical analysis above describe the minimum, maximum, average and standard deviation values of each variable, namely return on assets (\( X_1 \)), return on equity (\( X_2 \)), net profit margin (\( X_3 \)) and stock returns (\( Y \)). The results of descriptive statistical testing in table 4.1 during the observation period indicate that:

1) The ROA variable has a minimum value of 0.05 percent owned by the company PT Nippon Indosari Corpindo Tbk. (ROTI) in 2018 which means that the level of losses suffered by ROTI companies from the total assets used is 0.05 percent. Meanwhile, the maximum ROA value of 92.10 percent is owned by the company PT Merck Tbk. (MERK) in 2018, which means that the level of profit obtained by the MERK company from total assets is 92.10 percent. The average ROA value is 9.1450 and has a standard deviation or standard deviation of 10.07712. The average value is less than the standard deviation, which means that the data fluctuates.

2) The ROE variable has a minimum value of 0.04 percent owned by the company PT Nippon Indosari Corpindo Tbk. (ROTI) in 2018, which means the level of losses suffered by ROTI companies from the equity used is 0.04 percent. Meanwhile, the maximum ROE value of 122.99 percent is owned by PT Merck Tbk. (MERK) in 2018, which means that the level of profit obtained by the MERK company from equity is 122.99 percent. The average ROE value is 10.5994 and has a standard deviation or standard deviation of 10.07712. The average value is less than the standard deviation, which means that the data fluctuates.

3) The NPM variable has a minimum value of 0.12 percent owned by the company PT Tempo Scan Pacific Tbk. (TSPC) in 2018, which means that the ratio of TSPC company revenue compared to its sales is 0.12 percent. The maximum NPM value of 113.67 is owned by the company PT Pyridam Farma Tbk. (PYFA) in 2018 which means that the ratio of revenue achieved by PYFA companies compared to their sales is 113.67 percent. The average NPM value is 10.4720 and has a standard deviation or standard deviation of 15.40274. The mean value is less than the standard deviation, which means that the data fluctuates.

4) The stock return variable has a minimum value of -95.51 owned by the company PT Tifico Fiber Indonesia Tbk. (TFCO) in 2018, meaning that the comparison of the TFCO share price for the 2018 period with the TFCO share price in 2017 decreased by 95.51 percent. The maximum value of stock returns is 580.00 owned by the company PT Pelangi Indah Canindo Tbk (PICO) in 2019 which means...
that the comparison of the PICO share price for the 2019 period with the PICO share price in 2018 has increased by 580.00 percent. The average value of stock returns is 18.9496 with a standard deviation or standard deviation of 75.45794. The average value is less than the standard deviation, which means that the data fluctuates.

**Results of Multiple Linear Regression Analysis**

The analysis model used in this study is multiple linear regression analysis. Multiple regression analysis in this study was processed using the Statistical Package for Social Science (SPSS) program. This multiple linear analysis is used to test and analyze the effect of return on assets, return on equity and net profit margin on stock returns. The results of the multiple linear regression analysis of this study can be seen in Table 4.6.

<table>
<thead>
<tr>
<th>Table 2. Summary of the Multiple Linear Regression Analysis</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Model</strong></td>
</tr>
<tr>
<td>-----------</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>1 (Constant)</td>
</tr>
<tr>
<td>ROA</td>
</tr>
<tr>
<td>ROE</td>
</tr>
<tr>
<td>NPM</td>
</tr>
</tbody>
</table>

Secondary Data, 2020

The multiple linear regression analysis model used is as follows (Wirawan, 2017: 268):

\[
Y = -19.381 + 2.184 + 0.703 + 1.041
\]

Based on the multiple linear regression equation above, it can be explained as follows:

- \( b_1 = 2.184 \), which means that if the return on assets (X1) increases by one percent, the stock return will increase by 2.184 percent if the other independent variables are constant.
- \( b_2 = 0.703 \), which means that if the return on equity (X2) increases by one percent, then the stock return will increase by 0.703 percent if the other independent variables are constant.
- \( b_3 = 1.041 \), which means that if the net profit margin (X3) increases by one percent, the stock return will increase by 1.041 percent if the other independent variables are constant.

**Results of the model feasibility test (F-test)**

This test is conducted to determine the level of significance simultaneously or simultaneously (simultaneously) all independent variables on the dependent variable. If \( \leq \) or significance \( F \geq \alpha (0.05) \), then \( H_0 \) is accepted otherwise if \( > \) or significance \( F < \alpha (0.05) \), then \( H_0 \) is rejected. The results of the simultaneous significance test of this study can be seen in table 3.

<table>
<thead>
<tr>
<th>Table 3.Model Feasibility Test (F-test) Results</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Model</strong></td>
</tr>
<tr>
<td>-----------</td>
</tr>
<tr>
<td>1 Regression</td>
</tr>
<tr>
<td>Residual</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

Secondary Data, 2020

Based on the results of the simultaneous significance test in Table 3, the significance value of 0.000 is less than 0.05 (0.000 <0.05) and 33.140 is greater than 2.641 (33.140> 2.641), then \( H_0 \) is rejected and \( H_1 \) is accepted. This shows that the variables return on assets, return on equity, and net profit margin simultaneously affect stock returns and the regression model is feasible to use in this study.

**Coefficient of Determination**

<table>
<thead>
<tr>
<th>Table 4.The coefficient of determination (( R^2 ))</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Model</strong></td>
</tr>
<tr>
<td>-----------</td>
</tr>
<tr>
<td>1</td>
</tr>
</tbody>
</table>

Secondary Data, 2020

Table 4 above, seen through the adjusted \( R^2 \) value, which is equal to 0.289 which means that 28.9% of the variation in changes in stock returns can be explained by the variables NPM, ROA, and ROE, while the remaining 71.1% is influenced by other variables outside the research model.

**Partial Test Results (t-test)**

Partial significance test or t test is a test used to test the significance of the regression coefficient partially or to test the effect of independent variables on the dependent variable. If \( t \)-value \( \leq \) table or significance \( t \geq \alpha (0.05) \),
then H0 is accepted and H1 is rejected, on the contrary, if t value > ttable or significance t <α (0.05), then H0 is rejected and H1 is accepted. The results of the partial significance test of this study can be seen in Table 5.

Table 5. Partial Test Results (t-test) 

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1 (Constant)</td>
<td>-19.381</td>
<td>5.667</td>
<td></td>
<td>.001</td>
</tr>
<tr>
<td>ROA</td>
<td>2.184</td>
<td>.663</td>
<td>.292</td>
<td>3.293</td>
</tr>
<tr>
<td>ROE</td>
<td>.703</td>
<td>.446</td>
<td>.116</td>
<td>1.578</td>
</tr>
<tr>
<td>NPM</td>
<td>1.041</td>
<td>.345</td>
<td>.213</td>
<td>3.019</td>
</tr>
</tbody>
</table>

The Effect of Return on Assets (ROA) on stock returns of Manufacturing Companies on the Indonesia Stock Exchange (IDX) year of 2017-2019

The variable return on assets (ROA) has a significance value of 0.001 which is less than the real level α = 0.05 (0.001 <0.05) and the t value of 3.293 is greater than t table 1.651 (3.293> 1.651) so H0 is rejected and H1 is accepted . This shows that return on assets partially has a significant positive effect on stock returns in manufacturing companies on the Indonesia Stock Exchange for the 2017-2019 period.

The return on assets (ROA) variable has a significant positive effect on stock returns. This shows that if the ROA value increases, it will be followed by an increase in stock returns, conversely if the ROA value decreases, the stock return will decrease. ROA is used as a tool to measure the effectiveness of the company in generating profits through total assets owned by the company. The higher the ROA, the higher the profits obtained by the company which causes investors to be interested in investing because investors are very concerned about the profits or profits generated by the company which will increase the return on the shares they get. Tandelilin (2010: 372) states that ROA is the most important indicator in assessing the rate of return obtained by investors. The company's ability to manage assets to generate profits has attractiveness and is able to influence investors to buy shares and invest in a company so that the demand for shares will increase. Increased demand for shares causes stock prices to rise and the returns on shares obtained by investors increase. So it can be concluded that return on assets has a positive effect on stock returns obtained by investors.

This result is in line with previous research which states that return on assets has an effect on stock returns, namely research from Wulansari (2018), Sorongan (2016), Wijaya and Sedana (2020), Anwar (2016), Sari et al., (2017), Salamat and Mustafa (2016), Putra et al., (2018), Tyas et al . (2018), Putra and Kindangen (2016), Aiyanti (2018), Mayuni and Suarayja (2018), Basalama et al. (2017), Mahampang (2016) which states that return on assets (ROA) has a significant positive effect on stock returns

The Effect of Return on Equity (ROE) on stock returns of Manufacturing Companies on the Indonesia Stock Exchange (BEI) year of 2017-2019

The variable return on equity (ROE) has a significance value of 0.116 which is less than the real level α = 0.05 (0.116 >0.05) and the t value of 1.578 is less than t table 1.578 (1.578 <1.651), so H0 is accepted and H1 rejected. This means that partially return on equity does not have a significant positive effect on stock returns in manufacturing companies on the Indonesia Stock Exchange for the 2017-2019 period.

The return on equity variable has a positive and insignificant effect on stock returns. ROE has a positive effect on stock returns, meaning that the higher the ROE, the company's ability to use equity to generate profits is more effective. The results of the research show that the ROE value does not have a significant effect on stock returns, meaning that the level of ROE does not affect investors in making investment decisions. ROE becomes large due to increased profits or decreased capital. Decreasing capital will allow the company to go into debt. The results of this study indicate that ROE has no significant effect on stock returns, meaning that the high and low ROE will not affect investors in making investment decisions, because if the company is able to manage capital properly it will be able to generate profits. So, not all companies whose capital decreases will affect the company's stock return. Investors in investing in companies consider other factors besides ROE which are considered more influential on stock returns. The results of this study do not support research conducted by Sorongan (2016), Chandra (2016), Kai and Rahman (2018), Sari et al., (2017), Adawiyah and Setiyawati (2019), Anjani and Syarif (2019), Tumonggor et al., (2017) that Return On Equity (ROE) which states that return on equity has a significant positive effect on stock returns but the results of this study reinforce research conducted by Hertina et al., (2019), Anwar (2016), Sari (2016), Aisah and Mandala (2016), Tumonggor et al, (2017) which state that return on equity has no effect on stock returns.

The Effect of Net Profit Margin (NPM) on stock returns of Manufacturing Companies on the Indonesia Stock Exchange (IDX) year of 2017-2019

The variable net profit margin (NPM) has a significance value of 0.003 which is less than the real level α = 0.05 (0.003 <0.05) and the t value of 3.019 is greater than t table 1.651 (3.019> 1.651) so H0 is rejected and...
H1 is accepted. This shows that partially the net profit margin has a significant positive effect on stock returns in manufacturing companies on the Indonesia Stock Exchange for the 2017-2019 period.

The net profit margin variable has a significant positive effect on stock returns, which means that the higher the NPM value the higher the stock return obtained by investors, on the other hand, the lower the NPM value, the lower the stock return obtained by investors. NPM is a ratio that shows the rate of return on net profits to net sales. The higher the net profit indicates that the company is effective and healthy. Fahmi (2018: 81) states that a high net profit margin is preferred by investors because it shows that the company gets good results that exceed the cost of goods sold. If the company is declared healthy, seen from the net profit margin, investors will invest in the company because the stock returns received by investors will increase.

This result is in line with previous research which states that net profit margin has an influence on stock returns, namely research from Sorongan (2016), Öztürk and Karabulut (2017), Anwaar (2016), Anjani and Syarif (2019), Sari (2016), Putra and Kindangen (2016), Ariyanti (2016), Mahampang (2016) that Net Profit Margin (NPM) has a significant positive effect on stock returns.

**Determination of the Dominant Variable**

The independent variable which has the most dominant influence on the dependent variable can be seen through the Standardized Coefficient Beta. The dominant influence of the independent variable on the dependent variable was seen using the highest Beta Standardized Coefficients. In this study, the Standardized Coefficient Beta of the ROA variable was 0.292, ROE was 0.116 and NPM was 0.213. Of the three independent variables, the highest value of Standardized Coefficients Beta is the ROA variable of 0.292, so the independent variable is the most dominant in the dependent variable, namely the ROA variable, this means that the higher the ROA value, the higher the stock return obtained by investors.

**V. CONCLUSION**

Based on this research, it is known that theoretically, the return on assets and net profit margin variables get results in accordance with the previous theory, namely return on assets and net profit margin have a significant positive effect on stock returns of manufacturing companies. This shows that the level of return on assets and net profit margin affects investor interest in making investment decisions. The results of this study also provide empirical evidence that return on equity has no effect on stock returns of manufacturing companies. Investors generally pay more attention to other ratios besides ROE which are considered more influential on stock returns in deciding to invest in a company. This research is expected to be able to provide an empirical contribution to the effect of return on assets, return on equity and net profit margin on stock returns on the Indonesia Stock Exchange for the development of financial management science. The results of this study are expected to be taken into account by investors in making investment decisions. Investors can use profitability ratios, namely return on assets (ROA) and net profit margin (NPM) in analyzing stock returns in companies so that investors can choose and get the return as expected. Future researchers should not only focus on this research but add other factors that affect stock returns with a longer research period.

**REFERENCES**


