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The Effect of Financial Ratios and Revenue Growth on Stock Returns in Manufacturing Companies on the Indonesia Stock Exchange

Mohammad Arik[1], Rianto Setiawan Suharson[2], Moh Halim[3]
[1,2,3]University of Muhammadiyah Jember

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ABSTRACT

The act of investing money or assets with the hope of making a profit later on is known as investing. The capital market is one place to make this investment. Securities are exchanged on the capital market. The purpose of this study is to determine how market, revenue growth, liquidity, profitability, and leverage effect stock returns in manufacturing businesses that are listed on the IDX. The population in this study consists of manufacturing sub-sector businesses registered on the Indonesia Stock Exchange, and the theory employed is signal theory, which employs a descriptive method. There are 209 firms in all in this survey. According to the findings of this study, the following ratios have little bearing on stock returns: liquidity, profitability, leverage, market, and income.

Corresponding Author:

Name: Mohammad Arik
Institution Address: Muhammadiyah University of Jember
e-mail: mohamadarik1906@gmail.com

1. INTRODUCTION

Investment is the investment of assets or funds with the aim of obtaining profits in the future. This investment can be made in the capital market. The capital market is a place where securities are traded. One of the securities that is in demand today is stocks because they are able to provide attractive profits. This investment profit can be reflected through the return on stock investments made by investors.

Investors in investing certainly want a high *rate* of return from the investment made. Investors in making investment decisions need comprehensive information and growth in financial performance. Financial analysis is a structured submission of the financial process and financial performance of an entity (PSAK No.1, 2019 :1). Financial analysis is generally based on historical data. The purpose of financial analysis is to provide financial information and financial performance that is useful in making investment decisions. Financial performance can be measured using financial ratios. According to Fahmi (2020), financial ratio analysis can be used as a tool to measure business health, financial perspectives, and estimate potential risks. Financial ratios consist of profitability ratios, liquidity ratios, *leverage* ratios, activity ratios, and market ratios (Kasmir, 2019). According to Kasmir (2019), the activity ratio is defined as a ratio

used to measure a company's activities in using the assets it owns. This ratio focuses more on operational efficiency and asset management rather than on the performance of stocks directly, so this study uses the liquidity ratio, profitability ratio, *leverage ratio*, and market ratio.

The current ratio serves as a stand-in for the liquidity ratio. The current ratio, according to Fahmi (2020:125), is a widely used indicator of a company's solvency—its capacity to pay off debt as it matures. There is less chance that a corporation would default on its short-term debts the higher its current ratio is. A high *current ratio* indicates good financial performance, it can provide a good view of investors and can increase people's purchasing power for shares in the company.

The return on assets serves as a stand-in for the profitability ratio. Return on assets, according to Sudarmo (2019:25) in Rita Satria (2019), demonstrates a company's capacity to utilize all of its assets to produce profit after taxes.

The debt-to-equity ratio is comparable to the leverage ratio. According to Joel G. Siegel in Fahmi (2020:132), the debt-to-equity ratio is a statistic used in financial statement analysis to reflect the quantity of collateral available for collateral. A high debt to equity ratio, which shows that the amount of debt is increasing, is a sign of bad financial performance for the business. This can lower people's purchasing power for the company's shares and negatively affect investors' perceptions of the business.

The market ratio is proxied by *earning per share*. According to Sukamulja (2019) in Pratiwi et al (2023), earning per share is a ratio used to measure how much a company's net profit is contained in one outstanding share. The higher the EPS value indicates that the company's financial performance is good because the company is able to increase the efficiency and effectiveness of the company's sales management. This can provide a good view of investors and be able to increase investors' buying attractiveness towards the company.

In addition to financial ratios, revenue growth also shows how the company is performing. According to information from the Ministry of Industry's official website in the Republic of Indonesia, the manufacturing sector's share of the GDP is growing annually. In 2020, Indonesia's industrial sector contributed 19.8%, up 16.5% from the previous year. The industrial sector's GDP increased from IDR 2,760.43 trillion in 2020 to IDR 2,946.9 trillion in 2021.

The manufacturing sector received IDR 325.4 trillion in investment. This amount grew by 19% from 2020 (Rp272.9 trillion) and surpassed the Ministry of Industry's manufacturing investment accomplishment target of Rp280 trillion to Rp290 trillion. The increasing realization of investment in the manufacturing infusion sector shows that investors have high confidence to invest in manufacturing companies.

Indonesia's economy is largely driven by an increase in household consumption and one of the fast-growing manufacturing industries is the food and beverage industry. Spending on food and beverages, particularly as the middle class grew in size, was the main driver of sales growth. According to information from the Ministry of Finance's official website, the food and beverage sector saw a 2.54% rise in income in 2020. According to the Central Statistics Agency (BPS), the gross domestic product (GDP) on the basis of prevailing prices (ADHB) was 1.12 quadrillion in 2021. This figure has a portion of 38.05% for the non-oil and gas processing industry or 6.61% for the national GDP which reached 16.97 quadrillion. The increase in revenue in the food and beverage industry, which is increasing every year, shows that the profit or profitability generated by the company will increase so that the company's financial performance has good financial performance.

A high rate of return on investment is undoubtedly what investors desire. When making investment selections, investors want thorough information and increasing financial success. Historical data is often the foundation of financial analysis. The purpose of the financial analysis is to assess the

company's profitability and find indicators of its financial success. (Pang et al., 2020).

Revenue growth reflects the success of investments in past periods of a company. This can be seen from the increase in the number of stock investors in manufacturing sub-sector companies. In addition, revenue growth can be used to predict how the company will grow in the future.

Andrian, F., & Winedar, M. (2020) shown that stock returns in IDX 30 businesses listed on the Indonesia Stock Exchange are influenced by the current ratio (CR), debt to asset (DAR), return on asset (ROA), and total asset turnover (TATO). In contrast, debt to equity (DER) significantly reduces stock returns, whereas current ratios (CR), ROE, and revenue growth have no discernible impact on stock returns, according to Nurmasari I. (2018) Present Ratio. Stock returns are significantly impacted by the current ratio (CR), debt to equity (DER), ratio on equity (ROE), and revenue growth all at once.

The title "The Effect of Financial Ratios and Revenue Growth on Stock Returns in Manufacturing Companies on the Indonesia Stock Exchange" attracts the researcher's attention because of this backdrop. Research is created to solve related issues based on the clarified description. Finding out how market, revenue growth, liquidity, profitability, and leverage affect stock returns in manufacturing companies listed on the IDX is the aim of this study.

Manufacturing businesses can benefit from advice based on the study's results to help them make better financial decisions. Financial theories pertaining to financial ratios, profits growth, and stock returns are tested and developed with the assistance of Idiaipiaiti. Give actual data that may be utilized to assess and enhance the theoretical models that are already in use. contributing to the body of knowledge already available on the connection between financial measures, revenue growth, and stock returns—particularly with regard to the Indonesian stock market. The results of the research can be published in academic journals, conferences, and textbooks, thus providing a reference for future research.

2. LITERATURE REVIEW

2.1 Signal Theory

Michael Spence Created the signal theory for the first time in 1973. According to Spence (1973), informants try to provide information that can be used by informants, According to Sigar and Kalangi (2019), positive news can increase stock prices, while negative news can lower stock prices. To show investors how management sees the company's prospects, the company's management takes an action known as signal theory

Compared with External parties such as investors, creditors, underwriters, and other information users, the company's management has more information about the company's operations and future plans. External parties can be provided with signals through the company's financial statements, which contain the company's financial information that can be accessed. Signaling theory is a concept in economics and management that explains how asymmetric information can be overcome in relationships between parties who have different information. This theory is often applied in financial and capital market contexts to understand how companies communicate information to investors and how investors interpret that information.

2.2 Financial Performance

There is a tight relationship between a company's financial success and how well it is measured and evaluated. Performance measurement refers to the efficacy and efficiency of the firm in conducting its activities within the accounting period. Performance evaluation, on the other hand, is the process of evaluating an organization's, its workers', and its operational effectiveness using predetermined standards, goals, and criteria. Financial performance, according to Hutabarat (2020), is an examination done to determine how well a firm has complied with the guidelines for effectively and properly implementing financial management.

2.3 Types of financial ratios

The liquidity ratio is a measure used to assess a company's ability to meet its short-term obligations using its current assets. This ratio is important because it provides an overview of the company's financial health in the short term and its ability to pay debts and other obligations that are due in the near future.

a. Liquidity Ratio: Current ratio, Quick ratio and cash ratio.
b. Activity Ratio : Total Asset Turnover, Fixed Asset Turnover
c. Profitability Ratio: Net profit margin, Return on investment and Return on equity.
d. Rasio Leverage : *Debt to equity ratio, debt to assests ratio.*
e. Rasio Pasar : *Earning per share, book value per share*

2.4 Stock Retrun

Stock returns also play an important role for companies and financiers. Considering that one of the indicators of a company's performance is stock returns, good or bad in investing in the stock market. Return is the profit obtained by investors or financiers from their investment activities. Return is a highly anticipated outcome for investors. Therefore, optimizing stock returns is a priority for investors so that the returns obtained will be greater in the future.

Return can also be interpreted as the results obtained by financiers or investors for their courage to bear all risks in investment activities carried out. Stock return is a measure seen by investors who will invest in a company. Dermawan (2014) defines a stock return as the rate of return expressed as a profit or loss. According to Jogiyanto (2014), return is the outcome of an investment; it can take the form of an expected return that has not yet occurred but is anticipated to occur in the future, or it can take the form of realized income that shareholders receive as a result of their investment in a particular company. The rate of return that will be attained is hence the stock return.

2.5 Income

According to the Financial Accounting Standards for Entities Without Public Accountability (SAKETAP), published by the Indonesian Institute of Accountants (2019:22), income is defined as revenue resulting from the execution of regular entity operations and is referred to by a variety of names, including sales, rewards, interest, dividends, royalties, and rents. Revenue is defined as "an increase or increase in assets and a decrease or decrease in a company's liabilities which are the result of operating activities or the procurement of goods and services to the community or consumers in particular," according to Harnanto (2019:102).

2.6 Conceptual framework

This study seeks to explain the impact of financial ratios on stock *returns*. The conceptual framework of this research is illustrated as follows:

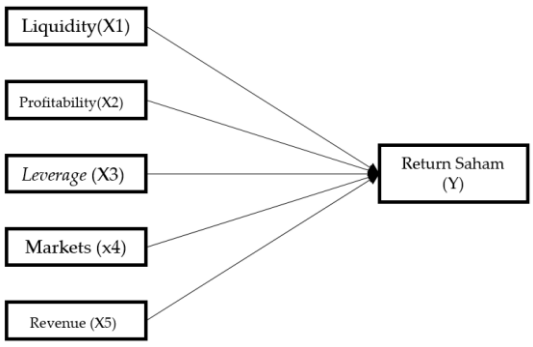

Figure 2.1 Conceptual Framework

2.7 Previous Research

In 2018, Nurmasari, I. The Impact of Income Compensation and Financial Ratios on Plantation Company Stock Returns on the Indonesia Stock Exchange from 2010 to 2017 and Production Revenue growth, the current ratio (CR), and the ratio on equity (ROE) all have little bearing on stock returns. On the other hand, stock returns are significantly impacted negatively by debt to equity (DER). Stock returns are significantly impacted by financial ratios (Current Ratio (CR), Ratio on Equity (ROE), and Debt to Equity (DER)) as well as concurrent revenue growth. Results of a 2019 study by Pratama I.G.S. & Idawati I.A.A. on the Impact of Financial Ratios on Stock Returns in Agricultural Companies on the Indonesia Stock Exchange At the same time, stock returns are positively impacted by financial measures, which include liquidity ratios, activity, profitability, leverage, and market value. In contrast, for agricultural

companies listed on the Indonesia Stock Exchange, the market value ratio has a positive impact on stock returns, the leverage ratio has a positive impact, the profitability ratio has a positive impact, and the activity ratio has a partially negative impact.

2.8 Hypothesis

2.8.1 The Effect of Liquidity on Stock Returns

In this study, liquidity is used as a variable that proves the influence on stock *returns*. The researcher uses *the current ratio* (CR) as an indicator to measure the liquidity and financial performance of companies. The more liquid a company is, the less the risk of the company's failure to meet its short-term obligations. This has a correlation with the signal theory which makes it a positive signal for investors because the company provides good financial performance and verifies indicators to investors that the risk borne by shareholders is getting smaller. In addition, it can increase investors' buying attractiveness towards the company's shares.

The results of previous research (Andriani, F., & Winedar, M. (2020)) show that CR has an effect on stock *returns*. Based on these estimates, the following hypotheses can be made:

H1 : Liquidity affects *stock* returns

2.8.2 The Effect of Profitability on *Stock* Returns

Profitability is a variable utilized in this study to demonstrate its impact on stock returns. The researcher measures earnings and displays the company's financial performance using return on assets (ROA). A higher ROA score indicates that the business may make large profits and that its financial performance is regarded as strong. Given that demand for buying company stocks is predicted to increase significantly, this might be a sign of a positive trend for investors and help the market. According to earlier studies' findings (Andriani, F., & Winedar, M. (2020)), ROA affects stock returns. These estimations allow for the formulation of the following hypotheses:

H2 : Profitability affects stock returns

2.8.3 Effect *of Leverage* on *Stock* Return

Leverage serves as a variable in this study to demonstrate its impact on stock returns. Debt to equity (DER) is a metric that researchers use to calculate a company's leverage. DER also displays the financial performance of the firm. The performance of the firm is negatively correlated with the DER value.

A high DER value sends an unfavorable signal to investors, indicating that the company's performance will be negatively impacted by the high debt level, which will increase interest costs and lower earnings. Therefore, the stock price tends to decrease when debt (DER) increases. Additionally, the negative perception that investors have of the firm is influenced by the rise in DER's value, and this in turn affects the decrease in investors' purchasing power for the company's shares.

The results of previous research (Nurmasari. I. (2018)) show that DER has a negative effect on stock returns. Based on this description, the following hypotheses can be made:

H3 : Leverage affects stock returns

2.8.4 Market Influence on *Stock* Returns

This research uses the market as a variable to show how it affects stock returns. One indicator that researchers use to evaluate a company's market value and financial performance is earnings per share (EPS). An organization's effective and profitable sales management is indicated by a high profits per share (EPS).

Regarding the market, of course, it has a correlation with signal theory which makes a positive signal to investors with a high EPS value showing the company's high ability to provide profits in every share owned by the company. This gives investors a good view of the company, thus attracting investors to invest and causing demand to rise and stock prices to rise.

The results of previous research (Fadhilah, M. A. F. A., & Warsitasari, W. D. W. (2023)) show that market value affects stock returns. Based on this description, the following hypotheses can be made:

H4 : The market affects stock returns

2.8.5 The Effect of Income on *Stock* Returns

Income is a variable utilized in this study to demonstrate its effect on stock returns. Revenue is a metric that researchers use to assess a company's market worth. Revenue also demonstrates the company's financial status. A higher revenue stream for the business will undoubtedly result in more earnings, which will improve its financial performance. Signal theory indicates that investors have a more positive perception of a firm the better and greater the income the company generates. This will have a positive impact on the market where buying interest in the company's shares will also experience a significant increase.

The results of previous research (Nurmasari. I. (2018)) show that income affects stock returns. Based on this description, the following hypotheses can be made:

H5 : Income affects stock returns

3. METHODS

Research using the descriptive technique seeks to characterize existing phenomena, such as man-made or natural phenomena, or those utilized to study or characterize the subject's findings; it is not meant to offer more significant implications (Adiputra et al, 2021). Companies in the manufacturing subsector that are listed on the Indonesia Stock Exchange make up the study's population. There are 209 firms in all in this survey. Purposive sampling was the method used for sampling.

Table 1. *Participants or sample*

No	Sample Criteria Description	Number of Companies
1	Manufacturing companies that are not listed from the IDX for the 2020-2022 period	(31)
2	Manufacturing companies that are not food and beverage sub-sector groups	(155)
3	Shares of issuers of companies in the food and beverage sub-sector that are not consistently listed on the Indonesia Stock Exchange in the 2020-2022 period	(24)
4	Companies that do not issue financial statements for the 2020-2022 period	(6)
Research Sample		16
Total Research Sample Object (16x3)		48

4. RESULTS AND DISCUSSION

According to the attachment to the appendix, the company's financial statements and website (idx.co.id) provided the study's data, which was sourced for all values of the independent and dependent variables for the observation period of 2020–2022. Descriptive statistics explain independent variables and dependent variables based on minimum values, maximum values, mean, and standard deviations. After conducting a descriptive statistical test, the results of the analysis of the liquidity variable showed an average score of 3.0440, a standard deviation of 2.9440m, the highest number of 13.31, and the lowest number of 0.00 The profitability variable showed an average score of 0.0783, a standard deviation of 0.06941, the highest number of 0.27, and the lowest number of 0.00. The leverage variable yields an average score of 0.7823, a standard deviation of 0.52802, a high of 0.27 and a low of 0.00. The market variable shows an average score of 4.2845, a standard deviation of 6.12125, a high of 20.60, and a low of 0.60. The average score of the income variable is 2021878761101.56, the standard deviation is 3575538564531.598, the highest number is 14375444103773, and the lowest number is 311490. In addition, the stock return variable produced an average score of 0.0590, a standard deviation of 0.44416, the highest number of 1.35, and the lowest number of -61.

4.1 Description of Research Data

4.1.1 Descriptive Statistical Analysis

After conducting a descriptive statistical test, the results of the analysis of the liquidity variable showed an average score of 3.0440, a standard deviation of 2.9440m, the highest number of 13.31, and the lowest number of 0.00 The profitability variable showed an average score of 0.0783, a standard deviation of 0.06941, the highest number of 0.27, and the

lowest number of 0.00. The leverage variable yields an average score of 0.7823, a standard deviation of 0.52802, a high of 0.27 and a low of 0.00. The market variable shows an average score of 4.2845, a standard deviation of 6.12125, a high of 20.60, and a low of 0.60. The average score of the income variable is 2021878761101.56, the standard deviation is 3575538564531.598, the highest number is 14375444103773, and the lowest number is 311490. In addition, the stock return variable produced an average score of 0.0590, a standard deviation of 0.44416, the highest number of 1.35, and the lowest number of -61.

4.1.2 One Sample K-S *Normality Test*

Based on this data, the Asymp Sig. (2-tailed) number is 0.052 and it can be concluded that the p-value exceeds the significance level which is generally set at 0.05. Thus, we accept the null hypothesis that the normal distribution is produced. In general, if the p-value exceeds the specified significance level, it proves that there is enough statistical evidence to accept the null hypothesis, which means that the residual data in the regression model can be considered to give a normal distribution. So, in this context, the conclusion is that the regression model is according to the assumption of normality.

4.1.3 Multicollinearity Test

Table 1. Multicollinearity Test

Coefficientsa

Model		Collinearity Statistics	
		Tolerance	BRIGHT
1	Liquidity	.919	1.088
	Proditability	.940	1.049
	Laverage	.982	1.019
	Pass	.933	1.072
	Income	.989	1.011

a. Dependent Variable: Return Saham

Source: Processed secondary data, 2024

Based on the above rables, all VIP figures in this study are below 0.10. In addition, the VIP score in this study was below 10. This proves that in the regression model that is set, there is no multicollinearity.

4.1.4 Uji Autokorelasi

This test is intended to assess whether a relationship is found between the residual value in the linear regression model in a time period and the error value in the previous period. Durbin-Watson (DW) is a test *statistic* commonly used to detect autocorrelation in regression residues assuming that DW < -2 (positive autocorrelation), DW > +2 (negative autocorrelation), while no autocorrelation occurs when DW is between -2 and +2. Based on the table, the DW figure is 1,888. It was found that there was an autocorrelation problem that conditioned the residual value did not show a systematic correlation pattern between one period and the previous period.

4.1.5. Heterosdasticity Test

The purpose of this test is to determine whether or not there is an inequality between residual variants between observations. If the residuals of one observation and another observation are the same or fixed, the state is called homokedasticity. The *glacier* test is a tool used to detect heteroscedasticity by regressing the residual absolute value with the independent variable. *The glacier test* in this heteroscedasticity test proved that the significance figures of the independent variables of liquidity were 0.445, profitability 0.257, leverage 0.061, market 0.616, income 0.406. It can be concluded from the above results if there is no heteroscedasticity due to the sig. above 0.05/5% (SIG < 0.05). To see the heteroscenidactivity test other than through the glacier test, it can also be observed from the *scatterplot graph.*

4.2 Uji Hipotesis

4.2.1 Multiple Linear Regression Analysis

Multiple linear regression analysis also analyzes the extent to which the free variable affects the bound variable, while it determines the direction of the relationship between 2 variables, namely bound and free. The results of the regression equation are:

Y= -0.095 - 0.030X1 – 0.065X2 + 3.560X3 – 0.005X4 + 1.724E-14X5 + e

a. The constant number -0.095, which means that the variables of liquidity (X1),

profitability (X2), *leverage* (X3), market (X4), and income (X5) are 0, so the number of stock *returns* is 0.095.

b. Liquidity that is proxies with CR has a regression coefficient of -0.030. If liquidity increases by 1%, it means that there is an increase in stock returns of 0.030 or 3% assuming that the variables of profitability, *leverage*, market, and income have constant or zero numbers.
c. Profitability that is proxied with ROA has a regression coefficient of -0.030. If profitability increases by 1%, it means that there is an increase in stock *returns* of 0.065 or 6.5% assuming that the variables of liquidity, *leverage*, market, and income have a constant number or zero.
d. *Leveraged proxies with DER have a regression coefficient number of -0.030. If leverage* increases by 1%, it means that there is an increase in stock returns of 3,560 or 356% assuming that the variables of liquidity, profitability, market, and income have constant numbers or no.
e. The market that is proxies with EPS has a regression coefficient figure of -0.030. If the market rises by 1%, it means that there is an increase in stock returns of 0.005 or 0.5% assuming that the variables of liquidity, profitability, *leverage*, and income have constant numbers or zero.
f. Income has a regression coefficient of -0.030. If the income increases by 1%, it means that there is an increase in stock returns of 1,724E-14 or 1,724E-14% assuming that the liquidity, profitability, *leverage*, and market variables have a constant or zero number.

4.2.2 Determination Coefficient Test (R2)

4.2.3 **Model Summaryb**

Type	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.512a	.262	.187	.41166

a. Predictors: (Constant), Revenue, Liquidity, Profitability, Laverage, Market
b. Dependent Variable: Return Saham

Source: data processed by spss, 2024

The table above shows the result that the R2 number is 0.262, proving that the independent variables include liquidity, profitability, leverage, and the market can explain the stock return of 26.20% and 73.80% explained by the variables outside the regression.

4.2.3 Simultaneous Significance Test (Test F)

The F test is a tool with a function to see the existence of independent influences on dependent variables simultaneously or together. This can be ascertained, if the probability level is below 0.05, then the conclusion is that if the independent variable affects the dependent or influential variables. The F test obtained a significance value of 0.016, which is below 0.05. This shows that liquidity, profitability, leverage, market, and income simultaneously affect stock returns.

4.2.4 Uji Parameter Individual

Based on the table above, it can be concluded as follows:

a. Liquidity does not affect stock returns, this is evidenced by a stakes value of 0.176 greater than 0.05 (0.176>0.05). So, the H1 hypothesis was not accepted.
b. Profitability does not affect stock returns, this is evidenced by a sig value of 0.257 greater than 0.05 (0.257>0.05). So, the H2 hypothesis was not accepted.
c. Leverage affects stock returns, as evidenced by a sig value of 0.001 smaller than 0.05 (0.001>0.05). So, the H3 hypothesis is accepted.
d. The market does not affect stock returns, this is evidenced by a sig value of 0.616 greater than 0.05 (0.616<0.05). So, the H4 hypothesis was not accepted.
e. Earnings do not affect stock returns, this is evidenced by a sig value of 0.406 greater than 0.05 (0.406>0.05). So, the H5 hypothesis was not accepted.

4.3 Discussion of Results

4.3.1 Effect of Liquidity on Stock Return

Based on data testing, the study's findings indicate that liquidity has little bearing on stock returns. This implies that investors' decision to purchase shares in food and beverage sub-sector businesses listed on the IDX may be influenced by changes in liquidity. The study that supports this finding is that liquidity has little bearing on stock returns (Pratama and Idawati, 2019). This runs counter to study findings (Andriani, F.,

& Winedar, 2020), which indicate that stock returns are influenced by liquidity. Signalling Theory can offer a different viewpoint on how investors may interpret liquidity as a signal when discussing its impact on stock returns. Every investor has access to the same information in a perfect market. In actuality, though, there is asymmetric knowledge, meaning that investors may not know as much as the company's management about its financial situation and prospects.

4.3.2 Effect of profitability on *Stock* Return

The second finding indicates that profitability has no bearing on stock returns and is supported by data testing conducted by the researchers. The study of Mangantar and Baramuli (2020), which claims that profitability has no impact on stock returns, is consistent with the research. This runs counter to study findings (Andriani and Winedar, 2020), which indicate that stock returns are positively impacted by profitability. The theory of signaling describes how asymmetric information between investors and firms may affect stock market behavior and investment choices. Regarding the impact of profitability on stock returns, Signalling Theory offers valuable understanding into how investors may interpret profitability as a signal.

4.3.3 Effect *of Leverage* on *Stock* Return

According to the data analyzed by researchers, leverage has a detrimental effect on stock returns. The results of this analysis are in line with the most recent research, which demonstrated a negative correlation between stock returns and leverage (Nurmasari, 2018). However, it runs counter to the results (Mangantar & Baramuli, 2020). Signalling Theory may be used to describe how investors may interpret leverage—the use of debt in a company's capital structure—as a signal when discussing how leverage affects stock returns. The debt-to-equity ratio (DER) is used in this study to quantify leverage. The study's findings demonstrate that leverage reduces stock returns. This implies that the stock return will fall if the value of DER rises. A high DER score suggests that the business has a lot of debt, which means that interest costs are high and can lower profitability.

4.3.4. Market Influence on *Stock* Return

The study's findings support previous research by demonstrating that the market has no influence on stock retardation (Nurrohman and Zulaikha, 2019). When discussing how the market affects stock returns, Signalling Theory clarifies how investors may use market data as a signal when making investment choices. Investors use information from the stock market as a key indicator when evaluating the performance and future prospects of the firm. The way that market information may impact investor perception and, consequently, stock returns is explained by signaling theory.

4.3.5. Effect of income on *Stock* Return

Researchers' data testing indicates that income has little bearing on stock returns. The study's findings are consistent with recent research by Nurmasari (2018), which claims that stock returns are unaffected by the market.

Investors see a company's earnings as a key indicator when evaluating its current and future prospects. The way that earnings news might impact investor views and, consequently, stock returns is explained by signaling theory.

5. CONCLUSION

Investors who want to invest certainly want a high rate of return from the investment made. Investors in making investment decisions need comprehensive information and growth in financial performance. Financial analysis is a structured submission of the financial process and financial performance of an entity (PSAK No.1, 2019 :1). Financial analysis is generally based on historical data. Financial analysis to provide financial information and financial performance that is useful in making investment decisions is the purpose of financial analysis. Financial performance can be measured using financial ratios

The purpose of this research is to determine how income and financial ratios (liquidity, profitability, leverage, and market) affect

stock returns in manufacturing businesses that are listed on the IDX between 2020 and 2022. The study leads to the following conclusion:

a. There is no relationship between the liquidity ratio and the stock retrun.
b. The return on the shares is unaffected by the profitability ratio.
c. The leverage ratio has an impact on the stock's return.
d. Stock returns are unaffected by market ratios.
e. Dividends have no bearing on stock returns.

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BIOGRAPHIES OF AUTHORS

Mohamad Arik
My name is Mohamad Arik, I am 22 years old, my home address is Jln. Mt Haryono No 57 Lingk Kalikotok, I study at the Muhammadiyah University of Jember. My hobby is fishing, even though I never catch fish, I still like fishing because it can train my patience and truly Allah loves his servants who are patient. Email: mohamadarik1906@gmail.com

Dr. Riyanto Setiawan Suharsono SE.,MSA.,Ak.,CA.,CSRS.,CSP.,MCE
The author was born in Jember Regency on December 29, 1972. The author took education starting from Bachelor of Accounting at Merdeka University of Malang (graduated in 1995) continued to Professional Accountant at Brawijaya University (graduated in 2011) and Charterred Accountant at Brawijaya University (graduated in 2012) then became a Master of Science in Accounting at Brawijaya University (graduated in 2012) until finally the author could pursue a Doctorate in Economics with Accounting Concentration (graduated in 2021). The author is active in research activities from national to international scale related to accounting, management and entrepreneurship. Become a resource person and judge in the field of management and accounting. The author has also published 2 books, namely Accounting Theory Book and Banking Accounting Book. The author is also active in various organizations such as the Indonesian Accountants Association (IAI), the Indonesian Republican Lecturers Association (ANDRI) and the Indonesian Economists Association (ISEI). In addition, the author also has experience in several positions, namely being a Human Resource Dev. Staff at Nagasaki Inn Co.. Lexington, Kentucky, USA (2000-2009), became an International Class Tutor at Brawijaya University (2010-2013) and became Secretary of the Accounting Study Program at Muhammadiyah Jember University (2022-present). ID Scopus: 572211000050. ID Orcid: 0000-0002-1174-3219. E-mail: riyantosetiawan@unmuhjember.ac.id

From Moh Halim, Masa
S1 Accounting, University of Muhammadiyag Jember
S2 Management University of Brawijaya Malang
S3 (Advanced Study) Accounting Science, Merdeka University
e-mail : halim@unmuhjember.ac.id