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Analysis of the Effect of The Probability Ratio On Sharia Stock Return
(Study On the List of Undelisting Sharia Stocks in the Jakarta Islamic Index December 2014-2018)

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Abstract

This research was conducted to determine the effect of Return On Assets, Return On Equity, and Earning Per Share on Sharia Stock Returns in Indonesia. The data used in this study comes from the Indonesia Stock Exchange for the 2014-2018 period. The method used was descriptive statistical analysis and Fixed Effect Model (FEM) panel regression analysis. The results of this study indicated that partially the Return On Asset variable had a negative and significant effect on Sharia Stock Return. While the variables Return On Equity and Earning Per Share partially had a positive and significant effect on Sharia Stock Return. Then, simultaneously the variables Return On Asset, Return On Equity, and Earning Per Share had a positive and significant effect on Sharia Stock Return.

Keywords: *Return On Asset, Return On Equity, Earning Per Share, Sharia Stock Return, Delisting.*



A. Introduction

Consumption and investment activities are two things in economic growth (Swaramarinda & Indriani, 2011). Household consumption every day can exchange goods and money as payment to grow economic activity or production among the people (Afiftah et al., 2017). Appropriately, production is influenced by investment activities as a pillar of economic development that cannot be separated from a series of financial transactions (Iswandi, 2017). Therefore, as an ideal Muslim, we would choose sharia compliance in financial transactions that do not contain gambling, uncertainty, and *riba* (Nur, 2015).

In the sharia financial sector, Bank Muamalat was the first Islamic banking in 1991, marking the development of the Islamic economy in Indonesia (Hamdani, 2010). However, when Islamic banking runs into surplus liquidity from public savings, the real sector becomes stagnant. Production will decrease because producers cannot optimally fulfil the goods and services. Therefore, another instrument is needed as an alternative to overcome this. One of them is the capital market.

Another problem is that investor Muslims are worried about the perception of gambling, uncertainty, and *riba* in the capital market. Meanwhile, they wish to carry out economic activities in sharia compliance. The solution is the Islamic capital market. An Islamic capital market is an investment tool that does not contain gambling, uncertainty, and *riba* (Aryanti et al., 2016).

Due to the importance of investing in Islam, Indonesia Stock Exchange (IDX) presents the Indonesia Sharia Stock Index (ISSI) as a sharia service to invest in the capital market. It is a follow-up to the Sharia Stock List by Bapepam & L.K. since November 2007 (Muthoharoh & Sutapa, 2014). The presence of ISSI is on target because it can answer the anxiety of Muslim investors so that they are not wrong in choosing sharia issuers listed on the IDX. After forming ISSI, IDX re-established the Jakarta Islamic Index (JII). It can provide options to potential investors, especially Muslim people interested in investing and can choose Islamic stocks with the best performance and the best yields of the return (Febrianti, 2018).

Meanwhile, listing means records in the capital market. Companies in the IDX are required to convey important information to the public regarding company decisions and actions at that time through financial reports and other event reports. It is necessary to know. The listed stock can be removed from the listing on the capital market or referred to as delisting, particularly on Jakarta Islamic Index (JII) (Bursa Efek Indonesia, 2004).

Delisting means the stock will be removed or remains on JII. It is interesting to research 401 Shia stocks listed in the Islamic Sharia Stock Index; only 30 stocks entered JII as the best stocks on performance and returns (Bursa Efek Indonesia, 2004). The author wants to research financials apart from those determined by IDX and OJK on 30 stocks listed in JII. The next problem is how these companies have survived for quite a long time on JII. Suppose we look at the number of financial ratios as far as companies can provide benefits to themselves and investors. In this case, it focuses on probability ratios, which consist of Return on Asset (ROA), Return On Equity (ROE), and Earning Per Share (EPS).

B. Method

This research is a descriptive study with a quantitative approach using secondary data. The financial statements of eight (8) issuers that did not delist from 2014 - to 2018 are sourced from IDX. The data is collected through www.idx.co.id and selected using a purposive sampling technique. The object of this research is issuers in the consumer and property sectors. The financial reports' issuers have audited throughout 2014 - 2018. The company was listed during the observation period. Moreover, they did not delist during observation. The method uses panel regression through E-Views 8 and Microsoft Excel.

The function of this research can state as follows: (Gujarati & Porter, 2012: 235):

$$R = f(\text{ROA}, \text{ROE}, \text{EPS})$$



It means:

- R : Stock return
- ROA : Return On Asset
- ROE : Return On Equity
- EPS : Earning Per Share

Using the panel regression formula based on the above model to test ROA, ROE, and EPS. Formulated as follow:

$$R_{it} = \beta_{0it} + \beta_1 ROA_{it} + \beta_2 ROE_{it} + \beta_3 EPS_{it} + \varepsilon_{it}$$

It means:

- R : Stock return
- ROA : Return On Asset
- ROE : Return On Equity
- EPS : Earning Per Share
- β_0 : Constanta
- $\beta_1, \beta_2, \beta_3$: The regression coefficient of ROA, ROE, and EPS
- i : Cross section
- t : Year
- ε : Error term

This section should be clearly and concisely written. It provides practical information concerning the research methods, procedures, tools, materials, or instruments. The method section describes how the study was conducted. Such a description enables the reader to evaluate the appropriateness of methods and the reliability and validity of the results. Please remember that readers must be able to recreate your study from the level of detail you give. This section should not exceed the manuscript's 10% (for qualitative research) or 15% (for quantitative research).

C. Result and Discussion

As previously explained, before estimating the model, here are the results of descriptive statistics:

Table 1: Descriptive Statistics

	ROA	ROE	EPS	R
Mean	11,23175	27,64200	288,6275	137,6016
Maximum	46,66000	135,8500	1193,900	915,0000



	ROA	ROE	EPS	R
Minimum	1,670000	2,920000	27,19000	0,000000
Std. Dev.	11,83650	38,63658	283,6945	227,5257
Probability	0,000001	0,000000	0,000273	0,000000

Processed data (2020)

From the table, returns in this study ranged from 0,000000 to 915,000, with a mean value of 137,6016 at a standard deviation of 227,5257. Return On Asset in this study ranged from 1,67000 to 46,6600, with the mean value of 11,23175 at a standard deviation of 11,83650. Return On Equity in this study ranged from 2,920000 to 135,8500, with a mean value of 27,64200 at a standard deviation of 38,63658. Earnings Per Share in this study ranged from 27,19000 to 1193,900, with a mean value of 288.6275 at a standard deviation of 283.6945.

Furthermore, according to (Kosmaryati et al., 2019), there are three approaches to panel data modeling. These are the common-effect model, fixed-effect, and random-effect models. In this study, the best model is the Fixed Effect Model (FEM) in the table below:

Table 2: Fixed Effect Model (FEM)

Correlated Random Effects - Hausman Test

Equation: Untitled

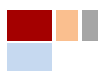
Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	35.773965	3	0.0000

Processed data (2020)

Based on the Hausman test, the value obtained probability is 0.0000. Hausman's results, when compared with the value $\alpha(0.05)$, then H_0 were rejected because of the value probability $<\alpha$. Then the appropriate model or the selected model is the fixed effect model (FEM).

Panel regression analysis is a model that incorporates the effects of time and across individuals into the regression model. In general, the form of the panel data model will show informative values compared to other models as cross-sections or time-series data (Kosmaryati et al., 2019).



The following are the results of the panel regression test Fixed Effect Model (FEM):

Table 3: Panel Regression Test

Dependent Variable: R
 Method: Panel Least Squares
 Date: 09/08/20 Time: 21:26
 Sample: 2014, 2018
 Periods included: 5
 Cross-sections included: 8
 Total panel (balanced) observations: 40

Variable	Coefficient	Std. Error	t-Statistic	Prob.
ROA	-38.54029	6.464635	-5.961712	0.0000
ROE	14.70243	2.572782	5.714603	0.0000
EPS	0.571810	0.166967	3.424683	0.0019
C	-0.967886	66.49051	-0.014557	0.9885
Effects Specification				
Cross-section fixed (dummy variables)				
R-squared	0.937649	Mean dependent var	137.6016	
Adjusted R-squared	0.916148	S.D. dependent var	227.5257	
S.E. of regression	65.88503	Akaike info criterion	11.44212	
Sum squared resid	125884.3	Schwarz criterion	11.90656	
Log-likelihood	-217.8423	Hannan-Quinn criteria.	11.61004	
F-statistic	43.61059	Durbin-Watson stat	2.397194	
Prob(F-statistic)	0.000000			

Processed data (2020)

The t value of ROA is negative, namely -38.54029. A significance value of 0.0000 and less than 0.05. So, ROA partially has a significant negative effect on returns stock. The first hypothesis accepted that ROA affected sharia stock returns. (Simorangkir, 2019) said that ROA has a significant negative effect on returns stock.

It is to be noted that ROA is a measure of the company using assets to obtain profit. The ratio is estimated by comparing profit after interest and taxes with total assets. ROA is a positive value that indicates that the company is more efficient in making profits through the assets. It certainly has an impact on both companies and investors. The increased share price will make the company obtain adequate funding by selling shares on the stock exchange. Meanwhile, on the investor side, they will get benefits in the form of returns, capital gains, and dividends.



On the other hand, ROA with a negative value will have implications for assets that are not optimal. It will hamper the production process. This harms the company's financial health and will hinder the company's growth.

Therefore, the procurement and use of assets, especially those of a fixed nature such as company equipment including machinery, property, etc., must consider their use-value and valuable life. The desire of investors, especially Muslim investors, is to get a return from every rupiah invested. If ROA has a negative value, especially on the list of sharia list securities in the Jakarta Islamic Index, what happens is that investors are not interested in investing because what is expected is the opposite. If this happens, it will affect the circulation of money. The real sector will be able to answer the stagnation of banking and eventually become a mere hope.

However, an adverse ROA condition does not permanently harm the company's health. Assets consist of Equity and liabilities. Companies whose negative ROA can also be assumed to add value to liabilities to expand business lines. This has a good impact on the company. Using productive debt to increase the business sector can increase production capacity, which results in a more efficient company.

Furthermore, the t value of ROE is positive, namely 14.70243 with a significance value of 0.0000 and less than 0.05. Then it can be concluded that ROE has a partially positive and significant effect on returns stock, so the second hypothesis is accepted that ROE partially affects the return of Islamic stocks. Previous research (Pawiati, 2017) revealed that, partially, ROE has a positive and significant effect on returns of sharia stock. ROE is a profitability ratio that shows the company's ability to provide profits to investors through the company's ability to generate a return on capital obtained from shareholders.

ROE's positive values illustrate that the company is successful in generating profit from its capital and shows that it is increasingly efficient at making profits through its capital. This makes it easier for the company to increase its selling value to correlate with the stock price. The increased



share price will make the company obtain adequate funding by selling shares on the stock exchange. Meanwhile, on the other hand, investors will get benefits in the form of returns, capital gains, and dividends. The distribution of dividends to investors will increase in line with the increase in returns stock.

If ROE is negative, it illustrates that the company cannot use capital efficiently so that the net profit is the company's low or even experiences a loss. This will make the company less attractive to investors due to the low dividend distribution. So investor interest in these shares will decrease so that it will automatically affect stock returns. This situation will affect the declining return of company stock. The desire of investors, especially Muslim investors, is to get a return from every rupiah invested.

From the results of the data analysis for the third hypothesis, it is known that the t value is positive, which is equal to 0.571810 with a significance value of 0.0019 and less than 0.05. So it can be concluded that EPS partially has a significant positive effect on returns stock, so the third hypothesis is accepted that EPS partially affects the return of Islamic stocks. Previous research (Ya & Aliamin, 2018) states that EPS partially has a significant effect on returns of sharia stock.

EPS information is considered the most basic and practical for investors because it can describe the earning prospect company's future (Tandelilin, 2010:374). The increase in EPS shows that the company is experiencing a growth stage both from production activities and sales and profits.

If the EPS of a company is high, it will increase investors' interest in carrying out transaction activities in the capital market, which will cause the share price to increase. High EPS shows the company's ability to create profit/ net profit for each share traded on the stock exchange. The higher the company's EPS value, the higher the profit that will be distributed to shareholders and will increase the company's share price. In other words, a high EPS indicates that the company can provide a better level of welfare to shareholders.

Simultaneously, the variables ROA, ROE, and EPS have a significant effect on returns of sharia stock. In this study, returns stock can be explained by ROA, ROE, and EPS of 0.937649 or 93.7%, and other variables outside the model influence the remaining 6.3%. Meanwhile, for the significance figure Prob (F-statistic) of 0.0000 or less than 0.05, there is a simultaneous influence between ROA, ROE, and EPS on returns stock.

Previous research (Aryaningsih et al., 2018) states that the ROA, ROE, and EPS variables simultaneously have a significant influence on the variable return stock.

Taking the ROA, ROE, and EPS into account, this research found a strong relationship between return on Asset (X_1), return on Equity (X_2), and earnings per share (X_3) on return Saham (Y). This relationship occurs because all variables are interrelated. In business, the main goal is to make a profit. So that anything related to production activities is expected to provide returns. If assets fail to create returns, the company is considered inefficient.

Furthermore, if the company's capital is not optimally absorbed in production, it will be detrimental to its performance. Business capital is essential in creating returns. Therefore the use of capital must be very effective and efficient. Meanwhile, investors hope that every rupiah they invest in can yield higher. Therefore, assets and capital must be used efficiently in production activities so that the returns obtained in one share will provide the maximum profit for the company and the investor.

Finally, the results obtained are very satisfying. The variables in this study indicate that Islamic stocks deserve to get the Jakarta Islamic Index for the last five years. It means that companies in the Jakarta Islamic Index carry out the mandate given by investors by utilizing investment funds in sharia-based businesses.

D. Conclusion

The conclusions of this study are:

1. Return On Asset (ROA) has a negative and significant effect on sharia stock return.



2. Return On Equity (ROE) has a positive and significant effect on sharia stock return.
3. Earnings Per Share (EPS) has a positive and significant effect on sharia stock return.
4. ROA, ROE, and EPS simultaneously have a positive and significant effect on sharia stock return.

The result section is provided before the discussion section. Each section stands alone as a subtitle. The result and discussion should be written in not less than 60% of the entire body of the manuscript.

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