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The Influence Of Financial And Macroeconomic Performance On Stock Return Before And During Covid-19

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ABSTRACT. The feed industry plays an important role in the economy, as well as in stock investment activities. The performance of feedstock companies is highly dependent on internal and external conditions. This condition becomes an interesting thing to study related to the effect of stock returns. The method used in this study is panel data regression, with data samples from 4 companies with a quarterly period from 2017 to 2021. The quantitative approach uses an econometric approach to determine the financial and macroeconomic performance factors on stock prices in the animal feed sub-sector. The financial performance variables used are Cash Ratio (CashR), Debt Equity Ratio (DER), Net Profit Margin (NPM), Inventory Turnover (ITO), and macroeconomic variables, namely the rupiah exchange rate against the US dollar (exchange rate), international soybean prices, the price of local corn. The results show that the ratio of profitability, liquidity, solvency, and exchange rates is an important part that must be considered before investing in a feed company. Industry NPM performance is 3 percent, where the company with the highest NPM is CPIN and the lowest is SIPD. The industry average CashR performance is 0.24, with the highest CashR company CPIN and the lowest MAIN. The industry's ITO performance is 4.06 times, with the company's highest ITO ratio being CPIN and the lowest being JPFA. The industry DER value is 1.10, with the highest DER company CPIN and three other companies (JPFA, MAIN, SIPD) below average.

Keywords: External, Feed Company, Internal, Investment

JEL Classification: E32, G10, O14

INTRODUCTION

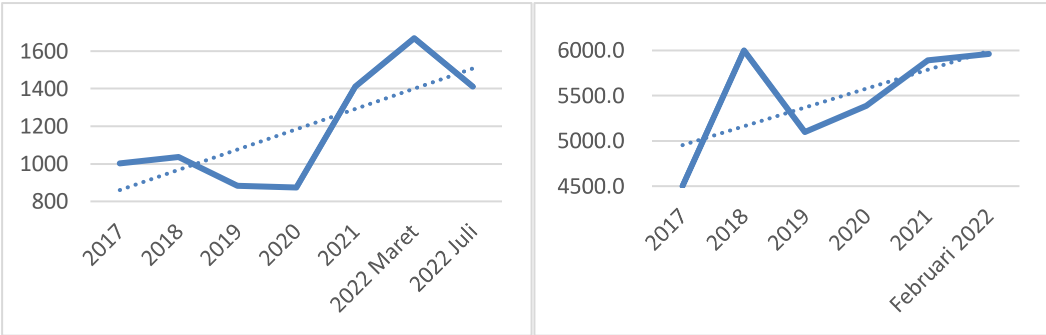
The trend of stock investment in Indonesia from time to time continues to increase. This is known from the number of investors in the capital market, where in 2018 there were only 1.6 million people, while in February 2022 it reached 8.1 million people. This condition clearly provides information that the public is interested in investing in the capital market. The Indonesia Stock Exchange noted that only four companies out of 800 companies were included in the animal feed category (Market, 2022). When referring to the grouping compiled by the IDX, the role of animal feed companies only focuses on providing feed, but in general, the four companies have a much more significant role in industry, economy, and consumption. This provides an essential point that companies listed as feed companies have promising prospects in terms of growth.

Internal factors that can affect stock returns are identified from 4 groups of factors: profitability, liquidity, solvency, and activity (Permatasari & Imron 2020; Prabowo & Korsakul 2020; Batubara & Zayn 2022). Livestock companies also need to be analyzed regarding the company's financial composition of debt and equity. The importance of this is to provide company security information. When the company is heavily financed by debt, there is a greater risk of declining company performance due to failure to pay debts.

Many companies depend highly on external or macroeconomic conditions (Samuelson, 1994). Directly three factors are considered to play a significant role, namely 1) the price of corn, 2) the price of soybeans, and 3) the exchange rate. Corn and soybeans are raw materials that have a significant role in the cost structure of livestock companies, when the price of raw materials increases it will have an impact on increasing the company's production costs. Figure 1 shows that imported soybean and local corn commodities continue to experience a significant increase. In fact, these two commodities play a significant role in the business activities of animal feed companies. A significantly increased price will undoubtedly affect the company’s performance, leading to a correction in the stock price.

Covid-19 is believed to impact various sectors, including animal feed companies majorly. This is known from the combined data of the Animal Feed Company quoted by Mekraf.id (2021), stating that feed production generally reaches 19.6 million tons. However, in 2020 it is only 18.6 million tons. This condition results from declining purchasing power and logistical delays both domestically and abroad. These internal and external factors are suspected to affect stock performance, especially in animal feed companies. Based on the above background, the formulation of the problem in this study is as follows: How do internal factors (NPM, CashR, DER, and ITO) affect stock returns of animal feed sub-sector companies listed on the Indonesia Stock Exchange (IDX) moderated by external factors before and after Covid-19.

Figure 1. Movement of (i) Soybean Prices (USD / Bushel) and (ii) Local Corn Prices (Rp/Kg)



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The scope of this study is the stock returns of the animal feed sub-sector companies listed on the Indonesia Stock Exchange from March 2018 to March 2022. The independent variables used in this study are Cash Ratio (CashR), Debt Equity Ratio (DER), Net Profit Margin (NPM), Inventory Turnover (ITO), exchange rate (exchange rate), international soybean prices, and local corn prices. At the same time, the dependent variable in this study is the stock return of animal feed companies.

METHODS

This research is descriptive and quantitative. A descriptive approach is used to obtain an overview of the financial condition of animal feed companies from March 2018 to March 2022. The quantitative approach uses an econometric approach to determine financial and macroeconomic performance factors on stock returns of companies in the animal feed sub-sector. Kasmir (2016) explains that the financial performance variables used are Cash Ratio (CashR), Debt Equity Ratio (DER), Net Profit Margin (NPM), and Inventory Turnover (ITO). Macroeconomic variables, namely the rupiah exchange rate against the US dollar (exchange rate), international soybean prices, and prices of local corn.

Data used in this study is secondary data obtained from the official website of the Indonesia Stock Exchange (IDX), the official website of four companies as selected animal feed issuers listed on the BEI for a minimum of 2018 or before 2022, namely PT. Charoen Pokphand Tbk (CPIN), PT. Japfa Comfeed Indonesia Tbk (JPFA), PT Malindo Feedmill Tbk (MAIN), and PT. Sreeya Sewu Indonesia Tbk (SIPD). In addition, data is also obtained from the official website of the Indonesian government related to research needs, such as the Bank Indonesia website to obtain data on the exchange rate of the rupiah against the US dollar.

Data processed are data from the company's financial statements (cross-section data) to obtain the value of financial ratios, stock return data, and data on the rupiah exchange rate against the US dollar (time series data), where all data is quarterly data from 2017 to 2022. , to meet the needs of research data with good results using panel data regression processing methods.

The data were analyzed using two methods, namely descriptive analysis and panel data regression. Descriptive analysis in this research is intended to explain the condition of the existing data into information (Baltagi, 2005). Panel data (panel pooled data) combines time series data and cross-section data. In the field of economics, panel data regression is formulated to form a model that can model the effect of predictor variables on response variables in various cross-sectional units and time series (Gujarati, 2006).

Research Hypothesis

H1: Cash Ratio (CashR) has a significant effect on the stock returns of companies in the animal feed sub-sector

H2: Debt Equity Ratio (DER) has a significant effect on the stock returns of companies in the animal feed sub-sector

H3: Net Profit Margin (NPM) has a significant effect on the stock returns of companies in the animal feed sub-sector

H4: Inventory Turnover (ITO) has a significant effect on the stock returns of companies in the animal feed sub-sector

H5: Exchange rate has a significant effect on stock returns of companies in the animal feed sub-sector

H6: International soybean prices have a significant effect on the stock returns of companies in the animal feed sub-sector

H7: The price of local corn has a significant effect on the stock returns of companies in the animal feed sub-sector

RESULT AND DISCUSSION

The company tries to give an excellent signal to external parties to show that the company has a promising future (Hartono, 2003). This signal will be responded to by investors through changes in stock trading volume and an increase in stock trading volume, which will increase stock prices. Investors' responses to good and bad signals are things that affect market conditions, and they will react in various ways in response to these signals (Tandelilin, 2017).

Analysis of internal and external factors is the last approach in the study, where the analysis uses the panel data regression method. In this study, there are four internal factors and three external factors. The processing process uses the software Eviews 9 with quarterly data from companies listed in the feed subsector on the Indonesia Stock Exchange. The test was carried out followed by regression with the output as presented in Table 2.

The processing results are presented in Table 4.3 on internal and external factors that significantly influence stock returns. The value of the determination test (R-Squared) is 0.87 or 87 percent. This value illustrates that seven variables can provide a reasonably high picture, and the remaining 13 percent are described as factors outside the model. In this study, the factors declared significant must be below 0.05 or 5 percent, when referring to these standards, four factors are found, namely NPM, CASHR, DER, and the Exchange Rate.

Table 2 Output of Stock Return Factor Analysis

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.27	0.11	9.21	0.01
NPM	0.36	0.08	3.60	0.02
CASHR	0.71	0.23	1.97	0.04
ITO	0.15	0.37	1.23	0.18
DER	0.06	0.05	2.17	0.03
LNKURS	-0.07	0.03	-2.30	0.02
LNKEDELAI	0.21	0.61	1.51	0.07
LNJAGUNG	0.15	0.72	1.44	0.10

Effects Specification

Cross-section fixed (dummy variables)			
Weighted Statistics			
R-squared	0.87	Mean dependent var	2.76
Adjusted R-squared	0.84	S.D. dependent var	8.41
S.E. of regression	2.31	Sum squared resid	6103.21
F-statistic	31.62	Durbin-Watson stat	2.51
Prob(F-statistic)	0.00		

Source: processed data

Net profit margin has a positive value (0.36) and significance (0.01) to stock returns. This indicates that the higher NPM impacts increasing stock returns, where investors believe that when the NPM increases, it can signal that an increase in stock returns will be accepted. Hadi dan Nurhayati (2018); Azhar and Meutia (2022) state that NPM plays an important part that plays a role in providing an overview related to stock price movements, a positive NPM gives confidence that the company will continue to provide benefits to shareholders. Hery (2015); Bustani (2020) states that when NPM increases, it gives confidence to investors to buy these shares because the company will provide benefits in the form of positive stock returns.

The cash ratio has a positive value (0.71) and significance (0.02) to stock returns. This indicates that an increase or higher Cash Ratio provides an increase in stock returns that will be received by investors. The cash ratio provides an overview of the ability and availability of company funds that can be allocated to pay all of its current liabilities so that when the availability is sufficient, the company will be safe and be able to efficiently flexibly in its operational activities easily. Saraswati and Herawati (2016) state that the cash ratio describes the company's ability to manage finances from a liquidity perspective, when the company has significant funds it will have a high ability to pay its current obligations, but when the funds are too large it needs to be adjusted so that it can be used to support business.

The debt-equity ratio has a positive value (0.06) and significant (0.03) on stock returns. This condition indicates that the company can still increase debt to support the acceleration of growth in the company's performance which will impact increasing stock returns. It is known that most of the DER ratios of the four companies are still at 1.10, which is very far from the limits set by the government related to capital security. By increasing the DER ratio, it is expected that the company will encourage better performance in general. Bhandari (1988); Kasmon et al. (2016) explains that through the DER ratio, investors can see the company's security related to the capital structure owned. In this case, debt has a lower cost than own capital and a significant risk.

The exchange rate has a negative (-0.07) and significant (0.02) effect on stock returns. Investors realize that when the exchange rate increases, it is possible that production costs will increase so that the company's performance can be disrupted, which implies a decline in stock performance. Zulkarnain et al. (2020) The rising exchange rate impacts investment shifts because currency can be used as an investment choice for some investors. Sukesti et al. (2021); Anggraini and Wijayanto (2021) explain that the exchange rate plays a significant role in stock movements. For production companies, the increase in stock prices will increase the company's production costs so performance will decrease.

The managerial implications in this study are directed at several important stakeholders involved in investment, production, and trade. The managerial implications include the company, investors, and Government.

Companies must always pay attention to financial performance to keep a positive view of the secondary market, especially from investors. Referring to the processing results, management is always required to maintain sales performance and efficiently spend costs so that profits remain in ideal conditions and attractive to investors. Feed companies must always be able to manage liquidity by still having sufficient funds to pay their current obligations and meet working capital. It is noted that feed companies can increase debt capacity both short term and long term, which will later be directed to increasing company capacity, the final impact of the company will be able to improve company performance significantly. In the end, if the company can manage sales, production costs, be effective in allocating funds and regulate the capital structure, it will impact the formation of positive expectations which in the end the stock return will be positive.

Investors must always pay attention to internal and external factors. In this case, the internal factors that must always be considered are profitability, liquidity, and solvency. By identifying internal factors, investors are expected to understand precisely the conditions affecting stock returns. In addition, external factors are always required to know the condition of currency movements because when the exchange rate increases, it will impact decreasing stock returns. It is hoped that if all this information is understood and used, it can be used as a basis for making better and more appropriate investment decisions.

The government, as a regulator, is required to be able to provide a good and supportive climate for companies to be able to operate optimally. In particular, feed companies are expected to provide support in the form of ease of trading, faster and better distribution so that costs will decrease, and support for ease of capital. Ultimately, it can be a driver for better economic growth in the future.

CONCLUSION

The results of testing internal and external factors with stock returns get some evidence of a significant relationship that needs to be considered by various interested parties in it. On internal factors that have a positive and significant influence on stock returns, namely NPM, CashR, and DER, and on external factors, only the exchange rate has a negative and significant effect on stock returns.

Companies should be able to maintain good performance in order to get a good image. The hope is that this can encourage and be a puller in the secondary market. Research can be continued by looking at the condition of the feed company's capital structure. This is intended to look at the cost component and can be a recommendation for the best source of capital for the company, either through debt or own capital.

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