

# Financial Performance Analysis of Shares Returns in Cosmetics and Household Purposes Companies (Studies on companies listed on the Indonesian Stock Exchange)

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## ABSTRACT

The assumption underlying this research is how investors invest in cosmetics and household goods companies listed on the Indonesia Stock Exchange (IDX) with the availability of information to assess an investment. The purpose of this study is to determine and analyze financial performance as measured from the aspects of liquidity, solvency, and profitability simultaneously have a significant effect on stock returns in cosmetic and household goods companies listed on the Indonesian Stock Exchange and to find out and analyze financial performance as measured by aspects of liquidity, solvency, and profitability partially have a significant effect on stock returns in cosmetic and household goods companies listed on the Indonesian stock exchange. The data obtained from the research object was collected using documentation techniques, namely data collection, classifying, and using sequential data in notes and reports, especially financial statements related to research.

**Keywords** - financial performance, stock returns

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## INTRODUCTION

Performance is one crucial factor that shows the effectiveness and efficiency to achieve its goals. A continuous decline in performance can lead to financial distress, which is a challenging situation that can even be said to be approaching bankruptcy (1).

Technological developments in the business world have caused many companies to think about always making improvements in all areas that are considered less useful to the company, including measuring the company's management performance. The existing competition can have a significant impact on the company itself. It is common knowledge that each company's activities are aimed at the company's prosperity and welfare itself. Meanwhile, analysis of the development of financial performance can be obtained by analyzing the company's financial data arranged in financial reports (2).

Financial statement analysis is a process that needs consideration to help evaluate the company's current and past financial position and results of operations, with the primary objective of determining the most likely estimates and predictions regarding the company's future condition and performance (3)

Financial reports as communication and accountability between the company and its owners or other parties. Financial statements are generated through an accounting system maintained by a company (3). Financial reports consist of 3 types: balance sheet, profit and loss, and cash flow, which provides comprehensive information, so the depth of knowledge is reduced. Moreover, it is known that the nature of accounting itself contains various things that cause limitations and weaknesses. To not get caught up in this problem, in addition to being able to dig up broader information, we are familiar with a field called Financial Statement Analysis (3).

Ratio analysis describes a relationship or balance between an association or a balance between a certain amount and another; this is very useful for management for planning and evaluating the company's performance, while creditors can be used to estimate potential risks. What will be faced is related to the guarantee of continuity of interest payments and principal loan repayments (3). One of the data analysis techniques for financial reports is financial ratio analysis, which can provide information and an overview of a company's strengths and weaknesses. Investors can also use financial ratio analysis to anticipate and minimize risks that may be experienced by investing funds in the company they choose (3).

Investors hope to get maximum profit with a particular risk that must be borne by the investor (2). stocks are an investment instrument that is most in demand by investors because they can provide a specific rate of return. If an investor invests in stocks, the profit level he gets is termed a stock return. Two main components are the source of stock returns, namely capital gains and dividends (2).

Investors are generally motivated to invest in an instrument of interest in the hope of obtaining an appropriate return on investment. The return rate can be in the form of dividends and capital gains. Bonuses are income derived from distributed profits, while capital gains are income derived from the difference in share prices. If the difference in share prices is negative, the investor experiences capital loss, and vice versa if the share price difference is positive, the investor experiences capital gain. The company also gets investment returns (3).

The assumption underlying this research is how investors invest in cosmetics and household goods companies listed on the Indonesia Stock Exchange (IDX) with the availability of information to assess an investment. Meanwhile, to estimate and evaluate securities (shares), investors pay attention to the market situation. However, company performance is an essential factor for investors to pay attention to (1).

In the decision-making process, investors prefer performance measures that reflect high profits. This fundamental analysis is an attempt to estimate the health and business prospects and the company's ability to grow and generate profits in the future (4).

Based on the background stated, the researchers are interested in discussing "Financial Performance Analysis of Stock Returns in Cosmetics and Household Purposes Companies (studies on companies listed on the Indonesian Stock Exchange)", therefore the problems in.

## **METHODOLOGY**

This research is classified as a type of research; hypothesis testing is research that already has a clear picture. Hypothesis testing is intended to explain the causal relationship between the research variables. This study identifies facts or events as the affected variable (dependent variable) and conducts investigations on the influencing variables (independent variable) (5).

Sampling in this study is based on non-probability techniques, namely purposive sampling, which is a sampling technique that is based on specific considerations or criteria but can be accounted for scientifically (5)

The sample criteria for cosmetic companies and household needs that will be sampled in this study are as follows: 1) It is a decorative and household goods company that has gone public and registered on the IDX from 2014 to 2018, and 2) The research population, in this case, cosmetic and household goods companies that have published financial reports from 2014 to 2018.

The final number of research samples amounted to 5 cosmetic and household goods companies by following these criteria. A list of research samples is presented in Table 1.

**Table 1 List of Research Samples**

<b>Number</b>	<b>Code</b>	<b>Company Name</b>
1	ADES	Akasha Wira International Tbk.
2	MBTO	Martina Berto Tbk
3	MRAT	Mustika Ratu Tbk.
4	TCID	Mandom Indonesia Tbk.
5	UNVR	Unilever Indonesia Tbk.

Source: Indonesia Capital Market Directory, Tahun 2019

This research's type of data is quantitative data, which is data in the form of numbers analyzed using classified and calculated for the right results (5). In general, the quantitative approach focuses more on the objective of generalization, by conducting statistical tests and sterile The subjective influence of the researcher (5) The quantitative data used in this research is in the form of data about the general description of cosmetic companies and household necessities listed on the IDX and data on the financial statements of cosmetic companies and household necessities listed on the IDX.

Data obtained from the research object is collected using documentation techniques, namely data collection by studying, classifying, and using sequential data in the form of notes, reports, especially financial statements related to research (1).

## RESULT

The independent variable is financial performance measured from the liquidity aspect using the Current Ratio (CR) equation as the X1 variable, solvency using the Debt To Equity Ratio (DER) equation as the X2 variable, and the profitability aspect using the Return On Equity (ROE) equation as the X3 variable. Simultaneously, the dependent variable is Stock Returns using the Stock Return (R) equation as the Y variable.

**Table 2 Descriptive Statistics**

Variable	Std.		N
	Mean	Deviation	
Current Ratio (CR)	2,601	1,623	25
Debt To Equity Ratio (DER)	0,890	0,759	25
Return On Equity (ROE)	0,292	0,509	25
Return saham (R)	-0,022	0,262	25

Source: Processed Data SPSS 16 For Windows, 2020

Table 2 shows that the amount of data entered is 25 sample data, with the analysis results as follows: 1. Current Ratio (CR), during the study period, it can be seen that the calculated mean (average) Current Ratio is 2.601 and the standard deviation is 1.623; 2. Debt To Equity Ratio (DER), during the research period, the calculated mean (average) Debt To Equity Ratio is 0.890, and the standard deviation is 0.759; 3. Return On Equity (ROE), during the study period, it can be seen that the calculated mean (average) Return on Equity is 0.292, and the standard deviation is 0.509.

The multicollinearity test results in this study indicate no correlation value between the independent variables because the matter is  $> 0.10$ , so there is no multicollinearity.

**Table 3 Multicollinearity Test Results**

Colinearity Statistics		
Variable Independent	Tolerance	VIP
CR (X <sub>1</sub> )	0,284	3,519
DER (X <sub>2</sub> )	0,103	9,714
ROE (X <sub>3</sub> )	0,198	5,061

Source: Primary Data After Processing in 2020

Based on the test results in Table 3, because the tolerance value for all variables has a value greater than 0.10, it can be concluded that there are no symptoms of multicollinearity between the independent variables.

The results of calculations using a regression model (Model Regression) are obtained with multiple linear regression coefficients, as shown in Table 4 as follows:

**Table 4 Results of Multiple Linear Regression Processing**

Variable	R eg. Coeff	St d. Error	B eta	t Count	t Table	Sig
C = Constanta	- 0,040	0, 260		- 0,155		0,8 78
X <sub>1</sub> = CR	0, 005	0, 055	0, 033	0, 9	0,09 64	2,0 22
X <sub>2</sub> = DER	- 0,147	0, 194	- 0,425	- 0,755		2,0 59
X <sub>3</sub> = ROE	0, 462	0, 209	0, 898	0, 9	2,20 64	2,0 38
R	= 0,561		F-Count	= 3,214		
R-Square	= 0,315		F-Table	= 3,073		
Durbin Waston	= 1,484		Sig. F	= 0,044		

Source: Processed data for 2020

Based on the calculation results obtained, shown in Table 4, the regression equation is obtained, which is stated as follows:

$$Y = -0,040 + 0,005 (X_1) + -0,147 (X_2) + 0,462 (X_3)$$

Based on Table 4, it can be seen that the test shows the F-count result of 3,214 with a significance level of 0.044, which is smaller than 0.05, where the F-count value is greater than the F-table value; while the F-table value (5% significance with  $df_1 = 4-1 = 3$ , and  $df_2 = 25-3-1 = 21$ ) is 3.073, so  $H_0$  is rejected, and  $H_a$  is accepted. This means that financial performance as measured from the liquidity aspect using the Current Ratio (CR) equation, solvency using the Debt To Equity Ratio (DER) equation, and the profitability aspect using the Return On Equity (ROE) equation simultaneously has a significant effect on stock returns in cosmetic companies and household needs listed on the Indonesia Stock Exchange.

Thus, the first hypothesis states that financial performance as measured from the aspects of liquidity, solvency, and profitability simultaneously has a significant effect on stock returns in cosmetic and household goods companies listed on the Indonesia Stock Exchange. Proven and accepted. The results of this study indicate that financial performance is measured from the aspects of liquidity, solvency, and profitability with each equation used, namely Current Ratio (CR) as variable X<sub>1</sub>, Debt To Equity Ratio (DER)

variable X2, and Return On Equity (ROE). ) variable X3, from the results of the F test, means that if the three variables increase each by 1 (one) value, it will directly affect the variable stock return (Y) in cosmetic companies and household goods listed on the Indonesia Stock Exchange. Amounting to 0.315 or 31.5%.

The t-test is carried out to test the significance or significance of the regression coefficient (b) partially, by comparing the probability value with the alpha ( $\alpha$ ) = 0.05, the t-test will have a significant effect if the calculation results are  $p < 0.05$ , further to find out more clearly how the impact of each independent variable on the dependent variable, stated as follows:

#### **Effect of Partial Current Ratio (CR) X1 on Stock Return (Y)**

t count X1 = 0.099 < t table = 2.064 at an error level of 5% or a probability value of 0.05 < 0.922, this indicates that the liquidity aspect using the Current Ratio (CR) X1 equation partially has no significant effect on the Stock Return variable (Y) in cosmetic and household goods companies listed on the Indonesia Stock Exchange. Then it can be explained that the partial regression coefficient (b) of the liquidity aspect using the Current Ratio (CR) X1 equation does not have a direct effect on the Stock Return variable (Y), meaning that if the value of the Current Ratio variable increases by 1 (one) point, it does not necessarily imply that increase Stock Return (Y) in cosmetic and household goods companies listed on the Indonesia Stock Exchange by 0.005, could be more or less.

#### **Effect of Partial Debt To Equity Ratio (DER) X2 on Stock Returns (Y)**

t count X2 = -0,755 < t table = 2,064 at an error level of 5% or a probability value of 0.05 < 0.459, this indicates that the solvency aspect using the Debt To Equity Ratio (DER) X2 equation partially has a negative and insignificant effect on the Stock Return (Y) variable. It can be explained that the significance of the regression coefficient (b) partially solvency aspects using the Debt To Equity Ratio (DER) X2 equation has a negative and unidirectional effect on the Stock Return variable (Y), meaning that if the value of the Debt To Equity Ratio variable increases by 1 (one) points then it does not necessarily decrease the value of the Stock Return (Y) in cosmetic and household goods companies listed on the Indonesia Stock Exchange by -0.147, it could be more or less.

#### **Partial Effect of Return On Equity (ROE) X3 on Stock Return (Y)**

t count X3 = 2,209 > t table = 2,064 at an error level of 5% or a probability value of 0.05 > 0.038, this shows that the profitability aspect using the Return On Equity (ROE) X3 equation partially has a significant effect on the Stock Return variable (Y). It can be explained that the significance of the regression coefficient (b) partially in the profitability aspect using the Return On Equity (ROE) X3 equation has a direct effect on the Stock Return variable (Y), meaning that if the value of the Return On Equity variable increases by 1 (one) point it will increase The value of Stock Return (Y) in cosmetic and household goods companies listed on the Indonesia Stock Exchange is 0.462.

## DISCUSSION

### **The Effect of Simultaneous Current Ratio, Debt To Equity Ratio, and Return On Equity on Stock Return**

The results of this study indicate that the liquidity aspect using the Current Ratio (CR) equation, solvency using the Debt To Equity Ratio (DER) equation, and the profitability aspect using the Return On Equity (ROE) equation simultaneously have a significant effect on stock returns or stock returns on stock returns. Cosmetic and household goods companies listed on the Indonesia Stock Exchange.

It can be explained that stock return or stock return, where its return is the rate of return obtained over time and the risk of the investment that has been made. The return component consists of capital gain (loss), which is defined as the gain (loss) from the excess selling price (buying price) of shares compared to the buying price (selling price) of shares and dividends, which are the income received by investors periodically (2). Based on this study's results with the research object are cosmetic companies and household goods listed on the Indonesia Stock Exchange, showing that the Current Ratio, Debt To Equity Ratio, and Return On Equity indicates that if a company can pay short-term obligations. , an assessment of all debts, and an assessment of all equity as a suitable guarantor, and the company can generate profits for shareholders on the capital they have invested; of course, these things will affect the return (return) of shares by cosmetic, and home needs companies—stairs listed on the Indonesia Stock Exchange.

### **The Effect of Current Ratio on Stock Return**

This study indicates that the Current Ratio variable does not partially significantly affect Stock Returns in cosmetics. Household goods companies listed on the Indonesia Stock Exchange show that the ability to pay short-term obligations of a company (Current Ratio) does not guarantee the company can increase the return (return) shares.

The results of this study's analysis indicate that the Current Ratio has no significant effect on stock returns in cosmetics and household goods companies listed on the Indonesia Stock Exchange. It can be explained that the Current Ratio is a ratio to measure the company's ability to pay short-term obligations or debt that is due immediately when it is collected as a whole (6). In other words, the Current Ratio will be said to be useful if you have current assets that are greater than current debt or if you have excess existing assets. The current ratio indicates surplus existing assets, which will negatively affect company profitability. Existing assets generally produce lower returns than fixed investments (3).

### **The Effect of Debt To Equity Ratio on Stock Return**

This study indicates that the Debt To Equity Ratio variable has a negative and insignificant effect on stock returns in cosmetic and household goods companies listed on the Indonesia Stock Exchange. This shows that the solvency aspect uses the Debt To Equity Ratio (DER) equation, which balances the debt owed by the company and its capital. The higher this ratio means that the equity itself is less than the debt, the results of this study show a negative and insignificant effect.

The results of this study's analysis indicate that the Debt To Equity Ratio has a negative and insignificant effect on stock returns. It can be explained that the debt to equity ratio is the ratio used to assess debt to equity. This ratio is sought by comparing all debt, including current debt and total equity. The higher this ratio means that the equity itself is less than the debt. It is better for the company if the amount of debt should not exceed its capital so that the fixed burden is not too high. The smaller this ratio, the better. The smaller the portion of the debt to equity, the safer it is (6). From the explanation of the Debt To Equity Ratio, it becomes reasonable if the Debt To Equity Ratio variable has a negative effect because the ratio shows the opposite direction, namely if it gets smaller, it shows the better for the company. On the contrary, the more it increases stock returns if it improves. The more significant, the higher the company's burden, and the fewer investors will be interested in investing because of the risk to the investment to be made.

### **The Effect of Return On Equity on Stock Return**

This study indicates that the variable Return on Equity has a positive and significant effect on stock returns in cosmetic and household goods companies listed on the Indonesia Stock Exchange. This shows that the profitability aspect uses the Return On Equity (ROE) equation, which is an analytical tool to measure the extent to which the company can generate profits for shareholders on the capital they have invested.

The results of the analysis of this study indicate that Return on Equity has a positive and significant effect on stock returns; it can be explained that (6) return on equity is a ratio that shows the extent to which the company manages its capital (Networth) effectively measures the level of equity. Profits from investments that the owners have made of the money itself or shareholders. This means that the higher this ratio will have a good impact on the company and, of course, will have an effect on stock returns, as well as in this study which shows that Return on Equity is having a significant impact on stock returns in cosmetic and household goods companies listed on the Indonesia Stock Exchange (6).

### **CONCLUSION**

After analyzing the research results and testing the hypotheses, this section describes the conclusions from the results of the analysis and testing of these hypotheses. The decisions that can be stated in this study are as follows: 1. Financial performance as measured from the liquidity aspect using the Current Ratio (CR) equation, solvency using the Debt To Equity Ratio (DER) equation, and the profitability aspect using the Return On Equity (ROE) equation simultaneously have a significant effect on stock returns. This is supported by the F-count value of 3,214 at a significance level of 0.044, which is smaller than 0.05, which means that the F-count value is greater than the F-table value, namely  $3.214 > 3.073$ . 2. The liquidity aspect using the Current Ratio (CR) equation partially does not significantly affect the stock return variable. This is supported by the t-value of 0.099 at a significance level of 0.922, which is greater than 0.05, which means that the t-value is smaller than the t-table value, which is  $0.099 < 2.064$ . 3. Solvency aspect using the Debt To

Equity Ratio (DER) equation partially has a negative and insignificant effect on the stock return variable. This is supported by the t-value of -0.755 at a significance level of 0.459, which is greater than 0.05, which means that the t-count value is smaller than the t-table value, namely  $-0.755 < 2.064$ .

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