

DETERMINANTS OF LQ45 STOCK RETURN IN INDONESIA

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Abstract

This study aims to test and analyze the effect of capital structure, profitability, investment opportunity set, firm value, earnings per share, and dividend policy, on stock returns. Our research uses regression analysis to determine and analyze the influence of independent variables on dependent variables. The objects in this study are companies incorporated in LQ45 for the period 2013 - 2021. The reason for choosing LQ45 is because it is a type of index used to measure the price performance of stocks that have high liquidity and large market capitalization and are supported by good firm fundamentals. The results of the study found that the capital structure with indicators debt to equity ratio has a significant negative effect on stock return. Profitability with indicators return on equity and investment opportunity set with indicators price earning ratio have a positive and significant effect on stock return. While other findings from our study are firm value with price to book value indicators, profitability from the investor's point of view represented by earning per share indicators, and dividend policy with dividend payout ratio indicators have no effect on stock return.

Keywords: stock return, capital structure, profitability, investment opportunity set, firm value, earning per share, dividend policy

Reviewer 1 (Round 1)

Reviewer 1

Review Report (Round 1)

Language and style *

Extensive editing of language and style required

Moderate changes required

Language and style are fine/minor spell check required

I don't feel qualified to judge about the language and style

Does the introduction provide sufficient background and include all relevant references? *

Yes Can be improved Must be improved Not applicable

Is the research design appropriate? *

Yes Can be improved Must be improved Not applicable

Are the methods adequately described? *

Yes Can be improved Must be improved Not applicable

Are the results clearly presented? *

Yes Can be improved Must be improved Not applicable

Are the conclusions supported by the results? *

Yes Can be improved Must be improved Not applicable

Comments and Suggestions for Authors *

The aim of the article is to test and analyze the influence of capital structure, profitability, investment opportunity set, firm value, earnings per share and dividend policy on stock returns. The topic is interesting and the data is current (for the years 2013 - 2021).

It is necessary to go through the text before accepting. The beginning of the sentence is not capitalized everywhere. Some spaces are missing, etc. E.g. at H6 or immediately in the Introduction.

The number of references is sufficient. In the list of references, some article titles should be corrected to lowercase letters (e.g. Putranto, L.).

The conclusions of the study are brief. I recommend writing them down more and including a discussion with other results. The effects of the macroeconomic situation should not be missing from the results.

Comments and Suggestions for Authors *

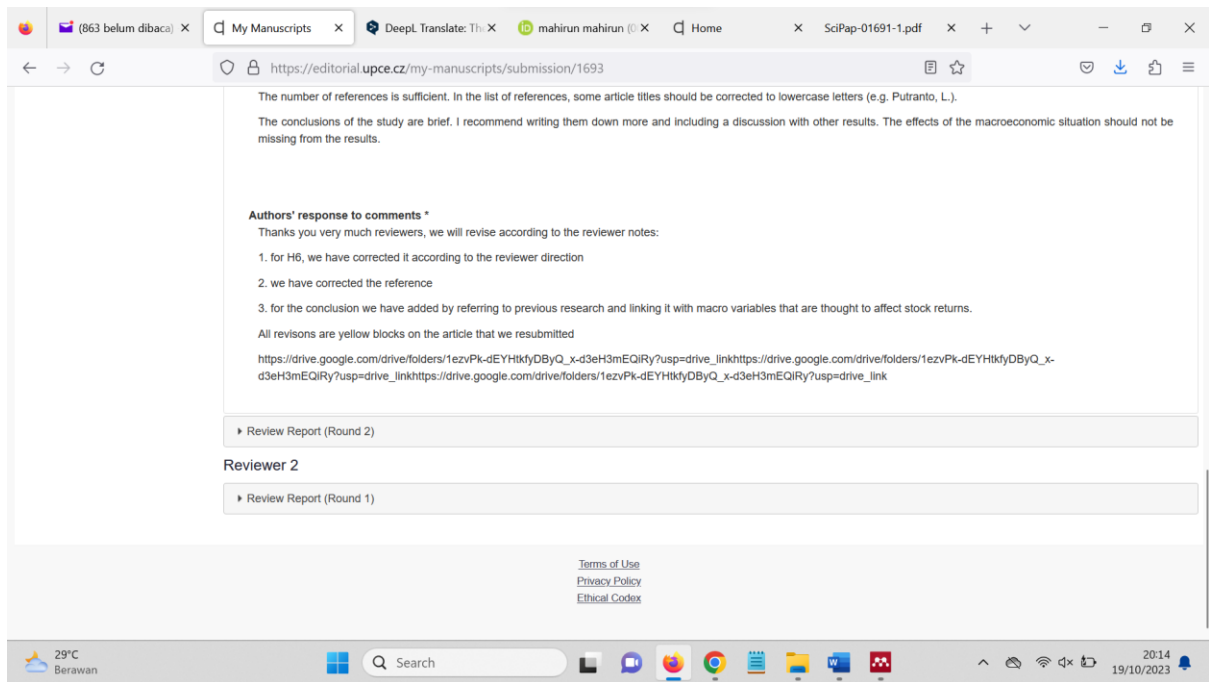
The aim of the article is to test and analyze the influence of capital structure, profitability, investment opportunity set, firm value, earnings per share and dividend policy on stock returns. The topic is interesting and the data is current (for the years 2013 - 2021).

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Author Comment



Authors' response to comments *

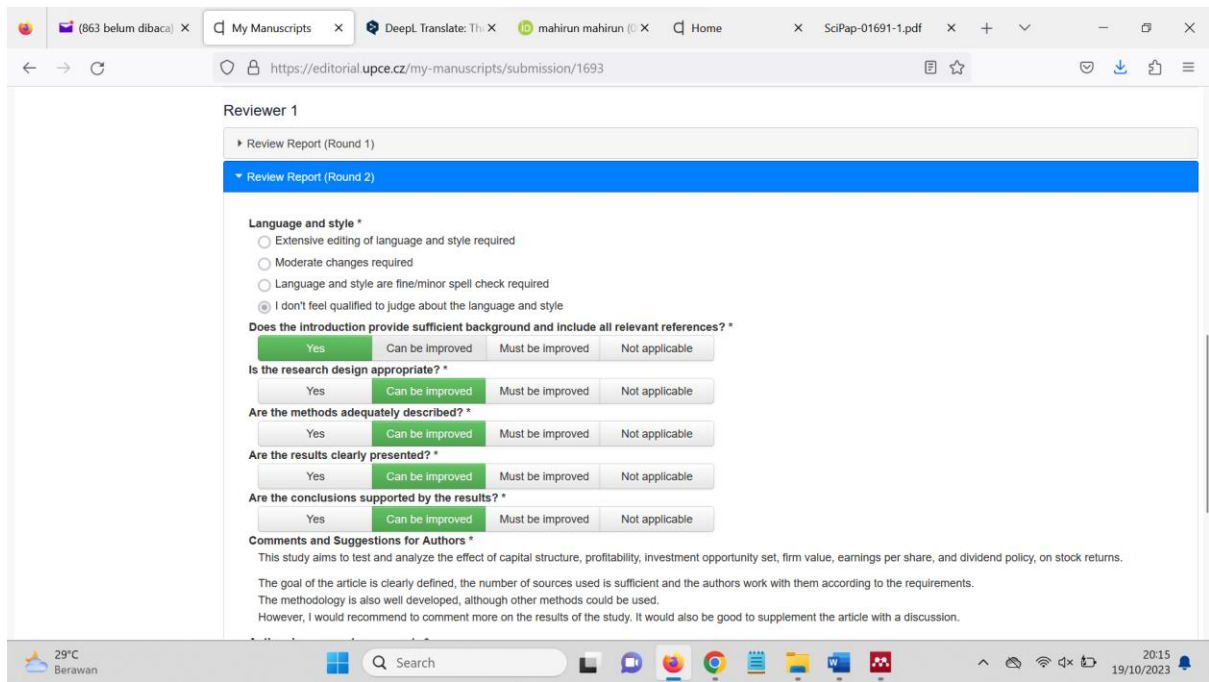
Thanks you very much reviewers, we will revise according to the reviewer notes:

1. for H6, we have corrected it according to the reviewer direction
2. we have corrected the reference
3. for the conclusion we have added by referring to previous research and linking it with macro variables that are thought to affect stock returns.

All revisions are yellow blocks on the article that we resubmitted

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https://drive.google.com/drive/folders/1ezvPk-dEYHtkfyDByQ_x-d3eH3mEQiRy?usp=drive_link
https://drive.google.com/drive/folders/1ezvPk-dEYHtkfyDByQ_x-d3eH3mEQiRy?usp=drive_link

Reviewer 1 (Round 2)



Comments and Suggestions for Authors *

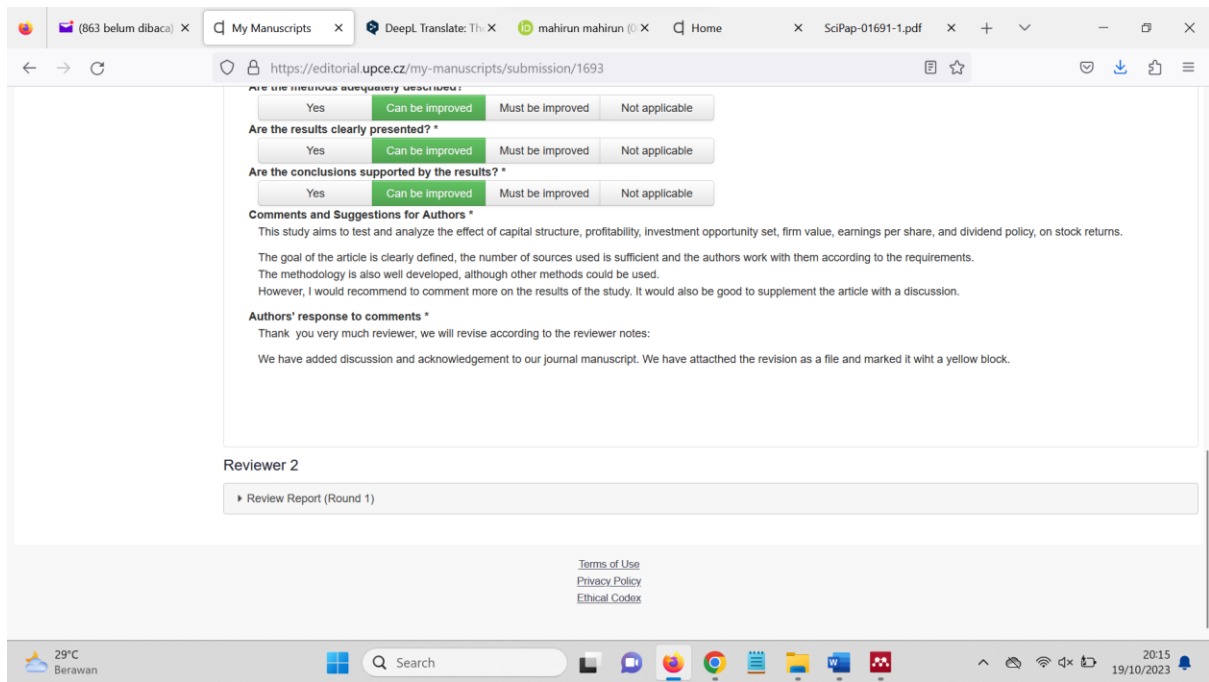
This study aims to test and analyze the effect of capital structure, profitability, investment opportunity set, firm value, earnings per share, and dividend policy, on stock returns.

The goal of the article is clearly defined, the number of sources used is sufficient and the authors work with them according to the requirements.

The methodology is also well developed, although other methods could be used.

However, I would recommend to comment more on the results of the study. It would also be good to supplement the article with a discussion.

Author Comment

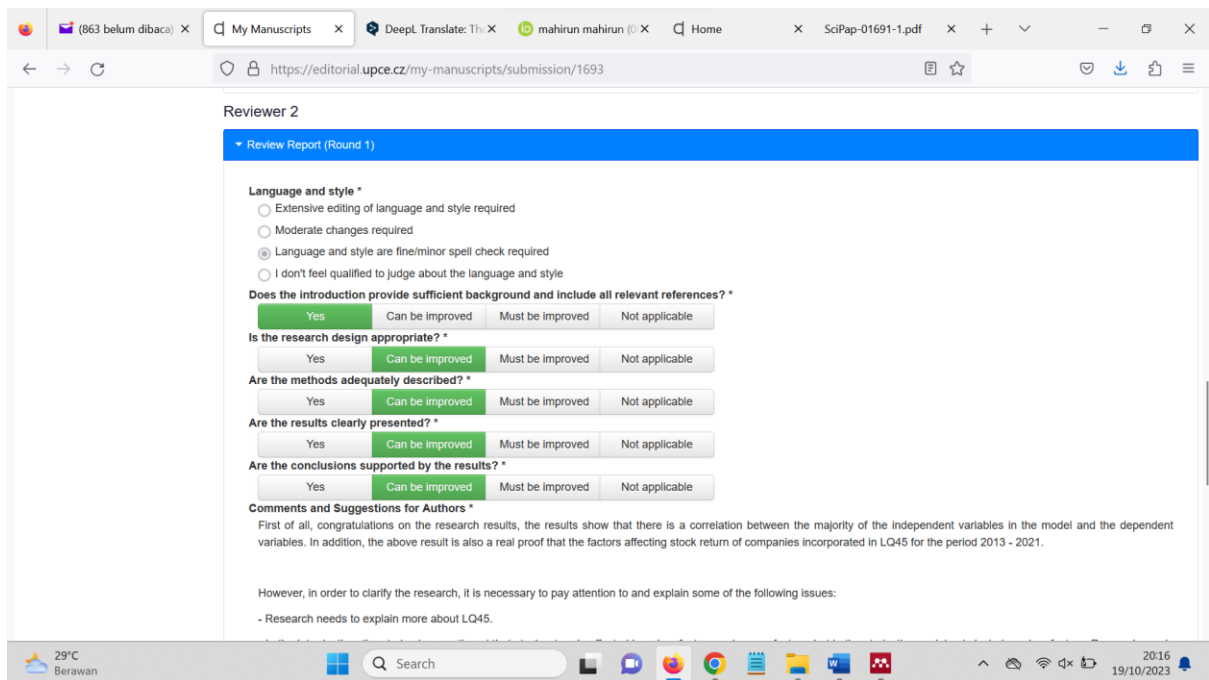


Authors' response to comments *

Thank you very much reviewer, we will revise according to the reviewer notes:

We have added discussion and acknowledgement to our journal manuscript. We have attached the revision as a file and marked it with a yellow block.

Reviewer 2 (Round 1)



Comments and Suggestions for Authors *

First of all, congratulations on the research results, the results show that there is a correlation between the majority of the independent variables in the model and the dependent variables. In addition, the above result is also a real proof that the factors affecting stock return of companies incorporated in LQ45 for the period 2013 - 2021.

However, in order to clarify the research, it is necessary to pay attention to and explain some of the following issues:

- Research needs to explain more about LQ45.
- In the introduction, the study also mentioned that stock return is affected by micro factors and macro factors, but in the study, the model only includes micro factors. Research needs to explain why not using macro variables in the model.
- The research period is from 2013-2021, but in the period of 2020-2021 had Covid-19. Does this affect the results of the study?
- The database used is considered important to the research results, this study needs to be more specific about the number of observations used, how to get the data and where does the data source come from?
- Research should explain that firm value with PBV proxy has a positive stock return, but the results of this study are not significant.
- The study needs to provide more appendices o the database, model processing steps and steps to get research results.

Author Comment

Additional File
Download

Authors' response to comments *
thank you very much reviewer, we will revise according to the reviewer notes:

1. the reason for choosing LQ45 is because it is a tyep index used to measure the price performance of stock that have high liquidity and large market capitalizaton and are supported by good firm fundamentals.
2. our study focuses more on internal factors in the analysis of financial statements in relation to stock return, with the argument that these factors are controllabele and controlled by the company so that the can provide benefits for interested parties
2. overall, even though in 2020-2021 there was COVID-19, taking into account the long research period of up to 10 years, we feel confident that COVID-19 conditions will not significantly affect the result of our research, and especially in the previous year, 2015, when there no COVID-19, stock return also experienced a sharp decline at minus 16.75%, which even exceeded the decline during 2020-2021
3. our study uses secondary data, and dta sourced from financial reports of LQ45 for period 2013 to 2021 from IDX.
The total population in this study is 450 firms, and those that qualitf as sample amount to 290 firms, after we tested the classical assumptions, the final data we used amounted to 254 firms, by eliminating data that did not meet the classical assumption test requirement of 36 firms.
4. this is due to the high PBV wich reaches an average of 4.44x, whics shows that the firms share price is higeher than its intrinsic value, not offset by stock returns which on average are minus 2.13% so that is is less attractive to investors as an investments option. this also shows that firms share price is overvalued by investors
5. we will display the dta in the attachment

all revisions we made are blocked in yellow https://drive.google.com/drive/folders/1ezvPk-dEYHtkfyDBYQ_x-d3eH3mEQIRy?usp=drive_link

Authors' response to comments *

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