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THE EFFECT OF GOOD CORPORATE GOVERNANCE, LEVERAGE, AND PROFITABILITY ON RETURNS IN STOCK

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A B S T R A C T

Return Stockis the reciprocal result of stock investment activities that will be received by investors. Before investing in stocks, investors must analyze the company from a financial and non-financial perspective. The purpose of this study is to examine and analyze the effect of good corporate governance, leverage, and profitability on returns stockin manufacturing companies listed on the Indonesia Stock Exchange for the period 2017 to 2019. The data needed in this study is secondary data in the form of annual reports of manufacturing companies. published by the Indonesia Stock Exchange in the period 2017 to 2019 through the website www.idx.co.id. The sampling technique used is purposive sampling. The technique of data analysis uses multiple linear regression analysis which is processed with the SPSS application. The results of the analysis of this study indicate that 1) good corporate governance (CGPI scoring) has no significant effect on stock returns, 2) leverage (Debt to Equity Ratio) has no significant effect on returns stock, 3) Profitability (Return on Equity) has a significant effect on return.

Keywords: Good Corporate Governance, Leverage, Profitability, and Stock Return

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INTRODUCTION

Companies Go public enter the capital market to facilitate finding funding for expansion. So, funding can be obtained from the capital market as a source of external funds for the company by releasing shares or other instruments in the capital market to be purchased by investors as the party who has the funds. The growth in the number of investors in 2020 which continues to grow every period make the capital market more attractive. There are various kinds of investments that can be made, one of which is stocks. The main objective in stock investment activities is to gain profit through the acquisition of returns on the selected shares.

High stock prices when sold will increase the returns stockreceived by investors. return Stockis also called as a result of stock investing activities (Gunadi & Kesuma, 2015). Investors can get capital gains when reselling these shares and get dividends every year, but if the opposite happens,

investors must be prepared to take risks from investing in these shares. Return consists of return that has happened(return realization) and the return expected(return expectations). Investors will definitely make detailed plans by considering the various risks that will occur and the returns that will be received from the stock investment. However, the investment plans that have been made by potential investors will still have uncertain results. So in order to minimize this uncertainty, financial and non-financial analysis must be carried out on company reports that are circulated on the Indonesia Stock Exchange.

Good corporate governance relates to how to convince investors or potential investors that company managers will provide benefits, believing that managers are unlikely to embezzle funds that have been invested by investors in projects that do not provide profits (Widodo, 2015). The implementation of good corporate governance can provide a sense of security and trust for investors' shares in the company. In calculating good corporate governance using the score on the checklist CGPIin the annual report of manufacturing companies. Research conducted by Pertiwi (2014) says that good corporate governance has an influence on returns stock. Research with different results was conducted by Markuri & Iskak (2020) which said that good corporate governance does not affect returns stock.

Leverage is used to show the company's ability to pay off its debts. In this study, taking into account DER or Debt to Equity Ratio as an indicator of leverage. DER can be calculated by dividing the total debt by the total equity owned by the company. If the DER increases then the return stockobtained will decrease, if the DER decreases then the return will increase. Research conducted by Purba (2019) states that leverage has an influence on returns stock. However, the research conducted by Nurdin & Hastuti (2020) states a different result, namely leverage does not affect returns stock.

In addition leverage toto determine the return stockthat investors will get, there is a company's profitability which is a ratio to show the company's ability to earn profits from its capital. To measure profitability can use ROE or Return on Equity. With the increasing value of ROE, the management will be more effective in managing the company, so that the stock price will increase automatically. So that the returns stockobtained are also getting better according to the expectations of investors (Markuri & Iskak, 2020). Research conducted by Fitri (2017) which states that profitability has no effect on returns stock. Another study conducted by Markuri & Iskak (2020) said that profitability had an effect on returns stock.

So from this background explanation, it can be done to re-test and develop previous research with different calculation indicators and variables. This research was conducted on manufacturing companies listed on the Indonesia Stock Exchange with different periods as well.

METHODS

This research uses quantitative research by using statistical analysis tools based on computer software, namely by using the SPSS program. The data in this study are secondary data, namely the annual reports of manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the 2017-2019 period. The source of data in this study is external data obtained through the official Indonesia Stock Exchange website.

The population of this study is manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the 2017-2019 period. The sampling method of this research is purposive sampling method. This purposive sampling method is a way of taking samples by providing certain criteria that are in accordance with the research objectives (Ghozali, 2016). The use of purposive sampling method to select the data to be used as the sample of this study. So the researchers set the following criteria: 1) Manufacturing companies listed on the Indonesia Stock Exchange in the

2017-2019 period. 2) Manufacturing companies that publish complete annual reports in the 2017-2019 period. 3) Manufacturing companies that did not experience losses during the 2017-2019 research period, because if the company experienced losses it would show that the company could not provide returns on shares circulated on the Indonesian stock exchange. 4) Manufacturing companies that use rupiah in their financial statements, so that it is easy to measure the value of the variables needed in research. 5) Manufacturing companies that started listing shares on the IDX in the 2017-2019 period.

The total companies selected for the sample are 42 manufacturing companies that meet the criteria. So the number of research samples in the 3 research periods amounted to 126 samples. The independent variable in this study is good corporate governance, leverage, and profitability. While the dependent variable used is returns stock. The following is how to calculate the dependent variable and the independent variable.

Table 1. Research Instruments

No.	Variables	Instrument	Indicators	Measurement Scale
1.	Good Corporate Governance	Score CGPICGPI	$= X_{yi} / N_i$	Ordinal
2.	Leverage	DER	DER (Debt to Equity Ratio) =Total Debt x100% / Total Equity	Ratio
3.	Profitability	ROE	ROE (Return on Equity) = Net Profit x 100% / Total Equity	Ratio
4.	Return Stock	Return Realized	$R_{it} = P_{it} - (P_{it-1}) / P_{it-1}$	Ratio

Source: data processed by researchers, 2021

The data obtained were then processed and statistically tested using SPSS. The data analysis technique used is descriptive statistical test which shows an overview of the research data consisting of maximum, minimum, mean, and standard deviation values, then the classical assumption test consisting of normality test, multicollinearity test, heteroscedasticity test, and autocorrelation test. This study uses multiple linear regression analysis with the following formula: $Y = a + b_1X_1 + b_2X_2 + b_3X_3 + e$.

Hypothesis testing in this study was conducted with a partial test (t test) to see and test the extent of the influence of each independent variable in the study individually in explaining the variables. dependent variable. Test the coefficient of determination (R^2test) is used to measure how far the model's ability to explain the variation of the dependent variable (Ghozali, 2012).

RESULTS AND DISCUSSION

Table 2. Descriptive Statistical Test

Variable	N Statistics	Minimum Statistic	Maximum Statistic	Mean Statistic	Std. Deviation
GCG	126	0.18	0.45	0.3401	0.04121
Leverage	126	0.09	2.91	0.7795	0.55471
Profitability	126	0.07	37.14	8.2251	7.22514
Return Stock	126	-0.51	1.09	0.1210	0.34347
Valid N (listwise)	126				

Source: SPSS, data processed by researchers 2021

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Based on table 2 it can be seen that the GCG variable has a minimum value of 0.18, a maximum value of 0.45, a mean value of 0.3401 , and the standard deviation value is 0.04121. The minimum leverage value is 0.09, the maximum value is 2.91, the mean value is 0.7795, and the standard deviation is 0.55471. Profitability has a minimum value of 0.07, a maximum value of 37.14, a mean value of 8.2251, and a standard deviation of 7.22514. The minimum stock return value is -0.51, the maximum value is 1.09, the mean is 0.1210, and the standard deviation is 0.34347.

In the normality test, you can see the normal PP Plot graph, if the points in the graph follow or are close together on a diagonal line, then the residual value is normally distributed.

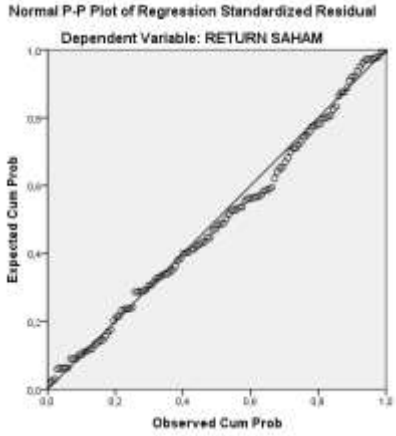

Figure 1. Normal Graph of PP Plot
Source: SPSS, data processed by researchers in 2021

However, drawing alone is not enough so that thetest is carried out Kolmogorov-Smirnov, if the data is normally distributed, the significant value (sig) of the Kolmogorov-Smirnov test must be more than 0.05. Based on table 3, it can be seen that the Asymp.Sig value is 0.200. So it can be said that the data is normally distributed.

Table 3.Test of Kolmogorov Smirnov

Variable	Value Asymp. Sig (2-tailed)	Conclusion
Dependent = Return Stock Independent= GCG, Leverage, Profitability	0.200	Normal Distribution

Source: SPSS, Data processed by researchers 2021

If thevalue tolerance of good corporate governance, leverage and profitability > 0.10 and VIF <10 then there is no multicollinearity. Based on table 4 shows thevalue tolerance for good corporate governance is 0.982, leverage is 0.998 and profitability is 0.982 where all values are > 0.10 and the VIF value for good corporate governance is 1.018, leverage is 1.002 and profitability is 1.019 so that the VIF value in this study is < 10. So it can be said that there is no multicollinearity.

Table 4. Multicollinearity Test Results

Variable	Value		Conclusions
	Tolerance	VIF	
(Constant)			
GCG	0.982	1.018	Nothing Happens multicolinearity
Leverage	0.998	1.002	Nothing Happens multicolinearity

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Profitability	0.982	1.019	Not Happen multicolinearity

Source: SPSS, Data processed researchers2021

Test heterokedastisitas in this study usinggraph. the scatterplotBy making decisions on graphic images, if there is no clear pattern, the points spread above and below the number 0 on the Y axis, then there is no heteroscedasticity.

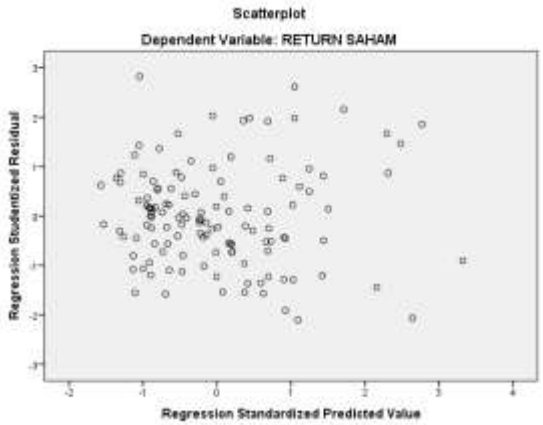

Figure 2.Graph Scatterplot
Source: SPSS, Data processed by researchers in 2021.

But to get more precise results, you can also use the glejser test. Where the value of sig must be greater than 0.05 so that it can be said that there is no heteroscedasticity in this study. Based on thetest results Glejser in table 5, it is known that the sig value for the GCG variable is 0.642, and thevariable leverage is 0.993, and the profitability variable is 0.050.

Table 5. Glejser Test Results

Variable	Sig.	Conclusion
GCG	0.642	No heteroscedasticity
Leverage	0.993	No heteroscedasticity
Profitability	0.050	No heteroscedasticity

Source: SPSS, Data processed by researchers 2021

Test In testing the presence or absence of autocorrelation in this study using thetest Durbin Watson. To see the t table, it is necessary to know the number of samples used (n) namely 126 and (k) as much as 3. So from table t the dU value is 1.7582 and the dL value is 1.6608 and the results of thecalculation Durbin Watson of 4-dU are 2.2418 and 4-dL of 2.3392.

Table 6. Autocorrelation Test Results

Variables	DW	Conclusion
Dependent = Return Stock		
independent= GCG, Leverage, Profitability	1.878	There is noautocorrelation

Source: SPSS, Data processed by researchers 2021

Based on the results of SPSS output table 6 it can be seen the Durbin-Watson (DW) value of 1.878 with Thus dU < DW > dL or 1.7582 < 1.878 > 1.6608. As from the decision making in thetest, it Durbin-Watson (DW)can be said that the data does not have autocorrelation.

The results of multiple linear regression analysis obtained the formulation of the multiple linear regression analysis model in this study, namely: $Y = 0.231 - 0.816 X_1 + 0.055 X_2 + 0.015 X_3 + e$

Table 7. Test Resultst

Variable	t	Sig	Conclusion
(Constant)	0.933	0.353	
GCG	-1.138	0.257	Not Significant
Leverage	1.048	0.297	Not significant
profitability	3,686	0,000	significant

Source: SPSS, the data is processed researcher 2021

Testing H1 Effects of Good Corporate Governance Toward Return Stock. When seen in table 7 can be seen that the significant value in the column Sig variable Good Corporate Governance (GCG) is worth 0.257 greater than the level error or alpha that has been set is 0.05 (α = 5%). So it can be said that Good Corporate Governance (GCG) has no significant effect on returns stock.

EffectH2 Testing Leverage Against Return Stock. Based on Table 7 that the value of the variable Sig leverage worth 0.297is greater than the error rate or a predefined alpha of 0.05 (α = 5%). So from these results it can be said that leverage has no significant effect on returns stock.

H3 Testing The Effect of Profitability on Returns Stock. In table 7 the value for the profitability variable Sig is 0.000 where this value is less than the specified error rate of 0.05. So profitability has a significant effect on returns stock.

Coefficient of determination that the greater the better the independent variables in explaining the dependent variable that can be seen on SPSS output Rcolumns. squareThe value of the coefficient of determination shows 0.113 or 11.3% which means that the magnitude of the influence of the independent variables which include good corporate governance (GCG), leverage, and profitability on the dependent variable, namely returns stockof 11.3% and 88.7% is influenced by variables outside the variables of this study.

Based on the results of hypothesis testing t test with a value of 0.257 means sig sig GCG value greater than 0.05. So it can be said that Good Corporate Governance has no significant effect on returns stock. If the GCG disclosure is considered reliable, it means that investors will believe that the company is able to manage funds well and can provide returns that are in line with expectations. This research is in line with the results of Markuri & Iskak (2020) research which in their research states that Good Corporate Governance has no significant effect on returns stock.

Based on t test results showed sig value of 0.297 which means that the significance is greater than the value of alpha is 0.05. So it can be concluded that leverage has no significant effect on returns stock. Leverage is measured by the Debt to Equity Ratio (DER) which compares the amount of debt with the amount of equity. The amount of debt for the development of the company obtained from creditors, the company must be able to pay off its debts. In the amount of equity there is capital invested by investors. So that if the DER increases, it will burden investors so that the company will no longer be in demand by investors. The demand for shares will also decrease so that the company's stock price will decrease as well. If the stock price decreases, the return stockobtained is also not good. This research is in line with Nurdin & Hastuti (2020) which shows the results that leverage has no significant effect on returns stock.

Based on the results of the t test, the sig value of the profitability variable is 0.000, which means the significance value is less than the specified alpha value, which is 0.05. So it can be concluded that profitability has a significant effect on returns stock. Profitability is calculated by Return on Equity (ROE) by comparing net income with company equity. The amount of equity used by the

company is included in the capital invested by investors. If the company gets a high net profit, it can guarantee a success and make the company more attractive to investors. The company's stock price will also automatically increase so that it can provide returns highto investors. This research is in line with other researchers such as that conducted by Purba (2019) and Adyatmika & Wiksuana (2018) which show that profitability has a significant effect on returns stock.

CONCLUSION

Based on the discussion and results of testing data on the company manufactures listed on the Indonesia Stock Exchange for the 2017-2019 period which have been carried out in this study resulted that good corporate governance and leverage had no significant effect on returns stock. While profitability has a significant effect on returns stock. From the research that has been done there are several suggestions that can be given by researchers, namely for further researchers to add other independent variables and maybe increase the research period in order to get more samples to distinguish them from future researchers. For investors, before investing in companies listed on the IDX, they should be more careful and analyze from all sides in viewing the published annual report.

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