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The Effect of Return on Equity, Debt Equity Ratio, and Dividend Payout Ratio on Stock Returns in Companies in the Energy Sector

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Article Info	ABSTRACT
Keywords: ROE, DER, DPR, Stock Return, IDX	This study analyzes the effect of Return on Equity (ROE), Debt to Equity Ratio (DER), and Dividend Payout Ratio (DPR) on Stock Returns in energy sector companies on the Indonesia Stock Exchange (IDX) for the 2019-2023 period. By using hypothesis testing, the research sample consisted of 22 companies. The results showed that ROE had a positive and significant effect, DER had no significant negative effect, and DPR had a negative and significant effect on Stock Returns. Simultaneously, these three variables have a significant influence with an Adjusted R^2 of 61.3%, indicating that other factors also affect Stock Returns.
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INTRODUCTION

The capital market is a financial market that brings together owners of funds with users of funds for medium and long-term investment purposes. The capital market plays a significant role in the economy of every country, including Indonesia. An index can be used to show the overall economic condition of a country, or the growth of transactions in the market (Fitria Puteri Sholikah et al., 2022). In the past five years, Indonesia's capital market has shown significant growth, despite challenges such as the Covid-19 pandemic. In 2019, the number of stock investors increased by 40% to 2.48 million, while foreign investors' funds reached IDR 49.19 trillion. However, in 2020, the JCI fell to a historic low of 3,937.63, due to the impact of the pandemic (Dhera Arizona, 2023).

The development of the energy sector in Indonesia is accelerating, with increased use of solar energy, biomass, modern bioenergy, and geothermal. Especially in 2021, renewable energy has become an important part of the national energy mix, with solar energy accounting for 12%, geothermal 8%, biomass 5%, and modern bioenergy 7%. Although fossil fuels such as coal, oil and natural gas still dominate, the contribution of renewable energy continues to increase, helping to reduce greenhouse gas emissions and increase access to electricity in remote areas. Government support and public awareness are essential to optimize the development of renewable energy (Wibowo, 2023).

Return is the profit obtained from funds invested in a company. Investments are made with the aim of getting greater profits.Therefore, return can be interpreted as the result or reward of funds invested by investors in the form of profits from the sale of shares (Sa'adah

& Nur'ainui, 2020 p.1). Dividend Payout Ratio is a dividend calculation based on a ratio that refers to how much of the company's profit is divided into dividends to investors or shareholders (Hakim, 2024 p.177) .Company owners are always looking to drive growth in their business and, at the same time, pay dividends to shareholders. However, these two objectives often conflict (Nabella, 2022 p.1)

Return on equity (ROE) is a ratio to measure net profit after tax with own capital. The higher this ratio, the better.This means that the position of the company owner is getting stronger, and vice versa (Kasmir, 2021 p.206). Debt to Equity Ratio (DER) is a ratio used to assess debt with equity.This ratio is sought by comparing all debts (Kasmir, 2021 p.161).

Stock return is a term that refers to the income or profit earned by an investor from owning shares in a company ((Nasution, 2023 p.38). Factors that affect stock returns consist of macro and micro factors (Adnyana, 2020 p.38). Macro factors include economic aspects such as inflation, interest rates, exchange rates, economic growth, fuel prices, and regional stock indices, as well as non-economic aspects such as political, social, and legal events. Meanwhile, micro factors include corporate financial variables such as earnings per share, dividends per share, book value per share, debt to equity ratio, dividend payout ratio and other financial ratios.

METHOD

According to (Jaya, 2023 p.25) The object of research is the subject matter to be studied, in order to obtain more directed data. The object of this research is the object in this study is Return on equity, Debt Equity Ratio, Dividend policy, and Stock returns (Jaya, 2023 p.25). According to (Jaya, 2023 p.25) Research subjects are people, places, or objects that are observed in order to serve as research targets. The subjects of this research are companies in the energy sector listed on the IDX in the 2019-2023 period (Jaya, 2023 p.25)

According to (Sugiyono, 2019 p.81) Samples are part of the number and characteristics of the population. If the population is large, and the researcher is unlikely to study all of the population, for example due to limited funds, energy, and time. The sampling technique used in this research is Non-Probability Sampling. According to (Sugiyono, 2019 p.84) Non-Probability Sampling is a sampling technique that does not provide equal opportunities for each element or member of the population to be selected as a sample. By using purposive sampling research method or selection technique with a specific purpose. The sample used amounted to 74 companies in the energy sector listed on the IDX for the 2019-2023 period. The criteria for taking the sampel used in this study are.

Table 1. Sample Selection Process

No	Selection Criteria	Total
1	Companies in the energy sector listed on the Indonesia Stock Exchange for the period 2019-2023.	**74**
2	Companies that do not have complete financial statement data in the Energy sector listed on the Indonesia Stock Exchange in the 2019-2023 period.	**(12)**

No	Selection Criteria	Total
3	Companies that do not distribute dividends in the energy sector listed on the Indonesia Stock Exchange in the period 2019-2023.	**(40)**
	Number of samples that meet the criteria	**22**
	Total Sample x Period **22 x 5**	**110**

RESULTS AND DISCCUSION

Normality Test

According to (Basuki & Prawoto, 2022 p.57) The normality test aims to test whether in the regression model the confounding or residual variables have a normal distribution. As is known, the t and F tests assume that the residual values follow a normal distribution. If the significance probability value is more than α = 0.05, the data is normally distributed. If the significance probability value is less than α = 0.05, then the data is not normally distributed.

The following table is the result of processing the normality test of the equation with the dependent variable, namely Stock Return and independent ROE, DER and DPR.

Table 2. Normality Test

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		105
Normal Parameters [a,b]	*Mean*	.0000000
	Std. Deviation	.15231285
Most Extreme Differences	*Absolute*	.070
	Positive	.050
	Negative	-.070
Test Statistic		.070
Asymp. Sig. (2-tailed)		.200 [c,d]

Shows that the results of the normality test of the regression model II equation using the One-Sample Kolmogorov Smirnov Test that the Asymp. Sig. (2-tailed) > 0.05. It can be concluded that the regression model II equation is normally distributed.

Hypothesis test T

According to (Jaya, 2023 p.100) the T test is a test conducted to determine the relationship of the independent variable to the independent variable to the related variable partially. The sig- nificance level is 5%. Testing by comparison between t count with t table with the condition that t count > t table

Table 3. t Test

Coefficients

Model		*Unstandardized Co-efficients*		*Standardized Coefficients*	t	Sig.
		B	*Std. Error*	*Beta*		
1	(Constant)	.224	.041		5.416	.000
	N_ROE	.743	.059	.831	12.518	.000
	N_DER	-.028	.025	-.083	-1.114	.268
	N_DPR	-.064	.030	-.173	-2.172	.032

a. *Dependent Variable*: N_*Return*Saham

shows that Return on Equity (ROE) has a positive and significant effect on Stock Returns, because t-count 12.518> t-table 1.9826 and significance 0.000 <0.05. This shows that the higher the ROE, According to (Wesso et al., 2022) If the company earns profits above the industry average, then the company is considered to be performing well because shareholders can earn profits above the industry average. This situation shows that the company's economy has improved. Debt to Equity Ratio (DER) has no negative effect on Stock Return, because t-count -1.114 < t-table 1.9826 and significance 0.268 > 0.05, which indicates that even though the Debt To Equity ratio is high, According to (Nugraha et al., 2021) the greater the DER, the less favorable it is because the greater the risk borne by the failure that may occur in the company, but for companies, the greater the ratio, the better., Dividend Payout Ratio (DPR) has a negative and significant effect on Stock Return, because t-count -2.172 < t-table 1.9826 and significance 0.032 < 0.05. Dividend Payout Ratio has a negative and significant effect on stock returns. This can be interpreted that companies that pay large amounts of dividends may be viewed by investors as having lower growth prospects, so they may divert their investment to other companies that are considered more profitable (Rosiva et al., 2022).

Hyphotesis test F

According to (Basuki & Prawoto, 2022 p.51) The F test in multiple linear regression analysis aims to determine the effect of independent variables simultaneously. This test is by comparing with f count > f table

Table 4. F test

Model		df	F	Sig.
1	Regression	3	55.945	.000[b]
	Residual	101		
	Total	104		

a. *Dependent Variable*: N_*Return*Saham

b. *Predictors*: (Constant), N_DPR,N_DER, N_ROE

Based on the results of the F test the regression model above shows statistical results with a significance of 0.000, F-count of 55.945 and F-table of 2.69. Provided that the

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significance value <0.05 and the F-count> F-table value means that there is a significant effect of the independent variables simultaneously on the dependent variable. In other words, Return On Equity, Debt to Equity Ratio, and Dividend Payout Ratio simultaneously affect Stock Returns.

Test Coefficient of Determination (R^2)

According to (Basuki & Prawoto, 2022 p.17) The R2 test is a coefficient that explains the relationship between the dependent variable (Y) with independent variables (X) in a model. An Adjusted R2 value close to one means that the ability of the independent variables to provide almost all the information needed to predict variations in the dependent variable.

Table 5. Coefficient of Determination (R2)

Model	R	R Square	Adjusted R Square	Std. Error of The Estimate
1	.790[a]	.624	.613	.15456

a. *Predictors: (Constant)*, N_DPR, N_ROE, N_DER

The regression model table above shows that the Adjusted R Square value obtained is 0.613. This situation shows that the independent variables Return On Equity, Debt to Equity Ratio, and Dividend Payout Ratio contribute an influence of 61.3% to the variable level of Stock Return, while the remaining 38.7% is influenced by other variables not mentioned in this study. Other factors are company character, company size, growth opportunities, and company age.

CONCLUSION

This study shows that Return on Equity (ROE) has a positive and significant effect on Stock Returns, which means that the higher the ROE, the greater the profit earned by investors because the company shows good financial performance. Debt to Equity Ratio (DER) does not have a significant negative effect on Stock Returns, indicating that high levels of debt are not always considered a risk by investors, depending on the company's financing strategy. Meanwhile, the Dividend Payout Ratio (DPR) has a negative and significant effect on Stock Returns, indicating that the greater the dividends paid, the less funds available for business expansion, which can reduce the company's growth prospects in the eyes of investors. Regression analysis shows that ROE, DER, and DPR variables simultaneously have a significant effect on Stock Return, with an Adjusted R^2 value of 61.3%, which means that these factors explain 61.3% of the variability in Stock Return, while the rest is influenced by other factors such as company size, growth opportunities, and market conditions. These results confirm the importance of a balanced financial policy in increasing the value of company shares in the energy sector.

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