

The Influence of Economic Fundamentals on The Company's Financial Performance, Implications for Stock Returns in The Oil and Gas Mining Sub-Sector Located on The Indonesia Stock Exchange (BEI) In 2016-2021

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ABSTRACT

This study aims to determine how the influence of financial performance on the company's implications on stock returns. This study uses 9 companies that have been listed on the Index Stock Exchange (IDX) from 2016 to 2021 for 5 years. The statistical method used in this study is Eviews 10. The results show that the economic fundamentals are seen from interest rates, ROA, and ROE, on stock returns. Determination of the sample in this study using a purposive sampling method. Based on the analysis of the results of the research, the Economic Fundamental Variable (X) has a significant effect on stock returns. Variable Return on Equity (Z1) has no significant effect on stock returns. The stock return variable (Z2) has a significant effect on stock returns. The coefficient of determination from the results of the research is that the Adjusted R Square (R^2) number is 0.310850 or 31.08%. The results of this statistical calculation mean that the ability of the independent variable to explain the variation in the change in the dependent variable is 31.08%, while the remaining 68.92% (100% - 31.08%) is influenced by other factors outside the research variables.

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1. INTRODUCTION

In recent years the development of the Stock Exchange in Indonesia has increased, the increase in stock prices is also marked by the strengthening of the Composite Stock Price Index (JCI) in early 2016 - early 2021. The progress made by the Indonesia Stock Exchange is the best in the Asian region. The continued improvement in the stock market price of a number of companies listed on the Indonesia Stock Exchange is inseparable from the continued improvement in fundamental company performance.

The classification principle used is IDX-IC based on market exposure, different from JASICA (Jakarta stock industrial classification) which uses economic activity. 9 sectors with 56 derivative sub-sectors, then in the new classification system, the sectors increase to 12 sectors with 35 sub-sectors, 69 industries, and 130 sub-industries, so the coverage is wider. So that all companies are classified specifically.

The 12 new sectors include energy, raw materials, industry, primary consumer, non-primary

consumer, healthcare, finance, property and real estate, technology, infrastructure, transport and logistics, and listed investment products. Improving company performance creates confidence and optimism for market participants in investing (Sastrawan, 2020). Shares are certificates/securities that show ownership of a company, in the certificate listed the value of shares owned, the type of shares owned, and the rights and obligations of each shareholder.

Shares are divided into several types based on the transfer of rights, collection rights, and performance. If based on the transfer of rights, shares consist of bearer stock, which is a type of stock that does not have the name of the owner so that the shares are easily transferred and registered stock, which is a stock that has the name of the owner, if you want to transfer it, you must go through certain procedures. The form of shares based on the right of collection is divided into two, namely common shares and preferred shares. The difference between ordinary shares and preferred shares lies in voting rights, dividend distribution priority, and profit sharing. If in a meeting, common shares have voting rights in the sense that they can give opinions on discussions discussed by the company while preferred shares do not have such rights. The performance of the company will determine the dividend distribution to each shareholder. The existing forms of stocks consist of a growth stock, blue chip stock, speculative stock, income stock, and countercyclical stock. Issued shares have a share value, which consists of par value, base price, and market price.

The majority of stock prices used are market prices because stock prices are the price of a share per share in the ongoing market, market prices are used to determine the ups and downs of prices per share (Christian et al, 2019). Stock return is one of the factors that motivate investors to invest. Investors who have invested part of their wealth to be invested expect returns as the most important thing and are also a reward for the courage of investors to bear the risk of their investment, one of the investments that can be made in the capital market is shares.

Return on Asset (ROA) is one of the profitability ratios to measure the company's ability for all funds invested in activities used for company activities with the aim of generating profits by utilizing its assets. the higher the profit generated by the company and will attract investors to invest their funds into the company (Manek, 2021). Return is the level of profit enjoyed by investors on an investment they make. Return will provide a more precise estimation model. The share price will provide a bias towards investor preaction, because it is relatively volatile to the share prices of other companies, meaning that a high share price does not necessarily reflect better stock performance than a lower share price (Salim, 2019). Financial performance is an assessment of a company's performance that can be seen from the company's ability to generate profits. Company profit, apart from being an indicator of the company's ability to fulfill obligations for its funders, is also an element in the creation of company value which shows the company's prospects in the future.

2. RESEARCH METHOD

The scope and object of this research are stock companies in the oil and gas mining sub-sector listed on the Indonesia Stock Exchange for the period 2016 to 2021. The research conducted is indirect observation and uses secondary data. The data used in this study were obtained from annual reports obtained and published through the website www.idx.co.id to test the effect of independent variables, namely economic fundamentals and financial performance on the dependent variable, namely stock returns in the oil and gas mining sub-sector.

The object of this research is oil and gas mining companies that have gone public and have been listed on the Indonesia Stock Exchange (IDX). this research is included in quantitative research because it refers to the calculation of data in the form of numbers. According to Sugiyono (2020: 16), quantitative research methods can be interpreted as research methods based on the philosophy of positivism, used to research certain populations of samples, data collection using research instruments, and quantitative or statistical data analysis with the aim of testing predetermined hypotheses. The research conducted is a quantitative research method because the data needed from the objects in this study are data expressed in numerical form, which is the result of calculating and measuring the value of each variable. The quantitative approach is used to measure the independent variable and the dependent variable using numbers processed through statistical analysis.

The data source used in this research is secondary data. Secondary data is a source of research data obtained indirectly through intermediary media recorded by other parties. Secondary data is generally in the form of evidence, records, or historical reports that have been arranged in published and unpublished documentary data. According to (Sugiyono 2018) secondary data is a data source that does not directly provide data to data collectors, for example through other people or through documents. This study uses secondary data obtained from the annual reports of oil and gas mining sub-sector companies (Annual Report) listed on the Indonesia Stock Exchange (IDX) from 2016 - 2021.

This study uses secondary company data, namely data obtained in finished form, collected, and processed by other parties in the form of publications. Stock data used is stock data listed on the IDX and the data is obtained from www.idx.co.id Based on this understanding, it can be interpreted that a sample is a collection of objects that have the same characteristics and can be studied. The sample in this study were oil and gas mining sub-sector companies listed on the Indonesia Stock Exchange from 2016 to 2021, totaling 9 companies.

The data analysis technique here uses quantitative research methods. According to Sutisna (2020), Research methods are based on the philosophy of positivism, objects that can be observed as targets in quantitative research, and these objects can be observed in part (sample) or as a whole (population), the data collected from these objects. Data analysis aims to answer the problems in the research. The data analysis used in this research is panel data regression analysis. The calculation uses statistical methods assisted by the Eviews 10 Enterprise Edition program to measure the effect of financial performance on the share price of the oil and gas mining sub-sector.

3. RESULTS AND DISCUSSIONS

The research conducted aims to determine the effect of economic fundamentals on the company's financial performance implications on the stock return of the oil and gas mining sub-sector located on the Indonesian stock exchange (IDX).

Descriptive Data Analysis

Descriptive statistical analysis is used to provide a statistical description of the research variables in the form of minimum, maximum, mean, and standard deviation values. Descriptive test results can be seen in the table as follows:

Table 1. Descriptive Statistical Test Results

	X?	Y?	Z1?	Z2?
Mean	4.541667	-1.033715	12.93868	-0.023708
Median	4.500000	1.636850	5.245076	-0.016670
Maximum	6.000000	44.43543	591.9355	1.580000
Minimum	3.500000	-73.29400	-123.2800	-0.864198
Std. Dev.	0.842209	15.73450	88.56804	0.476670
Skewness	0.446325	-2.347331	5.237362	1.181599
Kurtosis	2.113625	13.10648	35.43109	5.787585
Jarque-Bera	3.560593	279.4067	2613.365	30.04949
Probability	0.168588	0.000000	0.000000	0.000000
Sum	245.2500	-55.82062	698.6885	-1.280253
Sum Sq.				
Dev.	37.59375	13121.44	415747.7	12.04236
Observations	54	54	54	54

Economic Fundamentals (X)

Table 2. Economic Fundamentals (X)

Minimum	3.500000
Maximum	6.000000
Mean	4.541667
Std. Dev	0.842209

Based on Table 2, it can be seen that the minimum Interest Rate value is 3.500000 and the maximum value is 6.000000. The average/mean value is 4.541667 and the standard deviation is 0.842209, which has the lowest interest rate value of 3.50. While the one with the highest interest rate value is 6.00.

Financial Performance (Y)

Table 3. Financial Performance (Y)

Minimum	-73.29400
Maksimum	44.43543
Mean	-1.033715
Std. Dev	0.842209

Based on Table 3. It can be seen that the minimum value of financial performance is -73.29400 and the maximum value is 44.43543. Average value / mean -1.033715 and standard deviation 15.73450. The company that has a financial performance value is the company Medco Energi International Tbk (MEDC) in 2018 of -0.5402. While the company that has the highest financial performance value is Super Energy Tbk (SURE) in 2016 amounting to 16.02335.

Stock Return (Z)

Table 4. Stock Return (Z)

Minimum	-0.864198
Maximum	1.580000
Mean	-0.023708
Std. Dev	0.476670

Based on Table 4. It can be seen that the minimum value of Stock Return is -0.864198 and the maximum value is 1.580000. The mean/mean value is -0.023708 and the standard deviation is 0.476670. The company that has the lowest Stock Return value is Energi Mega Persada Tbk (ENRG) in 2018 of -0.011111. While the company that has the highest stock return value is Energi Mega Persada Tbk (ENRG) in 2020 of 1.58.

Model Selection Test

The model selection test must be carried out before entering the panel data regression analysis stage to determine the model that best suits the data to be processed. The results of the panel data regression model selection test are as follows:

Chow test

The Chow test is used to determine the best panel data regression estimation model between the common effect model and the fixed effect model. If the p-value or probability is less than 0.05 then H_0 is rejected and H_1 is accepted. The following are results of the Chow test as follows:

Table 5. Chow Test Results Fixed Effect Model

Effects Test	Statistic	d.f.	Prob.
Cross-section F	3.284380	(8,42)	0.0053

From Table 5, it can be concluded that the probability value of the Chow test of the Fixed Effect model is 0.0053, so H_0 is rejected and H_1 is accepted and the P value is significant, which is 0.0053 (less than 0.05), so the method used is the Fixed Effect method.

Hausman Test

The Hausman test aims to determine whether the Random Effect model is better to use than the Fixed Effect model. If the Chi-Square probability value is smaller than 0.05 then H_0 is rejected and accepts H_1 . The following are the results of the Hausman test as follows.

Table 6. Random Effect Hausman Test Results

Test Summary	Chi-Sq.Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	9.770587	3	0.0206

From Table 6, it can be concluded that the probability value of the Random Effect model Hausman test is 0.0206, then H_0 is accepted and H_1 is rejected, this is because the probability value in the Chow test and the Hausman test above can be seen that the Random Effect model Hausman test results are 9.770587, this value is greater than the significant standard of 0.05. So from the Chow test and Hausman test above, it can be seen that the Fixed Effect model Chow test results can be used because the probability value of the Fixed Effect model meets significant standards. So from the Chow test and Hausman test above it can be seen that the results of the Fixed Effect model Chow test can be used because the probability value of the Fixed Effect model meets significant standards.

Hypothesis Test Results

Hypothesis testing in this study was carried out with adjusted R^2 , F test, and t-test. This hypothesis test was carried out using Eviews and the data processing results were obtained as follows.

Statistical Test t

This individual parameter significance test is used to determine whether the independent variable individually affects the dependent variable with the assumption that the other independent variables are constant. This test is by comparing the significant value or value (sig-t) with the 0.05 significance level. If the value is smaller than 0.05, the independent variable individually affects the dependent variable, and vice versa if the value is greater than 0.05, the independent variable individually has no effect on the dependent variable.

Table 7. The t-test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-4.449773	1.848695	-2.406981	0.0206
X	0.622257	0.401733	1.548931	0.1289
Y	0.049134	0.024223	2.028421	0.0489
Z	1.929716	1.179079	1.636630	0.1092

Based on Table 7, it can be concluded that:

Economic Fundamental Variables (X) have an insignificant effect on stock returns. This is because the probability value is greater than 0.05 where the probability value is 0.1289 greater than 0.05. Variable Financial performance (Y) has a significant effect on stock returns. This is because the probability value is smaller than 0.05 where the probability value is 0.0489 smaller than 0.05. The stock return variable (Z) has an insignificant effect on stock returns. This is because the probability value is greater than 0.05 where the probability value is 0.1092 greater than 0.05.

F Statistical Test

The f test aims to all independent or independent variables included in the model have a joint influence on the dependent or dependent variable.

Hypothesis formula:

H_0 : capital structure, company size, and company age together have no effect on firm value.

Ha: capital structure, company size, and company age together have an effect on firm value.

Testing criteria:

a. If $F_{count} < F_{table}$, then H_0 is accepted.

b. If $F_{count} > F_{table}$, then H_0 is rejected.

The table that shows the results of the F test is as follows:

F-statistic	3.173299	Durbin-Watson stat	1.519736
Prob(F-statistic)	0.003320		

The F significance test is carried out with the aim of seeing the effect of the independent variables together or as a whole. The parameter is if the F-count value is greater than the F-table or the F-count probability value is less than the alpha value (α) 5%, it can be said that overall the independent variables have a significant effect on the independent variable. It can be seen from Table 4.9 above that the probability value is 0.003320 which is smaller than the alpha value of 5% (0.05) or $0.003320 < 0.05$, it can be concluded that the independent variables together have a significant negative effect on the dependent variable, namely stock returns.

Analysis of the Coefficient of Determination (R^2)

The Coefficient of Determination (R^2) essentially measures how far the model's ability to explain variations in the independent variable is. The coefficient of determination is between zero and one. A small R^2 means that the ability of the independent variables to explain the variation in the dependent variable is very limited. A value close to one means that the independent variables provide almost all the information needed to predict variations in the independent variable.

R-squared	0.453881	Mean dependent var	4.862796
Adjusted R-squared	0.310850	S.D. dependent var	14.53716

Based on the Table 9. the magnitude of the Adjusted R Square (R^2) number is 0.310850 or 31.08%. The results of this statistical calculation mean that the ability of the independent variables to explain the variation in changes in the dependent variable is 31.08%, while the remaining 68.92% (100% - 31.08%) is influenced by other factors outside the research variables.

DISCUSSION

Based on the results of the research that has been done, it is found that the minimum Interest Rate value is 3.500000 and the maximum value is 6.000000. The average/mean value is 4.541667 and the standard deviation is 0.842209. which has the lowest interest rate value of 3.50. While those with the highest economic fundamental (X) value are 6.00. the minimum value of financial performance is -73.29400 and the maximum value is 44.43543. The mean/mean value is -1.033715 and the standard deviation is 15.73450. The company that has a financial performance value (Y) is the company Medco Energi International Tbk (MEDC) in 2018 of -0.5402. While the company that has the highest financial performance value is Super Energy Tbk (SURE) in 2016 amounting to 16.02335. Stock Return (Z) of -0.864198 and a maximum value of 1.580000. The mean/mean value is -0.023708 and the standard deviation is 0.476670. The company that has the lowest stock return value is Energi Mega Persada Tbk (ENRG) in 2018 of -0.011111. While the company that has the highest Stock Return value is Energi Mega Persada Tbk (ENRG) in 2020 of 1.58.

The Effect of Economic Fundamentals on Financial Performance

Based on the results of research that has been done, the results show that it has an insignificant effect on stock returns. This is because the probability value is greater than 0.05 where the probability value is 0.1289 greater than 0.05, in the partial test results (t), it can be concluded that H_1 Economic Fundamentals affect Financial Performance is rejected. The results of this study are in accordance with Ni Made Santini, Ni Luh Anik Puspa Ningsih, and Ita Sylvia Azita Aziz, (2021). Which states that fundamentals have a negative effect on financial performance.

Financial Performance Affects the Company's Stock Return Implications

Based on the results of the research that has been carried out, the results show that the financial performance variable (Y) has a significant effect on stock returns. This is because the probability value is smaller than 0.05 where the probability value is 0.0489 smaller than 0.05, in the partial test results (t), it can be concluded that H2 Financial performance affects the Company's stock return implications are accepted. The results of this study are in accordance with Agung Gede Suarjaya, (2022). Which states that stock returns have a positive effect on the company.

4. CONCLUSION

Based on the background, phenomena, and theories used, it can be concluded that companies must pay attention to interest rates (economic fundamentals), several oil and gas mining companies still have to pay attention to return on assets (ROA), and several other ratios that are not examined in this study and then return on equity (ROE) related to company profits experiencing unstable changes and some companies experience losses per year. Unstable earnings capability indicates that the profit earned by the company is unstable so the company's dividend distribution is unstable as well. Therefore, the ability to profit will affect the decision of investors who will add their capital to the company. The better the influence of economic fundamentals, financial performance, the company's stock returns will increase.

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