The Effect of Return On Asset and Total Asset Turnover on Stock Return at PT Bank Central Asia Tbk Period 2014 - 2023

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Abstract

This study aims to determine the Effect of Return on Assets and Total Asset Turnover on Stock Returns at PT Bank Central Asia Tbk for the 2014-2023 Period. The research method used is a quantitative method with descriptive analysis techniques. The data used are secondary data in the form of annual financial reports of PT Bank Central Asia Tbk for the 2014-2023 Period listed on the Indonesia Stock Exchange or available on the company's website. The methods used multiple regression with Classical Assumption Test. The data was tested using the SPSS 25.0. Thus, it can be concluded that the ROA value has a significant effect on Stock Returns partially with a significance of 0.001. Total Asset Turnover does not have a significant effect on Stock Return partially with a significance value of 0.123. And simultaneously Return on Asset and Total Asset Turnover have a significant effect on Stock Return.

Keywords: Return On Assets (ROA), Total Asset Turnover (TATO), Stock Returns; Finance.

JEL Classification: G32, C22

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Introduction

Uncertainty and socio-economic phenomena in the capital market bring the emergence of various risk components which can bring a number of problems to the development of the capital market. If this continues, the uncertainty will have a significant impact on activities in the capital market. The occurrence of this event was described by Sambuari, et al., (2020), where the company's abnormal return in announcing stock trading price information led to activity entering the market, namely changes in reactions in receiving information in the capital market. The importance of BCA in maintaining fluctuations with stock price dynamics is highly dependent on the ability of profitability and profit or capital management each year. Data from the Central Statistics Agency shows that transactions and stock indexes on the Indonesia Stock Exchange continued to fluctuate throughout 2024. Lutfi et al. (2020) in his research "The Effect of Working Capital on Profitability at PT. JAPFA Comfeed Indonesia Tbk for the 2010-2019 Period" shows that good profitability management can increase the value of the company's working capital. These results confirm that effective management in the use of working capital can generate significant profits, which in turn affects the company's stock price in the capital market. The dependence of PT Bank Central Asia Tbk A's capabilities can also be oriented towards the Stock Returns distributed or dividends set in the decision information that is derived, this is related to the findings of Insani et al., (2019) that the higher the stock price managed, the more it affects the decision-making process of the investment issued. In line with this meaning, a metric analysis is needed that is in accordance with the Stock Return factor of PT Bank Central Asia Tbk.

Table 1.1 below is a display of data that can reflect the influence of research variables through testing on positive effects that can contribute to the phenomenon of PT Bank Central Asia Tbk based on findings in inventory loads and the development of active working capital in the company.

Table 1
ROA, TATO and Stock Return Ratio of PT Bank Central Asia Tbk for the Period 2014 – 2023

Tahun	ROA	TATO	Return Saham
2014	2,99%	7,43%	2,822%
2015	3,03%	8,05%	2,825%
2016	3,05%	7,95%	2,466%

Tahun	ROA	TATO	Return Saham
2017	3,11%	5,57%	1,662%
2018	3,13%	5,49%	1,598%
2019	3,11%	5,49%	1,809%
2020	2,52%	5,04%	1,685%
2021	2,56%	4,57%	1,525%
2022	3,10%	4,87%	1,286%
2023	3,46%	5,34%	3,816%

Source: Financial Report Data of PT Bank Central Asia Tbk

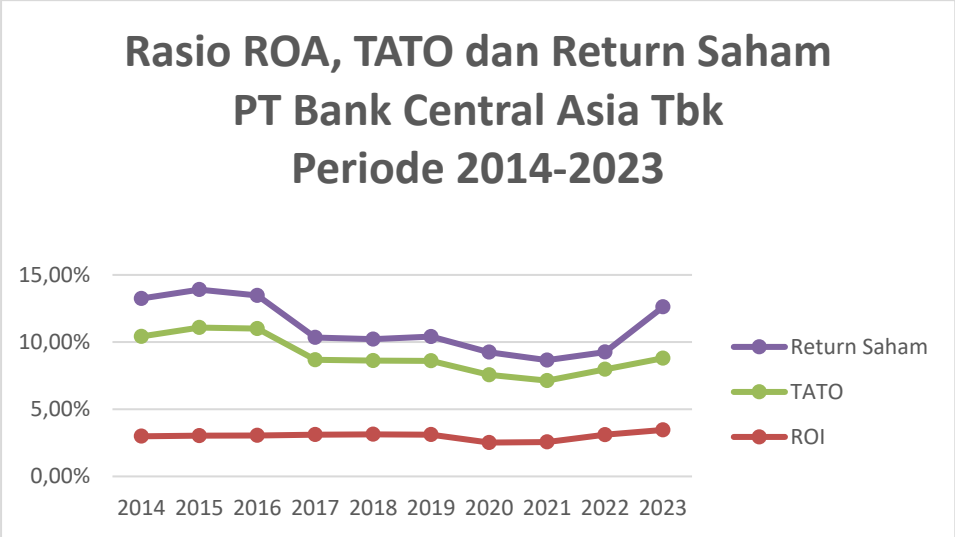

Figure 1.1
Graph of Net Profit and Total Assets of PT Bank Central Asia Tbk

In terms of the relationship that has been shown, there is a downward trend in the net profit of PT Bank Central Asia Tbk where there was a downward trend from 2014 to 2023 which indicates ineffectiveness with the profitability generated, but the results in 2020 showed a decline caused by the COVID-19 phenomenon, this is also what makes the company continue to recover net profit with the achievement of total assets through their expansion to increase the scale of the company's operations so that there is an increase in total assets in 2023 of IDR 1,408,107,010 billion rupiah. In terms of output, the profit after tax value of PT Bank Central Asia Tbk. showed a decline in 2020 due to COVID-19 which affected operational efficiency and financial management. To overcome this situation, PT Bank Central Asia Tbk increased investment efforts to support the capital market strategy which was affected by the decline during 2019-2020. Zulna & Novianty, (2022) stated that investment in asset turnover and

receivables management policies can increase profits optimally through increased sales that are correlated with stock returns.

This study aims to fill the knowledge gap in the influence of ROA and TATO variables on the company's stock returns. It is expected that the results of this study will provide a deeper understanding to stakeholders, such as investors, financial analysts, and company management. Summarizing from the presentation of this study, the title of this study can fill the needs of the results of this study in providing more accurate recommendations and company management can further optimize operational strategies and resource allocation to achieve better financial performance in the title "The Effect of Return on Assets, Total Asset Turnover on Stock Returns of PT Central Bank Asia Tbk Period 2014 - 2023".

Literature Review

Return on Asset (ROA) is a ratio that describes the company’s abilitys to generate profits for every rupiah of assets used. This ratio also provides a better measure of a company’s profitability because it shows management’s effectiveness in using assets to generate income. (Rudianto, 2018). Return on assets (ROA) is a ratio used to measure a company's ability to make a profit (profit). According to Rahmani (2019) When the cost of capital (the cost required to fund assets) is deducted from the ROA analysis, the company's ability to create a return on the assets used is revealed. Return on Asset (ROA) is a ratio that assesses the company's ability to generate profits by using all existing assets. Corporations have the opportunity to increase growth if the ratio is greater and higher so that they can generate profits efficiently. (Rahmani, 2019). Company profitability can be calculated by comparing the profit generated during a certain period with the company's total assets or capital. Company profitability is determined by the company's success and its capacity to use assets productively (Safitri & Mukaram, 2018). The profitability ratio shows the combined effect of liquidity, asset management, and debt on operating results. A company has its own way of measuring financial performance. Financial ratio analysis is one way for a company to measure financial performance. Investors use financial ratio indicators through ROA analysis. ROA can be interpreted as a profitability ratio used by a company to determine the company's ability to generate profits from existing assets. The relationship between ROA and financial performance also influences each other. The higher the ROA, the better the financial performance of a company. The company believes that ROA has an important role in the company's performance to increase dividends, so the ROA ratio can be used as one of the indicators for a company in assessing the company's financial performance. If the company's financial performance is good and produces high dividends from the optimal use of the company's total assets, it can have an impact on the company's value.

The context of evaluating company performance through the thoughts put forward by Kasmir (2019) highlights the important role of the activity or efficiency ratio in assessing the effectiveness of the company in utilizing its resources. This efficiency ratio provides a basis for evaluating how well the company utilizes various types of assets as investments or uses of funds. Kasmir, (2023) explains Total Asset Turnover (TATO) as a ratio that measures the

efficiency of a company in turning over all its assets. TATO helps in evaluating how much sales are generated from each unit of assets owned. The higher the Total Asset Turnover value, the better the asset turnover in the company, meaning that the company is able to get sales effectively and efficiently. So the higher the Total Asset Turnover value, the more investors will like the company because the company is considered capable of managing its assets optimally. A high TATO value indicates that the effectiveness of a company is getting better, this is perceived by investors as a good signal, so that it can attract investors to invest in the company which will ultimately increase the company's stock price (Ibadhi and Adi, 2020).

Stock Return can be defined as an effort to gain profit from investment in stocks, which can be in the form of dividends, capital gains, or stock returns. In this analysis, various ratios and concepts are used to measure the performance of stock investments. Measuring the company's performance in generating profits can be done through Stock Returns can be related to the development of a company's assets. Assets themselves are one of the ingredients of a number of profitability ratios that describe the ability of capital invested in total assets to generate profits (Kasmir, 2023). Through assets obtained from net profit after tax divided by total assets, the results in these assets can describe the extent to which the company's return is able to generate profits to a number of stakeholders or an investor from the size of the assets invested. Stock Return Analysis has several principal uses, as expressed by Damayanti (2019). First, it can allow management to measure the efficiency of the company's use of capital, production, and sales in the context of the return on investment donated by an investor. Second, by comparing the company's stock returns with the industry average, it can be seen that the company's position in terms of capital use efficiency compared to similar companies. Third, Stock Returns can be used to measure the efficiency of actions taken by a particular division or section by allocating costs and capital to the relevant section. Finally, stock returns can be used to measure the estimated profitability of each product produced by the company (Kasmir, 2023).

By tracing stock returns from an investment in stocks, it is expected to provide benefits to investors as explained by Novita & Situmorang (2020) that stocks are securities that indicate ownership in a company and are traded on the stock exchange. Investors expect profits from stocks in the form of dividends, capital gains, or stock returns. Saraswati et al. (2023) emphasize that Stock Returns include various forms of investment profits, both those that have been realized and those expected in the future. Realized returns can be calculated based on historical data, while expected returns are expectations of future profits. In the overall analysis, the concept of Stock Returns provides an understanding of how investors can profit from stock investments, as well as the various aspects that need to be considered in measuring and predicting stock investment performance (Stickney et al., 2022).

Stock Return, which includes dividends and capital gains, is an important indicator in evaluating investment performance. In measuring this return, several financial ratio concepts are used that describe the company's ability to utilize its assets. For example, measurements such as Return on Assets (ROA), which is obtained by dividing net income after tax by total assets can be one of the main metrics to assess how effective a company is in generating profits from its existing assets.

Research Methods

Sugiyono (2019) explains that quantitative research uses a positivist approach in investigating a particular population or sample. Sampling is usually done randomly, and data is collected using research instruments. Data analysis is carried out statistically to test the hypothesis. In this study, a quantitative descriptive approach is used to describe Return on Asset (ROA), Total Asset Turnover (TATO), and their effect on PT Bank Central Asia Tbk Stock Returns from 2014 to 2023.

Data Collection Techniques

Documentation Study

The Documentation Study approach is applied in this study to collect data related to the history and origins of the company's establishment, organizational structure, and the company's Financial Report in detail found from 2014 to 2023.

Internet Research

Available reference books or literature, both owned and borrowed from the library, have the potential to become outdated over time, so that in a science that continues to develop, this requires this study to be carried out by utilizing the functions or results of the benefits of technological advances that continue to develop in finding sources of data obtained to remain current.

Data Analysis Techniques

Sugiyono (2019) explained that data analysis involves a series of steps such as grouping and sorting data according to applicable provisions in order to produce results that are consistent with existing data. The main purpose of data analysis is to provide a more detailed explanation of the existing data so that it is easy to understand, and to draw reliable conclusions. The conclusions generated from this data analysis are usually based on hypothesis testing or temporary answers.

1) Descriptive Statistical Analysis

Descriptive statistical analysis provides an in-depth picture of the data being investigated. In the process of using descriptive statistics, data can act as a point of view such as estimating the average, standard deviation, variance, maximum value, minimum value, total number, data range, kurtosis, and skewness (Ghazali, 2019)/ tidak ada direferensi. The measurements carried out in this study include Mean, Standard Deviation, Maximum Value, and Minimum Value. The Mean metric is used to evaluate the average value. On the other hand, the Standard Deviation metric is used to assess how far the data varies in distance or value in the average.

The maximum value parameter is used to identify the highest value in the data set. Meanwhile, the minimum value parameter is used to identify the lowest value in the data.

2) Classical Assumption Test

The initial stage in hypothesis testing can be applied to a general classical assumption test. This is done to verify the validity of the regression model used. Testing of these classical assumptions can include a series of tests such as normality tests, multicollinearity tests, heteroscedasticity tests, and autocorrelation tests.

Regression Analysis

1) General Linear Regression

The explanation in Sugiyono (2019) explains that the simple linear regression analysis process focuses on understanding the functional or causal relationship between one independent variable and the relationship to one dependent variable. This analysis is useful in determining the direction of the relationship between the independent variable and the dependent variable, whether it is positive or negative, in addition it is useful in projecting the value of the dependent variable if there is a change between the independent variables. In simple regression analysis, the data used generally has an interval or ratio scale which is shown as follows:

$$Y=\alpha+\beta X+\varepsilon$$

2) Multiple Linear Regression

The presentation delivered by Ghozali (2019), the use of multiple linear regression analysis aims to identify the direction and significance of the influence of independent variables on dependent variables. The multiple linear regression model is used in the context of this study to analyze the existing data. Multiple linear regression refers to the linear relationship between two or more independent variables with the dependent variable. In general, the multiple linear regression equation is calculated using the following equation model:

$$Y=\alpha+\beta\_1\ X\_1+\cdots+\beta\_n\ X\_n+\varepsilon$$

Correlation Coefficient Test

Sugiyono (2019) explains that correlation coefficient analysis functions to determine the direction and strength of the relationship between two or more variables. The direction of the relationship can be positive or negative, while its strength is measured by the correlation coefficient. The correlation coefficient (r) indicates the extent to which the independent and dependent variables are correlated.

Determination Coefficient Test

Estimates in the Determination test coefficient (R^2) in principle measure the level of relationship of the ability in the model to explain variations to the dependent variable. The range of values of this determination coefficient is between zero and one or R∈[0.1]. When the value in the determinant is low, this illustrates the limitations in the ability of the independent variable to be able to explain variations in research findings. However, on the contrary, if the results are close to 1 (one) or R = 1.0, this indicates that the independent variable provides the information needed to predict the dependent variable. The role of the determination coefficient R^2 is very important in analyzing the extent to which the dependent variable contributes to changing the independent variable as a whole.

Hypothesis Testing

1) Partial T Test

The description explained by Ghozali (2019)/tidak ada direferensi explains that the use of partial tests is carried out to trace the relationship of each independent variable to the dependent variable. This function can be interpreted that partial tests are used in research to evaluate the effects of independent variables on dependent variables individually. By applying the formula (df) = n-k, this study adopts the following decision-making criteria:

- If the p value ≤ 0.05 or t count ≥ t table, then Ha is accepted and Ho is rejected, indicating that the independent variable has a significant impact on the dependent variable.
- While if the p value ≥ 0.05 or t count ≤ t table, then Ha is rejected and Ho is accepted, indicating that the independent variable does not have a significant effect on the dependent variable.

2) Simultaneous F Test

Ghozali (2019) states that testing in the F test distribution is used to assess whether the independent variable as a whole has a significant impact on the dependent variable. The determination of the decision in testing is influenced by (p value) and F count by determining the form of the criteria that have been decided, namely:

- If the p value ≤ 0.05 or F count ≥ F table, then the Alternative Hypothesis (Ha) is accepted and the Null Hypothesis (Ho) is rejected, indicating that the independent variable affects the dependent variable as a whole.
- Meanwhile, if the p value ≥ 0.05 or F count ≤ F table, then Ha is rejected and Ho is accepted, indicating that the independent variable does not affect the dependent variable.

Results and Discussions

Multiple Linear Regression Output

Testing analysis in multiple linear regression can be shown to assess the influence of independent variables on dependent variable units. In the results of multiple linear regression

analysis in this study, the independent variables consist of Return on Asset as X1 with Total Asset Turnover as X2 which gives its influence on Stock Return as Y. The results of multiple linear regression processing with SPSS Version 25 can be given as follows:

Table 2
Multiple Linear Regression Output
Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	-4.576	.726		-6.304	.024
	ROA	2.378	.334	.944	7.120	.019
	TATO	.026	.056	.063	.474	.682

a. Dependent Variable: Return Saham

Source: Data processing results with SPSS 25, (2024)

Based on the results in Table 2, the results can be given in the regression equation in the form of Y = -4.576 + 2.378X_1 + 0.026X_2. Through this equation, it can also be explained through several summary results as follows:

1. The value of the regression constant coefficient is given with a result of -4.576, which means that if the value of Return on Asset (X1) and Total Asset Turnover (X2) is fixed or not included, then the change in the value of Stock Return (Y) is -4.576.
2. In the Return on Asset (X1) variable through a constant value of 2.378, it can be shown that with an increase in the Return on Asset value of 1 with other variables in the form of Total Asset Turnover (X2) is fixed and unchanged, then this can provide an increase in influence on Stock Return (Y) of 2.378 positive
3. In the Total Asset Turnover (X2) variable through a constant value of 0.026, it can be shown that with an increase in the Total Asset Turnover value of 1 with other variables in the form of Return on Asset (X1) is fixed and unchanged, then this can provide an increase in influence on Stock Return (Y) of 0.026 positive, where a high increase in Total Asset Turnover will provide a high increase in Stock Return.

Correlation Coefficient Test

The analysis model on the correlation coefficient is formed to identify the scale of the influence of the relationship between the independent variables on the dependent variable used with the Pearson Correlation method.

Based on the results, it can be explained that the level of the Return on Asset relationship has a coefficient value of 0.521 with the magnitude of the coefficient being in the interval of 0.400 - 0.599 with a moderate relationship. Based on the results of the Table, it can be explained that the level of the Total Asset Turnover relationship has a coefficient value of 0.511 with the magnitude of the coefficient being in the interval of 0.400 - 0.599 with a moderate relationship.

Table 3
Simultaneous Correlation Coefficient Output between Return on Asset (X1) and Total Asset Turnover (X2) Against Stock Return (Y)

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.992[a]	.985	.970	0.238309%

a. Predictors: (Constant), TATO, ROA

b. Dependent Variable: Return Saham

Source: Data processing results with SPSS 25, (2024)

Based on the results shown in Table 3, the correlation coefficient value of R is 0.992, the value is in the interval of 0.800 - 1.000, so this means that the variables Return on Asset and Total Asset Turnover have a high and strong relationship to Stock Returns.

Determination Coefficient

The relationship of the determination coefficient is shown in identifying the relationship between the independent variables and the dependent variables partially or simultaneously. The determination coefficient in the context of this study uses the variables Return on Asset (X1) and Total Asset Turnover (X2) to their relationship to Stock Returns.

Analysis Results

The Effect of Return on Asset (X1) on Stock Return (Y)

The results of quantitative testing and analysis show that the simple regression equation on the effect of Return on Asset on Stock Return is Y = -4.741 + 2.498X_1 with a correlation coefficient value of 0.521, where this result indicates a moderate relationship. Through the determination value or contribution of Return on Asset on Stock Return of 98.3% with the remaining 1.7% being part of other factors and in the results of the hypothesis test at the t-value of 13.244 is greater than 2.323 and with a significance value of 0.001 is less than 0.050. So the results of the first hypothesis can be stated that H_0 is rejected with H_1 accepted, which explains the existence of a significant relationship between Return on Asset on Stock Return. These results are in accordance with research conducted by Ni Putu Alma Kalya Almira & Ni Luh Putu Wiagustini (2020) who also obtained research results that Return on Assets has a significant effect on Stock Returns.

Effect of Total Asset Turnover (X2) on Stock Returns (Y)

The results of quantitative testing and analysis show that the simple regression equation on the effect of Total Asset Turnover on Stock Returns is Y = 0.257 + 0.326X_2 with a correlation coefficient value of 0.511, where these results indicate a moderate relationship. Through the determination value or contribution of Total Asset Turnover to Stock Return of 60.2% with the remaining 39.8% being part of other factors and the results of the hypothesis test at the calculated t value of 2.129 are smaller than 2.323, and with a significance value of 0.123 greater than 0.050. So the results of the first hypothesis can be stated that H_0 is accepted with H_2 rejected, which explains that there is no significant influence between Total Asset Turnover and Stock Return. These results are in line with research conducted by Syakhiya, N. (2020), and Marlindja, A. B., & Meirisa, F. (2022), which also obtained research results that Total Asset Turnover has no effect on Stock Return.

The Effect of Return on Asset (X1) and Total Asset Turnover (X2) on Stock Return (Y)

The results of quantitative testing and analysis show that the simple regression equation on the effect of Return on Asset and Total Asset Turnover on Stock Return is Y = -4.576 + 2.378X_1 + 0.026X_2 with a correlation coefficient value of 0.992, where this result indicates a strong relationship. Through the determination value or contribution of Return on Asset and Total Asset Turnover on Stock Return of 98.5% with the remaining 1.5% being part of other factors and the results of the hypothesis test on the calculated F value of 65.151 is greater than 4.740. This is also in line with the results on the p value which is smaller than 0.050, which is 0.015. So the results of the first hypothesis can be stated that H_0 is rejected with H_3 accepted, which explains the existence of a significant relationship between Return on Asset and Total Asset Turnover on Stock Return. Author should cite here as many source as possible. Article text article text article text article text here article text here article text here article text here article text here article text here article text here article text here

Conclusions

Based on the presentation of the research results that have been conducted in identifying the relationship between Return on Asset and Total Asset Turnover on Stock Returns at PT Bank Central Asia Tbk in the period 2014 - 2023, there are several important results that can be explained through the results of the research that have been explained. There is a significant influence between Return on Assets on Stock Returns at PT. Bank Central Asia Tbk Period 2014 – 2023. There is no significant influence between Total Asset Turnover on Stock Returns at PT. Bank Central Asia Tbk Period 2014 – 2023. There is a significant influence between Return on Assets and Total Asset Turnover on Stock Returns at PT. Bank Central Asia Tbk Period 2014 – 2023.

Acknowledgement

This research is self-funded.

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