STOCK RETURN: WHAT ARE THE DETERMINANTS?

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Abstract: *Investment is one of the ways to save wealth in the long term. In order to get the return, investors can invest in the capital market . This study aimed to examine the effect of dividend policy and funding decision on the stock return with the firm value as an intervening variable in property, real estate, and building construction companies which listed in the Indonesian Stock Exchange in 2013-2016. In this research the dividend policy was measured by dividend yield, funding decision was measured by debt to equity ratio, and the firm value was measured by price earning ratio. This study used path analysis with 124 company-year observations. The results of this study show that (1) dividend policy has a negative and no significant effect on the firm value,(2) funding decision has a positive and significant effect on the firm value,(3) dividend policy has a positive and no significant effect on the stock return, (4) funding decision has a positive and significant effect o the stock return, (5) firm value has a positive and significant effect o the stock return. It can be concluded that the determinants of stock return of property, real estate and building construction companies in Indonesia Stock Exchange are funding decision and firm value.*

Keyword: *dividend policy, funding decision, firm value, stock return*

INTRODUCTION

Investment is one of the ways that can be used to save wealth. In a long-term,the investment can be used as an alternative to investing in making future profits. A capital market is one of the places for investment activities. The Capital market enables investors to invest in various forms of securities One of the securities traded in the capital market is a stock. Stocks are investments that have a high risk if carried out in the long- term. Therefore, investors must strongly consider the stock to be purchased in accordance with the objectives. In investing, investors expect a return on the stock. Investors often use stock returns as a benchmark to assess the ability of a stock to generate a profit. According to Fahmi (2012: 169), the return is a profit gained by companies and institutions from the results of investment policy. According to Tandelilin return is one of the factors that motivates investors to invest and is also a reward for the courage of investors in taking risks in investing. In stock investment, investor expects returns that consist of dividends and capital gains.

Stock returns can illustrate how the financial performance of a company within a certain period. Stock return of every company has always fluctuated. This phenomenon is caused by changes in stock prices. Fluctuations in stock prices can occur in every company including property, real estate, and building construction companies. The property, real estate, and building construction companies have important roles in the Indonesian economy. There are two sub-sectors in this company, namely (1) property sub-sector, real estate, and (2) building construction subsector. Property and real estate companies are business entities that are engaged in housing and residential development equipped with various facilities. While the construction sub-sector companies are one of the service businesses that deal with construction problems in development, in the form of housing, public facilities such as hospitals, and government buildings. Indonesia as a developing country that is doing a lot of development enables construction service companies to become one of the ideal companies to invest funds. The Property, Real Estate, and building sub-sector companies are businesses that require large long-term funds, so that the Property, Real Estate, and building companies register their shares on the stock exchange with the aim of obtaining wider and larger funds. Until 2016, there are 60 companies in the property, real estate, and building construction sectors.

Stock return can be influenced by many factors. The first factor that influences stock returns is dividend policy. According to Brigham (2001: 67), the firm value will be maximized by determining a high dividend distribution ratio. High corporate values are reflected through increased stock price. Increasing stock prices will result in an increase in stock return. However, this phenomenon is contrary to Sari (2017 and Sylvester (2015) which states that dividend policy has a negative effect on stock return.

According to the investor's perspective, dividend policy is one of the indicators that can be used as a tool to assess the company's prospects in the future. In this study dividend policy is measured by dividend yield. The Dividend yield is used to determine the proportion of dividend given by the company to shareholders.

The second factor that affects stock return is the funding decision. According to Brigham and Houston (2011), the funding decision shows how the company funds its assets through internal funding and external funding. The higher ratio will show the company has a lot of debt. This will cause a decrease in stock prices, which in turn will cause a decline in stock returns. The results of Kusumawati's research (2016) show that funding decision has negative and no significant effect on stock return.

Funding decision is decisions about how to obtain funding sources for the company's operational activities. Funding decisions in this study could be measured using the financial ratio of debt to equity ratio (DER). Debt to Equity Ratio is a part of the leverage ratio used to measure the funding structure of a company that is calculated by comparing the total liabilities and total equity.

The third factor that influences return is firm value. According to Husnan (2008: 7), firm value is the price that is willing to be paid by prospective buyers if the company is sold. If a company has a higher firm value ratio, investors will trust the company more. This situation will increase stock prices, which in turn will increase stock returns. Fidhayatin and Dewi (2016) and Sari (2017) stated that firm value has a positive effect on stock return. On the other hand, the results of research by Oktyawati and Agustia (2014) stated that firm value does not affect the stock return.

Wahyudi and Pawestri (2006) stated that one of the main objectives of the company is to optimize firm value. Many ratios can be used to analyze the firm value, one of them is by using the financial ratio of price earnings ratio (PER). According to Harahap (2010: 311), the PER ratio is a ratio that shows a comparison between the stock price on the market or the initial price offered compared to the income received, a high PER indicates that investors' expectations about the company's performance in the future will be quite high.

Firm value as a company goal in maximizing the prosperity of its shareholders can also be influenced by dividend policy and funding decision. According to Harmono (2011: 6), firm value is reflected in three forms of policy, namely investment decision, funding decision, and dividend policy.

Based on the explanation above, it is seen that the importance of stock return and firm value for investors as well as the factors that can influence them based on previous studies. The researchers are interested in re-researching to see how dividend policy and funding decision affect stock return by using firm value as an intervening variable in property, real estate, and building construction companies listed on Indonesia Stock Exchange.

LITERATURE REVIEW
Stock return

According to Fahmi (2011: 169), the return is profits obtained by companies and institutions from the results of their investment policy. Najmudin (2011: 129), the stock return is the results obtained from investments. Stock return is a reflection of the performance of a company. According to Samsul (2006: 200), there are several factors that affect the performance of the company and the risk of the company, namely macro and micro factors. Macroeconomic factors are the external factors of the companies which include domestic interest rates, inflation rates, taxation regulations, government-specific policies related to certain companies, foreign exchange rates, interest rates on foreign loans, international economic, economic cycle, economic ideology, and the money supply. Meanwhile, micro-economic factors are factors that are from within the company, these factors include net income per share, operating profit per share, book value per share, equity to debt ratio, the ratio of net income to equity, cash flow per share, and other financial ratios.

Firm Value

Firm value greatly influences the perception of the investor about a company, because the guarantee for shareholders welfare can be reflected by firm value. Husnan (2008: 7), Firm value can be reflected by the stock price of a company, the higher the stock price, the higher the firm value. Maximizing firm value is a financial management function. According to Kasmir (2010: 16), the main function of financial managers is to plan, find, and utilize funds to maximize the firm value. According to Harmono (2011: 6), in carrying out its functions, financial management can be specified into three forms of policy, namely a) investment decision, b) funding decision, and c) dividend policy.

Dividend Policy

According to Husnan (2008: 381), dividend policy involves the issue of the use of profits that are the rights of shareholders, the profit can be divided as dividends or retained earnings. Dividend policy involves three problems, namely, how much profit must be shared on an average basis over a certain period of time? Is the distribution preferable in cash dividends or stock dividends ?, or does the

company should maintain a stable dividend growth rate ?, (Brigham, 2001: 103).

Funding Decision

The Funding decision is related to decisions about where the funds will be used to finance company activities. According to Husnan (2008: 253), in general, funds can be obtained from outside of the company(external financing) or from inside the company (internal financing). The External financing decision is often referred to as funding decision while internal financing involves dividend policy. Funding decisions are also referred to as capital structure decisions. According to Fahmi (2012: 106), the capital structure is a description of the form of financial proportions of between capital owned sourced from long-term debt (long term-liabilities) and equity (shareholder equity), which become a source of financing a company. It means that the funding decision is closely related to the determination of the proportion of total capital that will be funded by debt or equity. According to Fahmi (2012: 112), in general, there are two theories that discuss funding decisions, namely balancing theory and pecking order theory.

HYPOTHESIS DEVELOPMENT

Based on the theory and the results of previous studies, the hypothesis can be formulated as follows:

1. Dividend Policy has a significant effect on the firm value.
2. Funding Decision has a significant effect on firm value.
3. Dividend Policy has a significant effect on the stock return.
4. Funding Decision has a significant effect on the stock return.
5. Firm Value has a significant effect on the stock return.

RESEARCH METHODS
Data

The population in this research is property, real estate, and building construction company which listed in the Indonesian Stock Exchange in 2013-2016. The sample was selected by using purposive sampling. Sugiyono (2016: 124), purposive sampling is a sampling technique with certain considerations. In sample selection, the researchers used criteria include 1) property, real estate and building construction companies listed in the Indonesia Stock Exchange in 2013-2016, 2) the companies published financial statements in the period of 2013-2016, 3) the companies generated positive profits in the period of 2013-2016. Based

on purposive sampling criteria, 31 companies were selected as the sample, so this research generated 124 company-year observations. This research used secondary data from The Indonesia Capital Market Directory and The Indonesia Stock Exchange.

The Measurement of Variable
    a.   Stock Return

According to Fahmi (2011: 169), the return is profits obtained by companies and institutions from the results of their investment policy.

$$R_{i,t} = \frac{(P_t - P_{t-1}) + D_t}{P_{t-1}}$$

(Samsul, 2006: 292)

    b.   Firm Value

Husnan (2008: 7), Firm value can be reflected by the stock price of a company, the higher the stock price, the higher the firm value. Firm value can be measured by market valuation analysis, namely Price Earning Ratio. PER can be calculated by comparing the market price of a stock with earnings per share.

$$PER = \frac{stock\ price}{earning\ per\ share}$$

(Fahmi, 2012: 70)

    c.   Dividend Policy

According to Husnan (2008: 381), dividend policy involves the issue of the use of profits that are the rights of shareholders. In this research, dividend policy is measured by using dividend yield. The dividend yield is a method used to determine the size of a company in distributing dividends to shareholders.

$$dividend\ yield = \frac{dividend\ per\ share}{price\ per\ share}$$

(Fahmi, 2012: 70)

    d.   Funding Decision

Funding decision is related to decisions about where the funds will be used to finance company activities. In this study, the researcher used debt to equity ratio (DER) to measure funding decision.
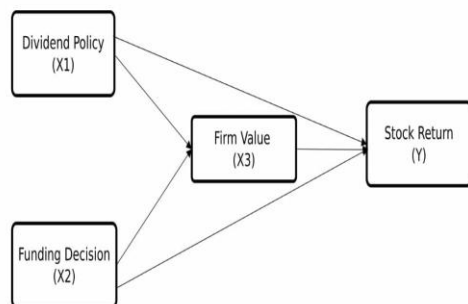
$$DER = \frac{Total\ Liabilities}{Total\ shareholders\ equity}$$

(Fahmi, 2012: 63)

Data Analysis Technique

This research has a dependent variable, an intervening variable, and two independent variables. In this research, the researcher used Path

Analysis. the research model can be seen in the picture below:

RESULTS AND DISCUSSION
The Classical Assumption Testing

Before hypothesis testing, an analysis prerequisite test is needed, namely the classical assumption test consists of the normality test, heteroscedasticity test, and autocorrelation test. The data are assumed to be normal if they met the criteria of sig> 0.05. In this research, there are no heteroscedasticity and autocorrelation problems. This research has two independent variables and one intervening variable which are the factors that influence the stock return of property, real estate, and building construction company which listed in the Indonesia Stock Exchange (IDX). The independent variables are the dividend policy and funding decision, while the intervening variable is the firm value, and the dependent variable is the stock return. This research aimed to see how the influence of independent variables on the dependent variable through intervening variables.

Based on Table 1 (attachment), it could be explained the description of each variable in this research. Firstly, the average value of the stock return is 0:11, it is mean that during the period 2013 to 2016, in average the sample is able to increase its share price by 11% compared to the previous year's stock price. The highest return value is 2.08 while the lowest return is -0.75. Then, the standard deviation value for the stock return of property, real estate, and building construction companies is 0.48, that is the spread or deviation of the stock return data from the average was 0.48.

Secondly, the mean value or average of dividend policy is 3.21, in average the industry, the sample is able to distribute dividend with this amount during 2013-2016. The maximum value for this dividend yield ratio is 107.12, while the minimum value for dividend yield is 0.00. The real

estate, property, and building construction companies have a standard deviation value of 14.28.

Thirdly, the funding decision is measured by DER. The mean of DER is 1.15. In average, property, real estate, and building construction companies made funding using liabilities or debt 1.14 x greater than using equity or own capital. The highest DER value is 5.28, while the minimum DER is 0.07. Then, the standard deviation value for DER is 1.00 which is mean that the variation of DER data distribution or deviation of data points from the average value is 1.00.

Fourtly, Firm value is measured by using PER. The mean of PER is 16.35. It is mean that the average share price in the property, real estate, and building construction markets was 16.35x greater than earnings per share. Based on PER value, it could be concluded that the average firm value is in good condition. The highest PER value is 48.23, while the lowest PER value is 0.76. Then, the standard deviation value for PER is 10.92.

Path Analysis Result

In this research, the path analysis performed by multiple linear regression method through SPSS to see the effect of independent variables on the dependent variable. Table 2 (attachment) shows the regression results from dividend policy (X1) and funding decisions (X2) to firm value (X3).

From Table 2, the first equation model is obtained as follows:

Firm Value (X3) = -0.037 X1 + 0. 268 X2 + e

$R^2 = 0.074$ meant 7.4% variation in firm value could be explained by dividend policy and funding decisions.

Tabel 3 (attachment) indicated the regression results from dividend policy (X1), funding decision (X2), and firm value (X3) on stock return (Y).

Based on Table 3 , the first equation model is obtained as follows:

Return (Y) = 0.111 X1 + 0.207 X2 + 0.216 X3 + e

$R^2 = 0.120$ indicated that 12% variation in stock return could be explained by dividend policy, funding decision, and firm value.

Hypothesis Testing

Basically, The t-test shows how strong the influence of an explanatory variable individually in explaining the variation of the dependent variable. In Hypothesis 1, based on the test result, it was found that the path coefficient results from the influence of dividend policy on the firm value of -0.037 with sig value of 0.691. This pointed out that Hypothesis 1 was rejected because the sig value > 0.05. It could be concluded that dividend policy does not have a significant effect on the firm value

In Hypothesis 2, based on the test result, it was obtained that the path coefficient results from the influence of funding decision on the firm value of 0.268 with sig value of 0.004. This result shows that Hypothesis 2 was accepted because of the sig value < 0.05. It could be concluded that funding decision has a positive and significant effect on the firm value.

In Hypothesis 3, based on the test result, it was acquired that the path coefficient results from the influence of dividend policy on the stock return of 0.111 with sig value of 0.222. This indicated that Hypothesis 3 was rejected because of the value of sig > 0.05. It could be concluded that dividend policy has a positive and no significant effect on the stock return.

In Hypothesis 4, based on the test result, it was found that the path coefficient results from the effect of funding decision on the stock return of 0.201 with sig value of 0.034. This shows that Hypothesis 4 was accepted because of the sig value <0.05. It could be concluded that the funding decision has a positive and significant effect on the stock return.

In Hypothesis 5, based on the test result, it was obtained that the path coefficient results from the effect of firm value on the stock return of 0.216 with sig value of 0.023. This was the evidence that Hypothesis 5 was accepted because of the sig value <0.05. It could be concluded that the firm value has a positive and significant effect on the stock return.

Dividend policy and funding decision also have an indirect effect on the stock return through the firm value. This value could be obtained by multiplying the direct effect of dividend policy or funding decisions on the firm value by the direct effect of the firm value on the stock return. Simultaneously, dividend policy and funding decision affect the firm value significantly by 0.015. Dividend policy, funding decisions, and firm value simultaneously also affect stock return significantly by 0.003.

Discussion

Based on the results of hypothesis testing, it turned out that the dividend policy has negative and no significant effect on the firm value. This shows the change in dividend policy was not significant in influence the firm value. This was due to the view of investors about the firm value could be seen from how a company is able to generate profits. This was contrary to the opinion of Brigham (2001: 67), that was the firm value would be maximized by a high division ratio. The greater the dividends distributed, the better the assumptions of investors towards a company. This result also contradicted with the research conducted by Senata (2016), that dividend policy has a positive and significant effect on firm value. However, this was in accordance with the opinion of Modigliani and Miller (MM) in the theory of dividend irrelevance, that the firm value was only influenced by its basic ability to generate profits and business risks. This theory states that corporate dividends do not have an influence on firm value or capital costs. So, it can be concluded that in this research, the dividend policy has an insignificant negative effect on the firm value of the property, real estate, and building construction companies.

Funding Decision has a positive and significant influence on the firm value of property, real estate, and building construction companies. This result was in accordance with the signal theory proposed by Brigham (2011: 37), which one of the assumptions is that companies with profitable prospects will try to avoid selling shares and seek every new capital needed in other ways, including the use of debt that exceeds the capital structure target. The results of this study were also in accordance with the research conducted by Achmad and Amanah (2014). So it can be concluded that funding decision has a significant positive influence on the firm value.

Based on the result of hypothesis testing, it was found that dividend policy has positive and no significant effect on the stock return. This means that any increase in the number of dividend payments will cause an increase in stock returns, but this phenomenon does not occur significantly.

The level of dividend payment should adjust the stock price. Because the announcement of dividend distribution is important for investors, hence, it must

be considered as well as possible. This result is in line with Suhandi's (2014), that dividend policy affects stock return but was not significant.

Based on the result of hypothesis testing, it was found that funding decision has a positive and significant effect on the stock return. It is mean that any increase in debt will cause a significant increase in stock return. This result accordance with the signal theory proposed by Brigham (2011: 37), which one of the assumptions is that companies with profitable prospects will try to avoid selling shares and seek every new capital needed in other ways, including the use of debt that exceeds the capital structure target which is normal. This result is in line with the research of Herdyan et al (2017), that funding decision have a positive effect on the stock return. However, this result contradicts with Masdupi et al (2017). According to Masdupi et al (2017) funding decision has a negative and no significant effect on the stock return.

Based on the result of the hypothesis testing, it was found the firm value has a positive and significant effect on the stock return of the property, real estate, and building construction listed on the Stock Exchange in 2013-2016. The higher firm value indicated the higher the company performance on shareholder's perspective, this condition will result in an increase in stock prices which will ultimately increase stock returns. The result of this research is in line with Sari (2017), that the firm value would positively influence stock return.

CONCLUSIONS

Based on result and discussion, it could be concluded as follows; (1) dividend policy has a negative and no significant effect on the firm value of property, real estate, and building construction companies, (2) Funding decision has a positive and significant effect on the firm value property, real estate, and building construction companies, (3) Dividend policy has a positive and not significant effect on the stock return of property, real estate, and building construction companies, (4) Funding decision has a positive and significant effect on the stock return of property, real estate, and building construction companies, (5) Firm Value has a positive and significant effect on the stock returns of property, real estate, and building construction companies. In addition, the determinants of stock return of property, real estate, and building

construction companies in Indonesia Stock Exchange are funding decision and firm value.

This research has limitations in the form of a few years of research. In order to get a more representative result, an extension of the research period is needed for future researchers.

Our suggestions that companies should be wise in making decisions in determining dividend policies and funding decisions. We recommended that dividends should be distributed to investors consistently so that it will create a special attraction for investors to invest. For Investors, in order to maximize stock return, investors need to look at the company's prospects through firm value and analyze the company's financial performance by considering dividend policy and funding decision.

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Table 1. Descriptive Tests

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std.Deviation
DY	112	0.00	107.12	3.2190	14.28237
DER	112	.07	5.28	1.1521	1.02986
PER	112	.76	48.23	16.6427	10.92582
STOCK RETURN	112	-75	2.08	.1127	.48111
Valid N (listwise)	112				

Source: data processed with Statistical Product and Service Solution (SPSS)version 21

Table 2. Multiple Linear Regression Test Substructure 1

Coefficients [a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	13.453	1,531		8,790	.000
	DY	-.028	.071	-.037	-399	.691
	DER	2,847	.978	.268	2,911	.004

Dependent Variable: PER

R	: 0.272
R Square	: 0.074
Se	: 0.057

Source: data processed with Statistical Product and Service Solution (SPSS) version 21

Table 3. Multiple Linear Regression Test Substructure 2

Coefficients [a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-166	.086		-1,927	.057
	DY	.004	.003	.111	1,229	.222
	DER	.094	.044	.201	2,145	.034
	PER	.010	.004	.216	2,307	.023

a. Dependent Variable: RETURN_SAHAM

R	: 0.346
R Square	: 0.120
Se	: 0.458

Source: data processed with Statistical Product and Service Solution (SPSS) version 21