

ABSTRACT

The increasing trend of investing lately is not accompanied by a sufficient understanding of stocks. One way for investors to find out whether a stock is undervalued or overvalued is to do a fundamental analysis. Fundamental analysis is a technique used to assess the financial condition of a company. One way to do fundamental analysis is to look at the profitability ratios of a company. The profitability ratio serves as an indicator for investors to assess the investment benefits that will be obtained and measure the company's ability to pay debts to debtors.

This study aims to determine the effect of profitability ratios on bank stock returns listed on the Indonesia Stock Exchange in 2020. The aspects studied are Return On Assets, Return On Equity, and Net Profit Margin. ROA is used to find out how efficient the company is in managing assets. ROE is used to find out how efficient the company is in generating profits from equity. NPM is used to find out how profitable the company is after costs after interest and taxes are taken into account.

This research is a quantitative research with a causal objective. The data used comes from the idx.co.id website by looking at the annual report of the banking sub-sector. The sampling technique used a purposive sampling technique with the criteria of (1) banking sub-sector companies on the IDX 2020, (2) banking sub-sector companies that constantly publish their financial statements in 2019-2020 and obtained a sample of 31 companies. The implementation time is carried out in a cross-sectional manner. The analysis technique used is multiple linear regression analysis. Hypothesis testing uses t-test to partially test the effect of variables and f-test to test the variables simultaneously on stock returns with a level of significance of 5%. In addition, the classical assumption test was carried out which included normality test, multicollinearity test, heteroscedasticity test and autocorrelation test.

The results of hypothesis testing state that of the three independent variables used, there is no independent variable that has a partially significant effect. Meanwhile, simultaneously, the independent variables have a significant effect on stock returns. The variables ROA, ROE, and NPM provide information about their effect on stock returns of 6.2% and the rest is influenced by other variables.

The results of this study are expected to be used as an evaluation for investors before investing, especially in banking stocks by not only looking at the condition of the company through financial ratios, especially through the ratio of ROA, ROE, and NPM but with other ratios as a determinant of investment.

Keywords: Profitability, Return On Assets, Return on Equity, Net Profit Margin, Stock Return.