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THE INFLUENCE OF SALES GROWTH FACTORS, FIRM SIZE, AND MARKET CAPITALIZATION VALUE ON STOCK RETURNS IN MANUFACTURING COMPANIES LISTED ON THE IDX IN 2020-2022

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ABSTRACT

The purpose of this study is to conduct testing and analysis of the influence of sales growth, firm size, market capitalization value on stock returns in manufacturing companies listed on the Indonesia Stock Exchange in 2020 and 2022. The research methodology is quantitative, with 177 companies being sampled using purposive sampling techniques. The information collected varies regarding ratios and comes from the financial records of manufacturing companies. To evaluate the data, multiple linear regression analysis is used. The research findings show how market capitalization value, company size, and sales growth affect returns in manufacturing companies listed on the Indonesia Stock Exchange in 2020-2022. Sales growth has an impact on stock returns, meaning that an increase in a company's income shows the impact of the profits the company has earned, so that the stock returns received by investors will also increase. Firm size influences stock returns because a large company size indicates a high asset value so that it can provide large stock returns to investors. Market capitalization affects stock returns, high market capitalization will indicate a higher potential for company growth and can have an impact in the form of stock returns with low risk.
Keywords: Sales Growt; Firm Size; Market Capitalization Value; Stock Retruns

1. Introduction

The development of the economy in the current era of globalization is increasing and developing, along with the development of stocks that are increasingly in demand. The capital market in Indonesia at this time continues to show a development process as evidenced by the increase in companies that have been registered on the Indonesia Stock Exchange. Going public is one of several methods for developing companies to obtain other capital used in financing the process of developing their business so that funds obtained from companies going public are not only used for expansion, but also used to improve the financial position to increase the strength of the capital structure. According to Brigham & Houston (2006) the difference shown between the amount spent on investment and the amount obtained, divided by the amount spent on investment is called stock return or rate of return.

Sales growth is the company's ability to increase the selling value of products from the previous period. The company's sales growth over a certain period of time can be calculated by utilizing the sales growth ratio. Sales growth can be a benchmark for future growth and also provides an overview of the level of success of previous efforts according to (Andriyanto, 2015). Because market share acquisition is a characteristic of sales growth, it has a strategic impact on the organization according to Cahyaningati et al (2022). Research conducted by Susanto Salim (2020), Handayani & Destriana Nicken (2021), Maramis Nor Norisanti, Kokom Komariah (2021) states that sales growth has an effect on stock returns. Meanwhile, research by Fakhrudin & Wulandari (2022), Kristiawan (2023) claims that stock returns are not influenced by sales growth variables.

Brigham & Houston (2015) provide a statement regarding company size referring to the overall business dimension, which can be categorized in several ways such as total assets, equity, and revenue. According to Wasik, Paramita, & Mudhofar (2022) that company size refers to the size of the business determined by a number of variables including net sales, market capitalization and total assets. Research conducted by Susanty & Elvin, 2018, Maramis Nor Norisanti, Kokom Komariah (2021), states that the firm size variable affects stock returns. Meanwhile, research (Susanto Salim, 2020, Wulan & Berlia, 2023) claims that stock returns are not affected by the company size variable.

Market capitalization value according to Sri Wahyudi et al (2020), market capitalization is defined as the price used as the market value of a company that is able to provide an indication of the distribution of the number of shares. The results of research conducted by Sri Wahyudi, Beny, Daniel (2020), Niawaradila, Wiyono, & Maulida (2021) claim that stock returns are influenced by market capitalization variables. Meanwhile, research by Fakhrudin & Wulandari (2022), Rahmanissa & Isynuwardhana (2022) claims that stock returns are not influenced by market capitalization variables.

There are various differences of opinion in the studies that have been carried out previously, where the results of previous studies provide a picture of inconsistency with others. The objects used in this study are manufacturing companies that have been registered on the Indonesia Stock Exchange. Because the industry is the sector with the largest contribution to the expansion of the Indonesian economy, the manufacturing industry is the center of attention of investors, so it is more appropriate to use it in this study to determine the level of stock returns. So the researcher determined the title for this study, namely "The Effect of Sales Growth Factors, Firm Size, and Market Capitalization Value on Stock Returns in Manufacturing Companies Listed on the IDX in 2020-2022"

2. Literature rivew

According to Ghozali (2014), signal theory explains how both parties behave when they have different access to information. Signal theory provides an explanation of the behavior of the party giving the signal so that it can influence the behavior of the party receiving the signal. Generally, signals are messages sent from organizational managers to investors or other external parties. The aim of all signals, regardless of their form and nature, is to be used as a means of conveying messages whose contents are the hope that the public or other stakeholders will be able to change their perceptions of business. This means that to influence the evaluation of a company's external stakeholders, choice signals must have informational power.

This signal theory emphasizes the importance of the information released by the company to make investment decisions. For those who invest and those who carry out other businesses, information is very important because it essentially provides notes or descriptions that discuss past, present and future conditions. The signal theory in this research is related to stock returns. Stock returns can be obtained in the form of current income and capital gains. From these gains, we sometimes experience profits or losses. In this way, financial reports become very important information because they serve as a signal for investors to determine which company to invest in.

In signal theory, this is related to sales growth. Sales growth is a factor in increasing profits, so it can be a good signal for external parties because when profits increase, the dividends received will also increase. In signal theory it is also related to firm size or company size. When the size of the company increases, it will be believed that the company is in a stable condition with increasing profits. A business with a high level of growth has an impact in the form of providing a positive signal for those who invest in investing their money into the company. In signal theory, it is also related to market capitalization value. The high price of a share in this period can have an impact in the form of many parties investing to invest capital in the company.

Stock Returns

According to Brigham & Houston (2006), the difference shown between the amount spent on investment and the amount earned, divided by the amount spent on investment, is called the stock return or rate of return. Return is defined as the profit obtained by companies, individuals and institutions originating from the results of the investment policies they implement, based on the explanation (Fahmi, 2014). Purwanto & Sumarto (2017) provide an explanation that return is the reward for investments that have been carried out. Offering increased investment returns will be able to attract investors to invest. When investing, investors will receive a reward called share return. This consideration can be in the form of realized profits or anticipated profits in the future according to (Mardiana, Nurastuti, & Rakhmat, 2023). So it can be concluded that stock return is the rate of return of investment in the company by looking at how much capital investors invest in a certain period.

Sales Growth (Sales Growth)

A company's sales growth over a certain period of time can be calculated using the sales growth ratio. Sales growth can be a benchmark for future growth and also provides an overview of the level of success of previous efforts according to (Andriyanto, 2015). Sales Growth according to Susanti (2017) is a part that is used in assessing the company's opportunities in the future and in carrying out financial management, it can carry out measurements based on the total value of changes in sales growth. The rate of increase can be decided by using the most effective search, there are two categories of financial capacity, namely the cost of growth rate and development of sustainable growth. Sales growth displays investment findings within a certain time period which serves as a forecast of future growth.

Firm Size (Company Size)

Brigham & Houston (2015) provides a statement regarding company size referring to overall business dimensions, which can be categorized in several ways such as total assets, equity, and revenue. Company size is not only useful for the company and company management, but is needed by parties from outside the company such as investors, suppliers and creditors. According to Kasmir (2018). According to Wasik, Paramita, & Mudhofar (2022) that firm size has an explanation in the form of company size which is monitored from several factors such as total assets, net sales and market capitalization. So when the company gets bigger it is said to be able to finance its needs. What can be concluded from the previous statement is that company size is explained as a measure, scale or variable that is useful in characterizing the size of a business which is based on a number of factors including total assets, total sales and market capitalization.

Market Capitalization Value

Market capitalization is explained as the value of a company's shares on the market. The value of the company is different from the value of the company's assets, market capitalization has a larger or smaller size when compared with the size of the company. Stock exchange capitalization is important for public companies because it allows them to expand their business. Market capitalization is achieved by adjusting the price of securities to the amount of trading of securities on the capital market, this was stated by (Prastuti 2017). Market capitalization is also the size of the company which is one of the parameters of parties making investments for consideration of becoming investors in the company concerned. Companies with a large market capitalization level will be targeted by parties who will invest. This is because there is an assumption of better company stability and the risk of a negative rate of return taking is considered small, according to (Mastitah & Rujikartawi, 2023). So the large market capitalization value will encourage interest from parties who invest in the company and are expected to be able to obtain high rates of return in the future. Thus, it can be said that market capitalization is a price that represents the market value of a company which is determined by the total shares in circulation.

3. Research methods

This research is included in the quantitative research category. Non-probability sampling technique with purposive sampling technique. Manufacturing companies listed on the Indonesia Stock Exchange (IDX) meet the requirements to be

used as samples in this study: (1), Manufacturing companies with financial reports using the rupiah currency (2), Manufacturing companies that provide publications related to financial reports sequentially from the period 2020-2022 (3). Based on the above criteria, the population of this company is 264 companies with a sample of 182 companies. So that the total in 3 years is 546 samples. Ratio data is the type used and comes from the financial reports of manufacturing companies. This study has two variables, namely the dependent variable (Y) and the independent variable (X). The dependent variable in this study is stock returns, while the independent variables are sales growth, firm size, market capitalization value. In analyzing the relationship between variables, the researcher uses a test tool in the form of the SPSS application. The multiple regression analysis method includes the classical assumption test which contains normality, multicollinearity, autocorrelation, heteroscedasticity tests. To test the hypothesis, partial tests (t-test) and coefficient determination were carried out.

4. Results and discussion

4.1. Classical assumption test

4.1.1 Normality test

Whether the data is regularly distributed or not can be known with the help of a normality test. By considering the distribution of points on the graph and the Kolmogorov-Smirnov test, the normal P-P graph analysis of the standardized residual regression plot can be used to test the normality test of the data. If the significance value is greater than 0.05, then To obtain data normality, the screening step that must be taken is to detect outlier data. The number of data after outliers is 177 samples. The following are the results of processing research data with 177 samples.

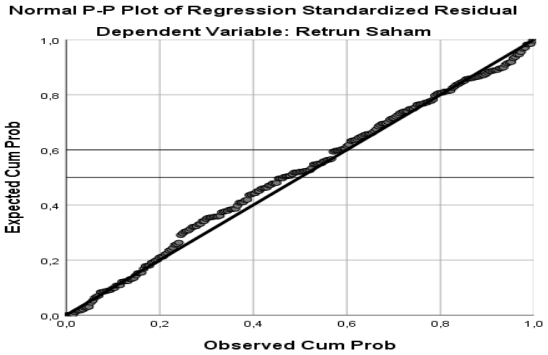

Figure 1 Normality test results

Table 1
Data Normality Test Results

Description	Sig Valu	Conclusio
Asymp. Sig. (2-taile	0,200	Normal

Source: SPSS data processing results version 26, 2024

Based on table 1, the results of data processing using SPSS after outlayer showed a significant value of 0.20, which means more than 0.05 so that the data is declared normally distributed. So the assumption of normality of the variables sales growth, firm size, market capitalization value and stock returns is met.

4.1.2 Multicollinierity test

According to Gunawan (2017), the multicollinearity test is a requirement for all causality or regression hypothesis testing.

Table 2
Multicollinearity Test Results

Variables	Toleranc	V	Information
Sales Growth	0,986	1,(	There is no multicollinear
Firm Size	0,507	1,9	There is no multicollinear
Market Capitalization Value	0,512	1,9	There is no multicollinear

Source: SPSS data processing results version 26, 2024

Based on table 2, the results of the multicollinearity test illustrate that Sales growth shows a tolerance value of 0.986, which is more than 0.10 and a VIF value of 1.014 which is less than 10, so the data is said to have no multicollinearity between independent variables. Firm Size shows a tolerance value of 0.507, which is more than 0.10 and a VIF value of 1.972 which is less than 10, so the data is said to have no multicollinearity between independent variables. Market Capitalization Value shows a tolerance value of 0.512, which is more than 0.10 and a VIF value of 1.953 which is less than 10, so there is no multicollinearity between independent variables.

4.1.3 Autocorrelation test

The autocorrelation test aims to test the regression model regarding whether or not there is a correlation between independent variables, in this study using the Durbin-Watson test. The following are the results of the autocorrelation test using Durbin-Watson.

Table 4.7
Autocorrelation Test Results using the Durbin-Watson Criteria

Model	Durbin-Watson	Information
1	2,085	There is no autocorrelation sympto

Source: SPSS data processing results version 26, 2024

Based on table 4.7 autocorrelation test, the calculated Durbin-Watson value is 2.085 with k = 3 where k is the number of independent variables used. Therefore, we get:

du = 1.7886 so that we get 4 - du = 4 - 1.7886 = 2.2114

dl = 1.7197 so that we get 4 - dl = 4 - 1.7197 = 2.2803

The Durbin-Watson value of 2.085 lies between 1.7886 and 2.2114 with the criteria of no autocorrelation. So it is concluded that in this study there is no correlation between independent variables.

4.1.4 Heteroscedasticity test

According to Sugiyono & Susanto (2015), the heteroscedasticity test is used to determine the interfering variables in the regression equation to determine the variance.

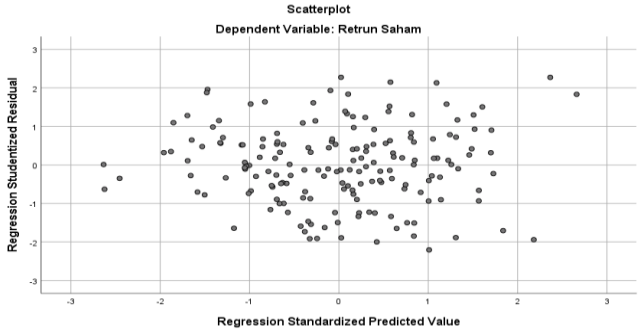

Figure 2 Heteroscedasticity Test Results

In Figure 2, the results of the heteroscedasticity test illustrate that the residual values do not form a particular pattern and do not form a particular line so that they are free from symptoms of heteroscedasticity.

4.2. Multiple linier regression analysis

Multiple linear regression analysis is useful for conducting analytical tests on the influence of two or more independent variables on one dependent variable.

Table 4
Results of Multiple Linear Regression Analysis Test

Model	Unstandardized Coefficients
	B
(Constant)	,294
Sales Growth	,100
Firm Size	,013
Market Capitalization Value	2,297E-14

Source: SPSS data processing results version 26, 2024

Based on table 4, the results obtained when conducting the multiple linear analysis test above can be written as a multiple linear analysis model, namely: Y = 0.294 + 0.100 sales growth + 0.013 firm size + 2.297 market capitalization value

4.3. Hypothesis testing

According to Sugiyono & Susanto (2015) Hypothesis testing is an opportunity to generalize sample measurement data for the population. The type of hypothesis testing used in this study is the t-test.

Table 5
Test Results

Model	T	S	Information
Sales Growth	4,455	0,(	Influential
Firm Size	2,115	0,(	Influential
Market Capitalization Value	2,506	0,(	Influential

Source: SPSS data processing results version 26, 2024

Based on table 5 regarding the first hypothesis to the third hypothesis explained that the t-test shows that the significant value of the sales growth variable is 0.000 smaller than the specified significant value of 0.05, so sales growth has an effect on stock returns. The firm size variable is 0.036 smaller than the specified significant value of 0.05, so firm size has an effect on stock returns. The market capitalization value variable is 0.013 smaller than the specified significant value of 0.05, it is concluded that the market capitalization value has an effect on stock returns.

4.4. Coefficient of determination

The coefficient of determination is useful as a measuring tool for whether or not the ability of the independent variable can provide an explanation of its dependent variable. The coefficient of determination can be known from the R Square value. The results of the coefficient of determination can be seen as follows:

Table 6
Results of Determination Coefficient

Model	*R Square*
1	0,125

Source: SPSS data processing results version 26, 2024

Based on table 6, the results of the determination coefficient at the R Square value of 12.5%. It can be concluded that sales growth, firm size and market capitalization value can affect stock returns by 12.5%, while the remaining 87.5% is influenced by other variables such as profitability ratios including profit margin, to total assets (ROA), return to equity (ROE).

5. Effect of sales growth on stock returns

The findings of the SPSS 26 test show that stock returns are influenced by sales growth, this is because the higher the sales, the better the stock returns, as evidenced by the existence of manufacturing companies PT Semator Indo Gas Tbk, PT Alkindo Industrindo Tbk, PT Saranacentral Bajatama Tbk, which experienced an increase in sales in 2020-2021 and several other companies such as PT Lautan Luas Tbk, PT Mustika Ratu Tbk, PT Millennium Pharmacon Internati which experienced an increase in revenue for 3 years. This increase can affect stock returns, so that companies that can provide good stock returns will attract investors to invest their capital. So the sales strategy is very important to increase a company's income. When sales growth increases or decreases, it will affect stock returns. The results of this study support previous research by Maramis et al., (2021) which stated that sales growth has an influence and is significant on stock returns. However, previous research conducted by (Fakhrudin & Wulandari, 2022) stated that stock returns are not affected by sales growth.

6. Influence of frim size on stock returns

The findings of the SPSS 26 test show that company size affects stock returns because larger companies have higher stock returns based on total assets, total sales increasingly affect stock returns, as evidenced by the existence of an integrated and leading manufacturing company PT SMART Tbk in Indonesia which is one of the palm oil-based product companies. The firm size value of the SMAR company in 2020 was 17.3716 with a stock return of 0.0024, in 2021 it was 17.5129 with a stock return of 0.0506 and in 2022 it was 17.5673 with a return of 0.1353. Although inflation occurred in 2022, the average results from 2020-2022 showed that the condition and position of the company's assets from the previous period increased by 21% after which the business was claimed to be able to finance its needs and provide high stock returns so that the large company size resulted in increased demand for a stock. This shows how changes in company size will impact stock returns. This finding validates previous research conducted by Susanty & Elvin, (2018) which claims that stock returns are positively and significantly influenced by company size. However, this study contradicts previous findings made by (Susanto Salim, 2020) which states that stock returns are not influenced by company size.

7. Effect of market capitalization value on stock returns

The findings of the SPSS 26 test show that the market capitalization value affects stock returns because the higher the market capitalization, the higher the company's growth potential and can provide stock returns with low risk. This is evidenced by the existence of a manufacturing company other than producing ceramics, PT Cahayaputra Asa Keramik Tbk (CAKK) offers user services, technical support, and marketing initiatives for both domestic and foreign markets. The capitalization value of the CAKK company in 2020 was 62,571,611 with a stock return of -0.2571, in 2022 it was 117,923,421 with a return of 0.8846 and in 2022 it was 243,066,644 with a return of 1.0612. The value of shares outstanding is known as market capitalization. Investors will target a high market capitalization level because they believe the company will be more stable and have a lower risk level. The results of this study showed that the market capitalization value affects stock returns. This shows that the rise and fall of market capitalization affects stock returns. These results support previous research conducted by (Sri Wahyudi et al., 2020) that stock returns are positively and significantly influenced by market capitalization. However, the results of this study contradict previous research conducted by (Fakhrudin & Wulandari, 2022) which claims that stock returns are not affected by market capitalization.

8. Conclusion

The purpose of this study is to determine the effect of market capitalization value, company size, and sales growth on stock returns in manufacturing companies listed on the IDX from 2020 to 2023. This study contains a sample of 177 companies that have complete data for three consecutive years. After that, SPSS 26 was used to process data from the IDX. The research findings show that for manufacturing companies, stock returns are significantly influenced by the sales growth variable between 2020 and 2022, because the higher the sales, the more it affects stock returns. In 2020-2023, the stock returns of manufacturing companies were significantly influenced by the company size variable because the larger

the company size based on total assets, the total sales are said to be able to finance its needs and can provide high stock returns so that the rise and fall of firm size can affect stock returns. In the 2020-2023 era, the market capitalization value variable will have a major impact on stock returns in the manufacturing business. This is because investors will target companies with a large market capitalization level, because they anticipate that the company will be stable and can provide high stock returns with a relatively small risk level so that the rise and fall of market capitalization can affect stock returns.

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