



Influence Of Makro Economic, Investment Decisions, Ownership, To Risk Management, Financial Decisions, And Stock Return, Moderated By Good Financial Governance In LQ 45 Index Indonesia Stock Exchange

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ABSTRACT

This study aimed to determined the effect of makroeconomic, investment decisions, the ownership, on risk management , financing decisions and stock return, moderated by Good Financial Governance in LQ 45 index Indonesia Stock Exchange. The sample in the study companies that are continuously listed in the LQ 45 index Indonesia Stock Exchange 2014-2016 periode, Determination of sample is done by purposive sampling method and obtained sample of 24 companies. Method of data processing is using PLS. The result of the study were (1) makroeconomic influence negative and significantly to stock return, (2) Macroeconomic influence negative and significantly to risk management, (3) Macroconomic influence negative and significantly to financial decisions, (4) investment decisions influence positive and significantly to stock return, (5) investment decisions influence negative and significantly to risk management, (6) investment decisions influence negative and significantly to financial decisions, (7) ownership influence positive and significantly to stock return, (8) ownership influence negative and significantly to risk management, (9) ownership influence negative and significantly to financial decisions, (10) risk management positive and no significantly to stock return, (11) risk management influence positive and significantly to financial decisions, (12) financial decisions influence positive and significantly to stock return, (13) good financial governance influence positive and no significantly moderate risk management to stock return, (14) good financial governance influence positive and significantly moderate financial decisions to stock return.

Keywords: Macroeconomic; Investment decisions; Ownership; Risk management; Financing decisions; Good Financing Governance; Stock return; LQ 45 Indeks

INTRODUCTION

On the Indonesia Stock Exchange there are stock groupings, one of which is the LQ-45 Index group consisting of 45 issuers that are performing well, have a large market capitalization, and are indices that become a reference or choice of investors in trading on the stock market. But interestingly, these shares are often unable to meet the criteria set by the Indonesia Stock Exchange so that they are delisted or displaced with other shares, which shows that companies listed on LQ-45 cannot maintain their performance. Fundamental macroeconomic factors such as; inflation, interest rates, exchange rates and economic growth are factors that are highly

considered by capital market players. Changes that occur in this factor can result in changes in the capital market, namely the increase or decrease in stock prices. Fundamental microeconomic factors of the company can be grouped into company policy factors and company performance factors. Company policy factors consist of investment decisions, and funding decisions. Investment decisions are management policies in using company funds to increase returns. In implementing financial decisions, there are often differences of opinion due to differences in interests between shareholders and the manager, resulting in agency problems or agency problems, where the manager wants outside funding sources without considering the risks borne. Through Good Financial Governance which is actually the implementation of Good Corporate Governance as an effective and efficient use of resources, transparency and accountability in financial management in the implementation of risk management in order to increase stock returns. Another policy undertaken by companies to increase stock returns is a funding policy aimed at finding alternative sources of funds that will be used to finance the company's operations and investment activities.

LITERATURE REVIEW AND HYPOTHESIS

Stock return

Return is "measure the financial performance of an investment. Return is the rate of return given by the company to investors as a remuneration for investments made by investors [1]. The rate of return given by a company to investors is certainly different from one company to another. Differences in company performance greatly affect the amount of return that will be received by investors.

Macroeconomics

Macroeconomics is considered a source of stock market volatility, therefore inflation, exchange rates and exchange variables are considered as indicators that influence market share prices, market share prices are indicators used to calculate stock returns. Factors that influence prices include many things such as inflation, interest rates, economic conditions, politics [2]. General economic conditions will affect stock prices in the aggregate market [3].

Changes in the form of increases in prices of goods in general and take place continuously, in economic terms is called inflation [4].

Investment decision

Investment is a commitment to a number of funds or other resources made at this time, with the aim of obtaining future benefits [5]. Investment decisions are related to the process of selecting one or more investment alternatives that are considered beneficial from a number of investment alternatives available to companies [6]. Investment decisions can affect the value of the company because with a good investment composition will be able to attract investors to invest in the company. The idea of the level of company research and development spending, an increase in capital expenditure relative to previous expectations, resulting in an increase in return on shares around the time of the announcement, and conversely a negative return on the company decreases capital expenditure [7].

Financial Decision

This financial decision is often referred to as capital structure policy. "Capital structure is a balance of the amount of short-term debt that is permanent, long-term debt, preferred shares and ordinary shares [8]."The company's capital structure is part of the structure company finance which reviews the way the company funds its assets, thus related to the function of getting funds from financial management " [9]

Capital structure theory explains whether there is an effect of changes in capital structure on firm value, if investment decisions and dividend policies are held constant. Capital structure that can maximize company value, or share price, is the best capital structure Suad Husnan and Pudjiastuti [10].

Ownership

Differences in the interests of shareholders, debtholders, and management which incidentally are parties who have an interest in the company's goals often cause problems (agency problems). Agency problems can be influenced by ownership structures (managerial ownership and institutional ownership).

The conflict of security arises when the management does not control 100% of its shares, or in other words when there is a composition of company ownership outside of management, there will be agency problems [11].

Research by [12] states that asset structure has a positive and significant effect on firm value, capital structure has a positive and not significant effect on firm value.

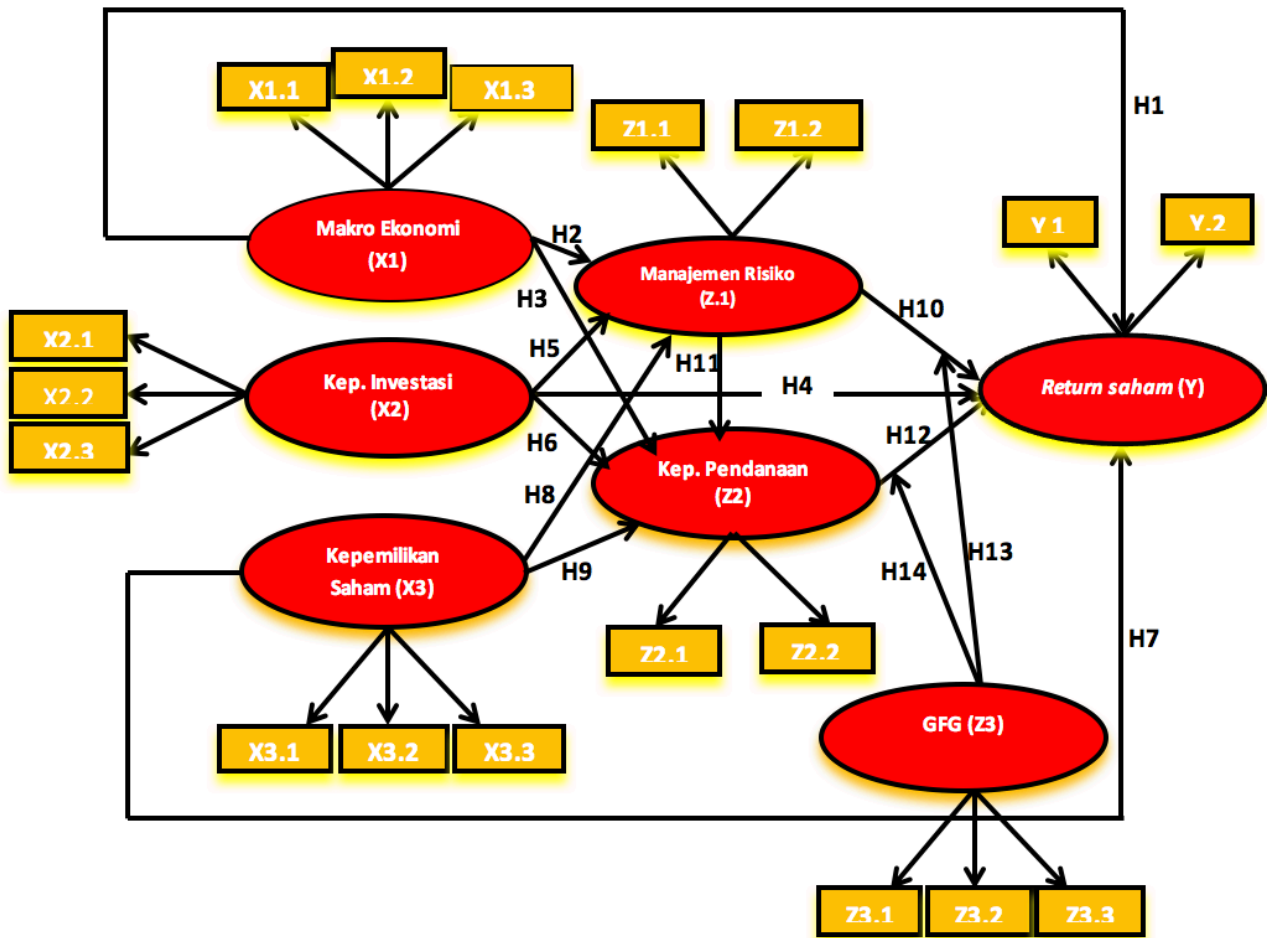
Risk management

Risk management is a total process of identifying, controlling and mitigating information system related risks; encompasses risk assessment; cost-benefit analysis; implementation, test and security evaluation of safeguards [13]. Risk management is a structured approach / methodology in managing uncertainty related to threats; a range of human activities including: Risk assessment, development of strategies to manage it and mitigate risk using empowerment / resource management.

HYPOTHESIS

1. Macroeconomics has a significant effect on stock returns
2. Macroeconomic has a significant effect on the risk management
3. Macroeconomic has a significant influence on financial decision
4. Investment decisions have a significant effect on stock returns
5. Investment decisions have a significant effect on the risk management
6. Investment decisions have a significant effect on financial decision
7. Ownership has a significant effect on stock returns
8. Ownership has a significant effect on the risk management
9. Ownership has a significant effect on financial decision
10. Risk management has a significant effect on stock returns
11. Risk management has a significant effect on financial decisions
12. Financial decisions have a significant effect on stock returns
13. Good Financial Governance has a significant effect in moderating the relationship between risk management and stock returns
14. Good Financial Governance has a significant effect in moderating the relationship between financial decisions and stock returns

Figure 1 Research Model



RESEARCH METHODS

Approach

This research was designed as a research that uses a quantitative approach. This study begins with an activity exploring theories, concepts that will be used. The purpose of this study is to confirm theoretical and empirical models that are built based on theories related to the study. Therefore, the type of research for this dissertation can be classified as basic research / fundamental research [14].

Population and Sample

The population in this study are companies listed in the LQ 45 index on the Indonesia Stock Exchange in the 2014-2016 period of 24 companies.

Determination of the sample of this study was selected from the population, namely companies that meet several criteria by purposive sampling method (selection of samples with certain criteria) as follows:

1. Companies listed on the Indonesia Stock Exchange on LQ45 issuers from 2014 to 2016.
2. Companies that regularly present and publish financial reports in a row during 2014 to 2016.

ANALYSIS AND DISCUSSION

The results of the Path Coefficients analysis can be seen in table 1

Tabel 1 Path Coefficients (Mean, STDEV, T-Values) :

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	Standard Error (STERR)	T Statistics (O/STERR)
(X1) Macroeconomic → (Y) stock Return	-0.108714	-0.113332	0.040790	0.040790	2.665193
(X1) Macroeconomic → (Z1) Risk Management	-0.155901	-0.154808	0.022630	0.022630	6.889100
(X1) Macroeconomic → (Z2) Financial decision	-0.043641	-0.040325	0.020946	0.020946	2.083503
(X2) Investment decision → (Y) stock Return	0.031003	0.030968	0.014904	0.014904	2.080244
(X2) Investment decision → (Z1) Risk Management	-0.226552	-0.226686	0.015864	0.015864	14.280688
(X2) Investment decision → (Z2) Financial decision	-0.512261	-0.510781	0.022798	0.022798	22.469712
(X3) Ownership → (Y) stock Return	0.155154	0.155836	0.017713	0.017713	8.759441
(X3) Ownership → (Z1) Risk Management	-0.080342	-0.079121	0.012771	0.012771	6.291146
(X3) Ownership → (Z2) Financial decision	-0.174174	-0.174267	0.029336	0.029336	5.937120
(Z1) Risk Management → (Y) stock Return	0.024649	0.021560	0.014944	0.014944	1.649406
(Z1) Risk Management → (Z2) Financial decision	0.286189	0.286132	0.035321	0.035321	8.102616
(Z2) Financial decision → (Y) stock Return	0.160603	0.160242	0.019851	0.019851	8.090540
(Z1) Risk Management * (Z3) Good financial governance → (Y) stock Return	-0.124972	-0.027147	0.128051	0.128051	0.975956
(Z2) Financial decision * (Z3) Good financial governance → (Y) stock Return	-0.368642	-0.371828	0.038459	0.038459	9.585328
(Z3) Good financial governance → (Y) stock Return	0.273858	0.274246	0.046949	0.046949	5.833153

The table above shows that the relationship between:

Macroeconomics → stock returns

The relationship effect of macroeconomic to stock returns is significant with t-statistics of 2.665193 (> 1.96). The original sample estimate value of -0.108714 shows that the relationship between macroeconomics and stock returns is the opposite direction.

Macro Economics → Risk management

The relationship effect of macroeconomic to risk management is a significant with t statistics 6.889100 (> 1.96). The original sample value estimate of -0.155901 shows that the relationship between macroeconomics and risk management is the opposite direction.

Macroeconomic → Financial decisions

The relationship between macroeconomics and financial decisions is a significant effect with t statistic of 2.083503 (> 1.96). The original sample estimate value of -0.043641 shows that the relationship between macroeconomic and funding decisions is the opposite direction.

Investment decision → stock return

The relationship between investment decisions on stock returns is a significant effect with t statistik of 2.080244 (> 1.96). The original sample estimate value of 0.031003 shows that the relationship between investment decisions and stock returns is unidirectional.

Investment decisions → risk management

The relationship between investment decisions on risk management is a significant effect with t statistics of 14.280688 (> 1.96). The original sample estimate value of -0.226552 shows that the relationship between investment decisions and risk management is the opposite direction.

Investment decisions → Financial decisions

The relationship of investment decisions on financial decisions is a significant effect with t statistics of 22.469712 (> 1.96). The original sample estimate value of -0.512261 shows that the relationship between investment decisions and funding decisions is the opposite direction.

Stock ownership → stock returns

The relationship of stock ownership to stock returns is a significant effect with t statistics of 8.759441 (> 1.96). The original sample estimate value of 0.155154 shows that the relationship between share ownership and stock return is opposite direction.

Stock ownership → risk management

The relationship between Stock ownership and risk management is a significant effect with t statistics 6.291146 (> 1.96). The original sample estimate value of -0.080342 shows that the relationship of share ownership to risk management is the opposite direction.

Stock ownership → financial decisions

The relationship of stock ownership to financial decisions is significantly influential with the statistics of 5.937120 (> 1.96). The original sample estimate value of -0.174174 shows that the relationship between stock ownership and financial decisions is the opposite direction.

Risk management → stock returns

The relationship between risk management on stock returns is not a significant effect with t statistic 1.649406 (<1.96). The original sample estimate value of 0.024649 shows that the relationship between risk management and stock returns is unidirectional.

Risk management → financial decisions

The relationship between risk management and financial decisions is significant with 8.102616 (> 1.96). The original sample estimate value of 0.286189 shows that the relationship between risk management and financial decisions is unidirectional.

Financial decision → stock returns

The relationship between financial decisions on stock returns is a significant effect with t statistics 8.090540 (> 1.96). The original sample estimate value of 0.160603 shows that the relationship between financial decisions and stock returns is unidirectional.

Good Financial Governance moderates risk management → stock returns

The influence of Good Financial Governance in moderating the relationship of risk management to stock returns is not a significant effect with the t statistic of 0.975956 (<1.96). The original sample estimate value of -0.124972 shows that Good Financial Governance in moderating the relationship between risk management to stock returns is the opposite direction.

Good financial governance moderates financial decisions → stock returns

The effect of Good Financial Governance in moderating the relationship of funding decisions to stock returns is a significant effect with t statistics 9.585328 (> 1.96). The original sample estimate value of -0.368642 shows that Good Financial Governance in moderating the relationship between financial decisions and stock returns is the opposite direction.

SUMMARY

1. Macroeconomics has a significant effect on stock returns indicating that if there are changes in fundamental macroeconomic factors will affect stock prices, so investors need to look at macroeconomic changes as a consideration in investing.
2. Macroeconomics has a significant effect on risk management, indicating that if there is a change in fundamental macroeconomic factors it will significantly influence risk management, thus indicating that when inflation rises, stock returns fall, because changes in risk are in the opposite direction to changes in stock returns.
3. Macroeconomics significantly influences financial decisions, giving understanding to management that changes in external macroeconomic factors greatly influence the decisions to be taken by management in funding a company, so management needs to take the best steps towards these conditions by increasing debt appropriately by company management in order increase stock returns.
4. Investment decisions significantly influence stock returns provides an understanding that investment spending provides a positive signal to an increase in stock returns.
5. Investment decisions significantly influence risk management that investment decisions are decisions that have a direct impact on the value of the company, while investment decisions with high risk should produce a high return as well.
6. Investment decisions significantly influence funding decisions, investment decisions in order to increase the value of the company is to use internal funding first if any external funding is needed by using debt first before issuing new shares to avoid floating costs.
7. Stock ownership has a significant effect on stock returns, the results of this study provide an understanding that the institution is monitoring the company as reflected in stock returns.
8. Stock ownership has a significant effect on risk management, the opposite relationship provides an understanding that the test results are not in accordance with signaling theory, which should provide a signal that the company is still able to control systematic risk.
9. Stock ownership significantly influences financial decisions, providing an understanding that the effect of company ownership impacts financial decision decisions taken in order to increase stock returns
10. Risk management has insignificant effect on stock returns, providing an empirical understanding that high systematic risk does not affect stock returns. The results of this study differ from signaling theory where investment expenditure that contains risks gives a positive signal to the company. Thus providing an empirical understanding of management that systematic risk has no effect on stock returns.

11. Risk Management significantly influences financial decisions, providing an empirical understanding that between risk management and funding decisions show results in line with signaling theory, where the existence of funding activities will signal the company's ability to manage the company thereby increasing stock returns.
12. Financial decisions have a significant effect on stock returns, providing an empirical understanding of management that, capital structure, where if leverage increases or rises, the company's risk will increase, because increased leverage means an increase in the company's fixed expenses. But if the increase in leverage is able to be followed by an increase in the rate of return (rate of return) which is greater than the fixed expense (interest), then this increase in leverage will actually increase stock returns.
13. Good financial governance does not significantly influence the risk management of stock returns, providing an understanding that the ability of companies that are liquid and able to manage the effectiveness of accounts receivable management is not able to moderate the systematic risks that companies should be able to face in increasing stock returns.
14. Good financial governance significantly influences the relationship of financial decisions to stock returns, provides an understanding that the ability of companies that are liquid and able to manage the effectiveness of accounts receivable management provides an understanding that financial decision decisions in this case are funding decisions giving a positive signal to an increase in stock returns.

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