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THE EFFECT OF RETAIL INVESTOR GROWTH ON COMPANY PERFORMANCE IN 2016-2018

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Abstract

Dynamic economic developments coupled with technological advances encourage the growth and development of a better world of stocks. Retail investors will choose companies that have stock prospects that can benefit them. The company's performance is one of the investors' benchmarks in determining whether he will invest in the company by looking at the *total revenue* owned by the company. This study used seven samples of companies with a period of three years from 2016 to 2018 using the OLS method. Our results show that the company's capital, number of SIDs, currency rate, and *earnings per share* have an influence on the amount of *total revenue*. Further research is expected to add research variables, samples, and add to the research process.

A. Introduction

The movement of the world economy has become very dynamic in this era of fast-paced globalization. The flow of technology, information, and transportation is developing rapidly including in the growth and development of the world of stocks. Many young people are trying to get into this realm because they are interested in stocks. Stocks, which are currently busy being discussed, have caused the number of retail investors in Indonesia to continue to increase in recent years.

The number of retail investors (or often called SIDs) is the number of people who have been registered or registered with KSEI as investors in the capital market. KSEI (PT. Indonesian Central Securities Depository) is a provider of central custodial services and securities transaction settlement . Accordingto data from KSEI, from 2016 to 2018 there was a significant increase in the number of *Single Investor Identification* (SID). During this period there was an increase in the number of SIDs by 34.57%.

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Retail investors will usually look for companies with good prospects to invest in. The company's prospects can be seen from how the company performs whether it is good or bad. Agood and stable company is needed so that the company can gain the trust of investors to invest in the company. Company performance is also needed so that the company is able to grow and develop continuously in the face of competition. The income earned by the company is one of the variables that can be an indicator of the company's performance. A high total income can indicate that the company has a good performance and vice versa.

Total income or what is often also referred to as *total revenue* is the total amount of income obtained by the company from company activities. *Total revenue* is not only sourced from the sale of goods/services which are usually the company's main activity but can also be sourced from returns, deposit interest, or investments in certain instruments that can Rated as a source of pendapatan. The number of retail investors who invest in a company can affect the *total revenue* that will later be received by the company.

We conducted an analysis of seven companies including PT. Astra International Tbk., PT. Indofood CBP Sukses Makmur Tbk., PT. Indocement Tunggal Prakarsa Tbk., PT. PT. Japfa Comfeed Indonesia Tbk., PT. PT. Kalbe Farma Tbk., PT. Matahari Department Store Tbk., and PT. Unilever Indonesia Tbk. We analyze whether the number of retail investors affects the *total revenue* received by the company. We used 2016, 2017, and 2018 data to test the correctness of the hypothesis. We make *Total Revenue* a dependent variable where the Company's Capital and Number of SIDs are independent variables and the Currency Rate and *Earnings per Share* are variables research control. Our results show that company capital, number of SIDs, currency rate, and *earnings per share* have an influence to the size of *the total revenue*.

B. Data and Analysis Methods

We investigated the factors that affect the total revenue of several large companies. We conducted data research of 7 leading companies in Indonesia by searching the financial statements of each company from 2016 - 2018. We conducted this research to find out whether in achieving maximum total revenue, a company must focus on several variables in carrying out their economic activities. Investigating more deeply the variables that affect the company, we examine the impact of the soaring number of investors in the stock market and make the company's performance better as more investors invest in the company and increase .

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C. Results

We examined the effect of retail investor growth on company performance. In reviewing the topic, we have an independent variable of the number of SIDs as a variable that represents the growth of retail investors. Then for other independent variables that we use as control variables, namely company capital, money exchange rate (here we use the USD rate because it is quite stable), and ESP which we will use to see the influence of investor growth retail to company performance with dependent variability is the total *revenue* that we use as a measure of company performance.

The data we obtain comes from official websites such as IDX, KSEI, and the Web Portal of the Ministry of Trade of the Republic of Indonesia. In analyzing the data, we used stata to find regression and correlation between independent variables to dependent variables. We also conducted some tests on our data to see the normality as well as the probability level of the model we were workingon. The following is a description of the data that we analyzed from Stata 16.0, including:

1. Summarize

Used to indicate the most plural descriptive statistical values used as initial information for the concentration and dissemination of data, among others. number of observations, mean, standard deviation, minimal observation value , and maximum observation value

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. summarize TotalRevenue(Y) CapitalRupiah(X1) Exchange RateUSD(X2) SumSID(X3) EPS(X3)
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Variable	Obs	Mean	Std. Dev.	Min	Max
TotalRevenue(Y)	21	5.16e+13	6.72e+13	9.90e+12	2.39e+14
CapitalRupiah(X1)	21	3.36e+13	5.25e+13	1.82e+12	1.74e+14
Exchange Rate (X2)	21	13665.11	437.2875	13329.83	14267.33
Number ofSID(X3)	21	1212052	310231.9	894116	1619372
EPS(X4)	21	467.9471	334.2421	49.06	1193.9

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The mean and standard deviation values on the variable total *revenue* (Y) are 51,600,000,000,000 and 67,200,000,000,000 . A standard deviation value greater than the mean indicates that the total *revenue* variable (Y) is heterogeneous. From the mean value, it can be concluded that the amount of the company's total revenue in 2016-2018, on average, was Rp 51,600,000,000,000.00. The minimum and maximum values of this variable are 9,900,000,000,000 and 239,000,000,000,000,000 .

The mean and standard deviation values on the capital variable (X1) are 36,600,000,000,000 and 52,500,000,000,000. A standard deviation value greater than the mean indicates if the capital variable (X1) is heterogeneous. From the mean value, it can be concluded that the amount of company capital in 2016-2018, on average, was RP 36,600,000,000,000.00. The minimum and maximum values of this variable are 1,820,000,000,000 and 174,000,000,000,000.

The mean values and standard deviations on the variable kurs USD (X2) are 13,665.11 and 437.2875. A standard deviation value smaller than the mean indicates that the USD exchange rate variable (X2) is homogeneous. From the mean value, it can be concluded that the amount of the USD exchange rate in 2016-2018, on average, was IDR 13,665.11. The minimum and maximum values of this variable are 13,329.83 and 14,267.33.

The mean and standard deviation values on the variable number of SIDs (X3) are 1,212,052 and 310,231.9. A standard deviation value smaller than the mean menandwould be if the USD (X3) exchange rate variable was homogeneous. From the mean value, it can be concluded that the number of SIDs in 2016-2018, on average, was 1,212,052. The minimum and maximum values of this variable are 894,116 and 1,619,372.

The mean values and standar deviation on the ESP variable (X4) are 467.9471 and 334.2421. A standard deviation value smaller than the mean indicates if the ESP variable (X4) is homogeneous. From the mean value, it can be concluded that the magnitude of ESP in 2016-2018, on average, was 467.9471. The minimum and maximum values of this variable are 49.06 and 1,193.9.

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2. Regression

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. reg TotalRevenue(Y) ModalRupiah(X1) Exchange RateUSD(X2) SumSID(X3) EPS(X4)

      Source |       SS       df       MS      Number of obs =      21
-------------+------------------------------   F(4, 16)      =   82.23
       Model |  8.6235e+28     4  2.1559e+28   Prob > F      =  0.0000
    Residual |  4.1948e+27    16  2.6218e+26   R-squared     =  0.9536
-------------+------------------------------   Adj R-squared =  0.9420
       Total |  9.0430e+28    20  4.5215e+27   Root MSE      =  1.6e+13

------------------------------------------------------------------------------
TotalRevenue(Y)|      Coef.   Std. Err.      t    P>|t|     [95% Conf. Interval]
---------------+--------------------------------------------------------------
CapitalRupiah(X1|   1.249544   .0691156    18.08   0.000     1.103025    1.396062
Exchange Rate (X2) |  -4.72e+09   3.39e+10    -0.14   0.891    -7.67e+10    6.72e+10
Number ofSID(X3) |   1.06e+07   4.80e+07     0.22   0.828    -9.11e+07    1.12e+08
EPS(X4) |   1.21e+10   1.10e+10     1.10   0.288    -1.12e+10    3.53e+10
_cons |   5.57e+13   4.07e+14     0.14   0.893    -8.08e+14    9.19e+14
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Coefficient of Determination Test (R^2)

The coefficient of determination (R^2) is used to find out how much the independent variable contributes in describing the dependent variable. The value of R^2 is between 0 to 1. If the value of R^2 is closer to the number 1, then the influence of the independent variable on the dependent variable is stronger. In this study using secondary data, the R^2 which is worth 0.9536 can be said to be very strong.

Partial Significance Test (t-test)

The t test is used to determine the influence of an independent variable (X) individually (partially) on the dependent variable (Y). The t test is carried out by comparing P > [t] or also called p value / significance with a probability of 0.05. If p value < 0.05 then H_0 is rejected and H_1 is accepted atayou can be interpreted as an independent variable affecting the dependent variable, and vice versa. The hypotheses proposed in this study are:

H_0 : There is an insignificant influence between X_1, X_2, X_3, or X_4 on Y.

H_1 : There is a significant influence between X_1, X_2, X_3, or X_4 on Y.

Based on Stata's output table, it is known that the signification value (P>[t]) of the capital variable (X1) is 0.000. Since the signification value of 0.000 is less than the probability of 0.05, H_0 is accepted k and H_1 is accepted, meaning that there is an influence of capital (X1) on total *revenue* (Y).

Based on Stata's output table, it is known that the signification value (P>[t]) of the USD exchange rate variable (X12) is 0.891. Since the signification value of 0.891 is greater than the probability of 0.05, H_0 is accepted and H_1 is rejected, meaning that there is no effect of the USD rate (X2) on total *revenue* (Y).

Based on the Stata output table it is known that the signific value ofi (P>[t]) variable number of SIDs (X3) is 0.828. Because the signification value of 0.828 is greater than the probability of 0.05, H_0 is accepted and H_1 is rejected, meaning that there is no influence of the number of SIDs (X3) on total *revenue* (Y).

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Based on Stata's output table, it is known that the signification value (P>[t]) of the EPS variable (X4) is 0.288. Since the signification value of 0.288 is greater than the probability of 0.05 then H_0 is accepted and H_1 is rejected, meaning that there is no effect of EPS (X1) on the total *reven* ue (Y).

Simultaneous Significance Test (F Test)

Test F is used to determine the influence of an independent variable (X) simultaneously or together on the dependent variable (Y). The F test is carried out by comparing (Prob>F) or also called significance with *probability 0.05. If (Prob>F) < 0.05 then H_0 is rejected and H_1 is accepted or it can be interpreted that the independent variable affects the dependent variable, and vice versa. The hypotheses proposed in this study to determine the influence of variables simultaneously are as follows :*

H_0 : There is an insignificant influence between X_1, X_2, X_3, and X_4 on Y.

H_1 : There is a significant influence between X_1, X_2, X_3, and X_4 on Y.

Based on Stata's output table, it is known that the signification value is 0.0000. Since the signification value of 0.0000 is less than the probability of 0.05 then according to the basis of decision making in the F test it is concluded that H_0 is rejected and H_1 is accepted, meaning that there is an influence of X_1, X_2, X_3, and X_4 simultaneously against Y.

Conclusion

In this study, we estimate an empirical model of the influence of retail investors on company performance in 2016 – 2017 by analyzing data we obtained from official websites such as IDX, KSEI, and the Ministry of Trade's Web Portal Republic of Indonesia. Based on the data we have processed, we found that not all independent variables together affect the variabel dependent. In the capital variable, it is seen that it has the greatest influence on total *revenue*. The magnitude of the coefficient of determination of 0.9536 indicates the influence of independent variables on dependent variables which is very strong. So we know that the growth of retail investors has a very strong influence on the company's performance, although not all independent variables together affect it. This is also supported by the presence of a stimultan significance test which has a value of 0.0000 which means that it is less than the probability of 0.05 then H_0 is rejected and H_1 is accepted so that

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there is a simultaneous influence of X_1, X_2, X_3, and X_4 on Y.

Therefore, seeing the growth of retail investors affecting the company's performance, it is important for companies to maintain the confidence of investors so that they are willing to invest in the company. Retail investors will usually targetcompanies with good prospects for investing. The company's prospects can be seen from how the company performs whether it is good or bad. Good and stable company performance is needed so that the company can get the trust of investors to invest in the company. Company performance is also needed so that the company is able to grow and develop sustainably in the face of competition. The income earned by the company is one of the variables that can be an indicator of the company's performance. A high total income can indicate that the company is performing well and vice versa.

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