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The effect OF DER, DPR, ROE, AND PBV ON stock return (Study on non-financial companies listed on the IDX in the period 2017-2019)

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ABSTRACT

The purpose of this study was to analyze the effect of DER, DPR, and ROE on stock returns with PBV as the intervening variable. The research population is non-financial companies listed on the Indonesia Stock Exchange. This study uses quantitative research with descriptive statistical methods to measure the level of influence of DER, DPR, ROE on stock returns through PBV in companies listed in Indonesia. The sampling method used is purposive sampling. The data used in this study is secondary data derived from financial statement information published through the Indonesia Stock Exchange website, namely in the 2017-2019 observation period. Analysis using multiple regression with path analysis. The results of the study conclude that DER, DPR, and ROE have no direct effect on PBV, DER and ROE have no direct effect on stock returns, while PBV and DPR have a direct effect on stock returns. PBV affects stock returns in a negative direction. DPR affects stock returns in a negative direction, which means that investors are more oriented towards investment projects that provide long-term returns. Sobel test results prove that PBV does not mediate the effect of DER, DPR, and ROE on stock returns. The novelty of this research is the PBV taken from the December financial statements as an intervening variable, while the stock return used is the realization of the average stock return two months after the announcement of the financial statements.

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Introduction

In 2019 there were approximately 41,000 listed companies in the world with a combined market value of more than USD 80 trillion, Isaksson (2019). This shows the great effort of investors to invest in the capital market to get a profit above inflation. Stock Return is very important and always gets the attention of researchers from various countries. Stock return is assumed to be the success of the company's management in carrying out the company's business activities. Investors will invest their money in companies that can maximize their profits. In this study, the authors question the effect of DER, DPR, ROE, and PBV after the announcement on stock returns.

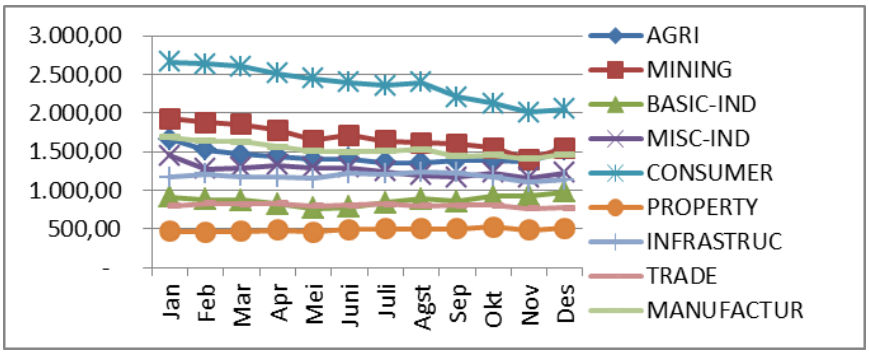

Figure 1. Share Prices in 2019
Source: Data Processing Results, 20 21

The picture shows the stock price index for the January-December 2019 period. The stock price index is an indicator that shows stock prices in a period. The consumption sector became the industrial sector that experienced a decline in the index during the January – December 2019 period where the stock price index in January 2019 was at 2660,755, but in December 2019 it was 2052,654, so it decreased by 22.85%. This is due to the declining performance of UNVR, while HMSP and GGRM are due to negative sentiment over the planned increase in excise rates. The second-largest decline was in the mining sector, which experienced a 19.47% decline in the index. The decline in the performance of the mining sector index in 2019 was due to the abundant supply of coal in the global market due to falling coal prices.

On the other hand, the property industry sector was the industry that experienced the highest increase, where in January 2019 the stock price index was at 465,951, but in December 2019 it was 503,879, thus an increase of 8.14%. This is due to the growth in small type houses which experienced the highest growth. The second-highest increase was achieved by the basic and chemical industry sectors, which amounted to 7.25%. Several issuer groups whose driving shares were paper, poultry, and cement issuers.

Several previous studies showed the following results (TERRA, 2008) with their research title " The cost of capital, corporation finance and the theory of investment " were the first to introduce capital structure irrelevance theory revealing that there is no relationship between debt and firm value. Then the research of (Chetty & Saez, 2005) declares dividends irrelevant to the welfare of shareholders. (Asif & Aziz, 2016) ,examined 20 cement sector companies in Pakistan for data from 2006 to 2015. The analysis technique uses multiple linear regression using the SPSS program. His research resulted in DER having a coefficient of 3.27 which indicates that if 1 unit of DER increases, it will increase the firm value by 3.27. The results of the study recommend increasing DER to increase firm value.(Xu, 2021), researched tourism companies in China for 2015-2019 data. The results show that, firstly, an increase in cash dividends paid in the previous financial year can increase the value of the company in the current financial year, which means that the cash dividends paid have an impact on the value of the company, secondly, compared to non-state-owned companies, state-owned companies which increases the cash dividends paid in the previous financial year can further increase the value of the company for the current financial year. According to Xu (Xu, 2021) cash dividends paid can transmit information about the company to the market. Companies with good management and large capital should be encouraged to increase their cash dividends, which is useful for increasing the certainty of shareholder returns and forming a return to reinvestment market circulation. Listed companies should consider increasing cash dividends and sending a good development signal to the market, which is conducive to increasing their company value.

(Sucuahi & Cambarihan, 2016) examined 86 companies in the Philippines for 2014 data. The results show that increasing profitability can increase firm value. Good corporate value attracts more investors who are interested in taking part in the company. (Avdalovic & Milenkovic, 2017), examined 42 companies in Serbia for 2010-2014 data. The results showed that return on equity did not affect stock prices, while leverage and price book value had a significant effect on stock prices. (Allozi & Obeidat, 2016), examined 65 manufacturing companies in Jordan for 2001-2011 data. The results showed that DER did not affect stock returns, while ROE had a significant positive effect on stock returns. (Banerjee, 2019), examined 30 companies in the United Arab Emirates (UAE) for 2017 data. The results showed that ROE had a negative effect on stock returns. short, while DER cannot affect stock returns. (Eldomiaty, Atia, Badawy, & Hafez, 2014), examined the quarterly data of companies listed on the Dow Jones Industrial Average and Nasdaq for data from December 1989 to March 31, 2011. The results showed a negative and significant relationship between dividends and stock returns. The company's decision to pay dividends indicates that the company is running out of investment opportunities, causing a decline in stock prices.

(Chaabouni, 2017), examined 10 companies in Saudi Arabia for 2014-2015 data. The results confirm the signal theory because dividend announcements have a significant effect on stock prices. Changes in stock prices will affect stock returns. (Adawiyah & Setiyawati, 2019) examined 13 companies regarding the effect of ROE on stock returns in food and beverage manufacturing companies in Indonesia for 2013-2017 data. The results of his research ROE have a significant positive effect on stock returns with a significant value of 0.020 < 0.05. (Surjandari, Nurlaelawati, & Soma, 2020) examine companies listed in LQ-45 for 2015-2019 data regarding the effect of DER on stock returns. The study resulted in DER not affecting stock returns as evidenced by a significant level of 0.20 > 0.05.

Managers (agents) hold ownership that operates to maximize value and profitability and shareholders (principals) delegate the authority to operate the business on their behalf (Jensen & Meckling, 1976). This leads to conflicts of interest and agency problems that arise due to information asymmetry and moral hazard because managers have better knowledge and do not bear the full consequences of their actions. Investors have certain expectations, to achieve them, they will interpret any information that is considered to affect their returns. Managers will try to minimize information asymmetry by broadcasting information. Signaling theory asserts that the market will respond to the information released. This information can be caught by investors as a good signal or a bad signal and make the stock market fluctuate. The main purpose of this study was to determine the effect of the announcement of DER, DPR, ROE, and PBV on stock returns of companies listed on the Indonesia Stock Exchange.

Method

This study uses quantitative research with descriptive statistical methods to measure the level of influence of DER, DPR, ROE on stock returns through PBV in companies listed in Indonesia. Quantitative research is research that draws conclusions based on the results of statistical hypothesis testing, using empirical data from data collection through measurements (Djaali, 2021).

Analysis using multiple regression with path analysis. The researcher conducted two partial tests (t-test), the first is the effect of DER, DPR, and ROE on PBV, second, the effect of PBV, DER, DPR, and ROE on stock returns after the announcement date, the PBV figures used are financial statement figures in December, the stock return used is the realization of the average stock return two months after the announcement of the financial statements. Furthermore, the researchers conducted a Sobel test to examine the indirect effect of DER, DPR, and ROE on stock returns through PBV.

The research population is non-financial companies listed on the Indonesia Stock Exchange (IDX). The data used in this study is secondary data derived from financial statement information published in the observation period between 2017-2019 and the determination of the research sample using the purposive sampling method with a total of 138 observations. Research data processing techniques related to time-series data and cross-section as panel data that has been processed with EViews 10.

Results and Discussions

Data Quality Test / Research Instruments

The results of descriptive statistical analysis are used to describe the object of research through statistical figures such as minimum, maximum, average, and standard deviation values. The results of the analysis are presented to describe the statistical conditions of each research object per observation period. The results of the analysis using descriptive statistics can be seen in Table 1 below.

Table 1. Results of Descriptive Analysis of Research Variables

Note:	Stock *Return*	DER	DPR	ROE	PBV
Min	-0.41	0.08	-0.13	-0.40	0.28
max	1.11	5.36	1.22	0.55	16.13
mean	-0.01	1.18	0.40	0.15	2.15
Std.dev	0.18	1.11	0.26	0.10	2.08

Source: Data Processing Results, 2021

Stock Return Variable
The result of statistical descriptive analysis for the stock return variable shows that the minimum value obtained is -0, 41 which is the stock return value of AALI issuers in 201 9. The maximum stock return value of 1.11 is the value of IMAS issuers in 2017. The mean value of stock returns is -0.01 with a standard deviation of 0.18.

(Sopanah, Fatoni, Danawanti, & Harmadji, 2020) states that stock returns are the expected rate of return on investments made in stocks or several groups of stocks through a portfolio. Stock returns are influenced by external factors, namely systematic risks such as interest rates, inflation, economic situation, and these factors cannot be controlled by the company, other factors are internal factors, namely the performance of the company itself.

Variable Debt to Equity Ratio/DER
The results of statistical descriptive analysis for the variable debt to equity ratio (DER) show that the minimum value obtained is -0.41 which is the DER value of NELY issuers in 2017. The maximum DER value of 5.36 is the value of WSKT issuers in 2017. The mean value of DER is 1.18 with a standard deviation of 1.11.

(Tulsian & Tulsian, 2002) conclude that the debt-equity ratio forms the relationship between debt (i.e. Non-Current Liabilities) and Equity (i.e. Shareholders' Funds). Regarding debt, managers will use debt optimally to minimize agency costs. Debt financing can reduce conflicts between managers and shareholders, furthermore, debt reduces cash flow thereby reducing waste by management. The consequence of debt is that companies have to pay long-term obligations, especially when the economy is tough and interest rates are high, which causes financial problems. A high DER gives a bad signal to investors, they can cancel their investment plans and affect the demand for stock prices so that stock returns decline.

Variable Dividend Payout Ratio/DPR
The results of the statistical descriptive analysis for the dividend payout ratio (DPR) variable show that the minimum value obtained is -0.13 which is the DPR value of IMAS issuers in 2017 7. The maximum DPR value of 1,22 is the value of JPFA issuers in 2017 7. The mean value of the DPR is 0.40 with a standard deviation of 0.26. HMSP issuers scored the highest three-year DPR average of 1. A total of 12 issuers had an average three-year DPR between 0.5 and 1, the remaining 33 issuers had a three-year average DPR below 0.5.

(Libby, Bloomfield, & Nelson, 2002) define that the dividend payout ratio measures the proportion of company profits that are immediately returned to shareholders as dividends. According to (Tulsian & Tulsian, 2002), The optimal dividend payout ratio maximizes shareholder wealth. (Xu, 2021)mentions that dividend distribution depends on management's internal assessment and external regulatory policies. In general, when the company has good investment opportunities, management keeps more capital for investment and reduces the distribution of cash dividends. Conversely, when investment opportunities are not so good, management pays cash dividends to shareholders and reduces the level of investment. Dividends distributed will increase the value of the company because the wealth of shareholders is maximized, so they are interested in increasing their investment.

Variable *Return on Equity/ROE*
The results of statistical descriptive analysis for the return on equity (ROE) variable indicate that the minimum value obtained is -0,40 which is the ROE value of SRTG issuers in 2018. The maximum ROE value is 0.55. The mean value of ROE is 0.15 with a standard deviation of 0.10. BSSR issuers scored the highest three-year average ROE of 0.4, followed by HMSP and MBAP issuers which had the second-highest three-year average DER of 0.38. A total of 6 issuers have an average three-year ROE of around 0.2, the remaining 37 issuers have an average three-year ROE of around 1.

Return on equity is a term that reflects the net income of each shareholder over the nominal share ownership (Rachmasari, Handiani, & Djatnika, 2021). According to (Bahl & Bird, 2008) return on equity is the ratio of net income to total equity. This is equal to assets minus debt. In line with signal theory, ROE can be used as a guide to measuring profit efficiency because it shows how much profit is generated with company equity. In conclusion, measuring the company's performance in achieving profits and higher ROE attracts investors to buy shares, thereby increasing stock returns.

Variable Price to Book Value/PBV
The results of statistical descriptive analysis for the price to book value (PBV) variable indicate that the minimum value obtained is 0.28 while the maximum PBV value is 16.13. The mean PBV value is 2.15 with a standard deviation of 2.08. The average value indicates that the average PBV of the research sample is 2.15.

HMSP issuers scored the highest three-year average PBV of 11.73, while MYOR issuers had the second-highest three-year average PBV of 6.02 followed by AMRT, ICBP, and KLBF issuers with an average of 5,

and FASW issuers with an average of 4.21. A total of 10 issuers have a three-year average PBV of 2, the remaining 30 issuers have a three-year average PBV of below 1.

Price to book value is found by dividing the market price per share by the book value per share for the stock (Laopodis, 2020). This ratio reflects the company's success in creating value for shareholders. However, investors are not necessarily attracted to a higher PBV because they perceive that the stock price is trading at a premium to the firm's book value and is identified as overvalued.

Classical Assumption Test

Normality test

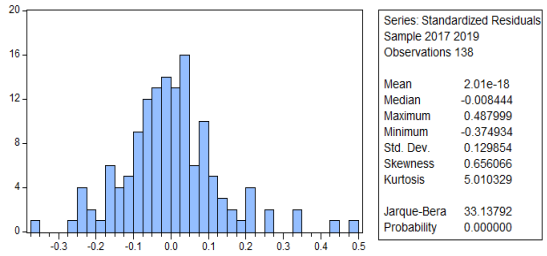

Figure 2. Normality Test Results
Source: EViews 10 *Software Results*

Based on Figure 2, it is known that the probability value of the JB statistic is 0.0000000, but based on the central limit theorem, data that has a sample size of more than 30 is considered normal because the normality test is intended for data that has a small sample. and data with a large sample size are considered normal.

Multicollinearity Test

Table 2. Multicollinearity Test Results

	DER	DPR	ROE	PBV
DER	1.0000000	-0.288357	-0.066841	-0.064630
DPR	-0.288357	1.0000000	0.263663	0.355655
ROE	-0.066841	0.263663	1.0000000	0.438472
PBV	-0.064630	0.355655	0.438472	1.0000000

Source: EViews 10 *Software Results*

Based on the table, the following are the results: the correlation value between DER and DPR is -0.288358 < 0.9, the correlation value between DER and ROE is -0.066841 < 0.9, the correlation value between DER and PBV is -0.064630 < 0.9, the correlation value between DPR and ROE is 0.263663 < 0.9. Thus, there is no multicollinearity.

Autocorrelation Test

Table 3. Autocorrelation Test

Breusch-Godfrey Serial Correlation LM Test:			
F-statistics	0.470535	Prob. F(2.131)	0.6257
Obs*R-squared	0.984286	Prob. Chi-Square(2)	0.6113

Source: EViews 10 *Software Results*

Based on the table above, the value of Prob. Chi-Square of 0.6113 > 0.05 then there is no autocorrelation problem, in other words, there is no high autocorrelation symptom in the residuals.

Heteroscedasticity Test

Based on the results of the Breusch-Pagan Godfrey test, it is known that the value of Prob. Chi-Square is 0.1367 > 0.05, which means there is no heteroscedasticity.

Table 4. Heteroscedasticity Test

Heteroskedasticity Test: Breusch-Pagan-Godfrey			
F-statistics	1.772654	Prob. F(4,133)	0.1380
Obs*R-squared	6.984802	Prob. Chi-Square(4)	0.1367
Scaled explained SS	33.51591	Prob. Chi-Square(4)	0.0000

Source: EViews 10 *Software Results*

Selection of Panel Data Regression Model

Panel data regression can be done by testing three analytical models, namely the common effect model (CEM), fixed effect model (FEM), and random effect model (REM). Each model has its advantages and disadvantages. The selection of the model depends on the assumptions used by the researcher and the fulfillment of the correct statistical data processing requirements so that they can be accounted for statistically. Therefore, the first thing to do is to choose the right model from the three existing models.

Chow test (CEM or FEM Model Selection)

The Chow test was conducted to select the common effect model (CEM) or fixed effect model (FEM).

Table 5. Chow test (CEM or FEM Model Selection)

Redundant Fixed Effects Tests			
Equation: MODELFEM			
Test cross-section fixed effects			
Effects Test	Statistics	df	Prob.
Cross-section F	1.477644	(45.88)	0.0598
Cross-section Chi-square	77.668916	45	0.0018

Source: EViews 10 *Software Results*

Based on the results of the Chow test above, it is known that the Prob value. in the Cross-Section Chi-Square line is 0.0018 < 0.05, so the selected model is the fixed effect model (FEM).

Hausman Test (Selection of FEM or REM Model)

Furthermore, the Hausman test was tested, namely the selection of the fixed-effect model (FEM) or random effect model (REM).

Table 6. Hausman Test (Selection of FEM or REM Model)

Correlated Random Effects - Hausman Test			
Equation: MODELREM			
Test cross-section random effects			
Test Summary	Chi-Sq. Statistics	Chi-Sq. df	Prob.
Random cross-section	13.059003	4	0.0110

Source: EViews 10 *Software Results*

Based on the Hausman test results above, it is known the value of Prob. in the Cross-Section Random line is 0.0110 < 0.05, so the model chosen is the fixed effect model (FEM).

Hypothesis Test

Partial Test (t-Test)

In testing the hypothesis, the coefficient of determination analysis and partial effect testing (t-test) will be carried out. The t-test is used to partially test the effect of the independent variable on the dependent variable. This test is carried out by looking at the probability value with the following criteria: if the value of DER, DPR, and ROE <0.05, it is declared influential, and vice versa. Statistical values of the coefficient of determination of the t-test are presented in Tables 7 and 8.

Table 7 Hypothesis Test Results Data for DER, DPR, ROE on PBV

Dependent Variable: PBV
Method: Least Squares Panel
Sample: 2017 2019
Periods included: 3
Cross-sections included: 46
Total panel (balanced) observations: 138

Variable	Coefficient	Std. Error	t-Statistics	Prob.
C	2.503352	0.516489	4.846868	0.0000
DER	-0.461061	0.389480	-1.183786	0.2396
DPR	0.061932	0.461750	0.134125	0.8936
ROE	1.095812	1.157844	0.946424	0.3465
Effects Specification				
Cross-section fixed (dummy variables)				

Source: EViews 10 *Software Results*

Hypothesis 1: The direct effect of DER, DPR, ROE on PBV.

Based on the results in table 7, it is known that the Prob value of DER is 0.2396 > 0.05, the Prob value of the DPR variable is 0.8936 > 0.05, the Prob value of the ROE variable is 0.3465 > 0.05, so it can be concluded that DER, DPR and ROE do not affect PBV.

Table 8. Hypothesis Test Result Data DER, DPR, ROE, PBV on stock *returns*

Dependent Variable: RIT
Method: Least Squares Panel
Sample: 2017 2019
Periods included: 3
Cross-sections included: 46
Total panel (balanced) observations: 138

Variable	Coefficient	Std. Error	t-Statistics	Prob.
C	0.272574	0.113160	2.408744	0.0181
DER	-0.097569	0.076497	-1.275469	0.2055
DPR	-0.180292	0.089995	-2.003362	0.0482
ROE	0.223128	0.226773	0.983929	0.3278
PBV	-0.058402	0.020657	-2.827220	0.0058
Effects Specification				
Cross-section fixed (dummy variables)				

Source: EViews 10 *Software Results*

Hypothesis 2: The direct effect of DER, DPR, ROE, and PBV after the announcement on stock *returns.*

Based on the results in table 8, it is known the value of Prob. of the PBV variable is 0.0058 < 0.05, the value of Prob. of the DER variable is 0.2055 > 0.05, the value of Prob. of the DPR variable is 0.0482 < 0.05, the value of Prob. of the ROE variable is 0.3278 > 0.05, it can be concluded that DER and ROE do not affect stock returns, while PBV and DPR affect stock returns in a negative direction.

Mediation Test (Sobel Test)

The Sobel test compares the direct relationship between the independent variable and the dependent variable with the indirect relationship between the independent variable and the dependent variable that includes a mediating variable (Sholihin & Ratmono, 2021). The Sobel test aims to determine whether the relationship through a mediating variable is significantly capable of being a mediator in the relationship.

Table 9. Sobel Test Results

No	Variable	T_{hit}	T_{tab}	Criteria
1	DER	1.0381	1.9778	Not significant
2	DPR	-0.1263	1.9778	Not significant
3	ROE	-0.8509	1.9778	Not significant

Source: Processed by the Author (2021)

Hypothesis 3: DER, DPR, and ROE after the announcement have an indirect effect on stock *returns* through PBV.

Based on the results in Table 9, it is known that t arithmetic is smaller than t table so that DER, DPR, and ROE do not affect stock returns through PBV.

Coefficient of Determination Analysis (R-Square)

Table 10. Results of R 2 Panel Data Regression Fixed Model

Dependent Variable: PBV
Method: Least Squares Panel
Sample: 2017 2019
Periods included: 3
Cross-sections included: 46
Total panel (balanced) observations: 138

R-squared	0.896267	Mean dependent var	2.148221
Adjusted R-squared	0.840320	SD dependent var	2.080568
SE of regression	0.831393	Akaike info criterion	2.740100
Sum squared resid	61.51813	Schwarz criterion	3.779487
Likelihood logs	-140.0669	Hannan-Quinn Criter.	3.162482
F-statistics	16.02018	Durbin-Watson stat	1.880151
Prob(F-statistic)	0.000000		

Source: EViews 10 *Software Results*

Based on table 10, it is known that the coefficient of determination (R-squared) is R2 = 0.8403. This value can be interpreted as DER, DPR, ROE simultaneously or jointly affecting PBV by 84%, the remaining 16% is influenced by other factors.

Table 11. Results of R2 Panel Data Regression Fixed Model

Dependent Variable: RIT
Method: Least Squares Panel
Sample: 2017 2019
Periods included: 3
Cross-sections included: 46
Total panel (balanced) observations: 138

R-squared	0.469677	Mean dependent var	-0.007422
Adjusted R-squared	0.174383	SD dependent var	0.178313
SE of regression	0.162022	Akaike info criterion	-0.527453
Sum squared resid	2.310089	Schwarz criterion	0.533146
Likelihood logs	86.39425	Hannan-Quinn Criter.	-0.096452
F-statistics	1.590543	Durbin-Watson stat	2.643145
Prob(F-statistic)	0.029304		

In table 11, it is known that the coefficient of determination (R-squared) is R2 = 0.1744. This value can be interpreted as DER, DPR, ROE, PBV simultaneously or jointly affecting stock returns of 17.44%, the remaining 82.56% is influenced by other factors that are not included in this research model.

Model Test

The test Farms to test the effect of the independent variables together or simultaneously on the dependent variable. Based on table 10, it is known the value of Prob. (F-statistics), which is 0.000000 < 0.05, it can be concluded that all independent variables, namely DER, DPR, ROE, have a significant effect on the PBV variable. In table 11, it is known the value of Prob. (F-statistics), which is 0.029304 <0.05, it can be concluded that all independent variables, namely DER, DPR, ROE, PBV simultaneously, have a significant effect on the stock return variable.

Conclusions

This study examines the effect of DER, DPR, and ROE on stock returns with PBV as an intervening variable, by determining certain criteria with certain objectives on the sample data, which can also be called purposive sampling. The sample data companies are non-financial companies listed on the Indonesia Stock Exchange in the 2017-2019 period. Based on the results of research and discussion that have been stated in the previous chapter, the following conclusions can be drawn both DER, DPR, and ROE do not affect PBV, meaning the rise and fall of DER, DPR, and ROE cannot be linked to PBV. The results of this study are in accordance with previous studies, namely Modigliani & Miller (1958) and Fajri & Surjandari (2016) which stated that there was no relationship between debt and firm value, Miller & Scholes (Miller & Scholes, 1978)which stated that dividends were not relevant to the welfare of shareholders and Avdalovic & Milenkovic (Avdalovic & Milenkovic, 2017)and Fajri & (Surjandari et al., 2020) which state that ROE does not have a significant effect on PBV. From the results of the DER test, it has no effect on stock returns after the announcement of the financial statements. This indicates that the development of DER cannot provide information to investors to predict changes in the company's stock returns. This is in accordance with the results of research by Allozi & Obeidat (Allozi & Obeidat, 2016), Banerjee (2019), and Surjandari et al. (Surjandari et al., 2020). DPR has a significant influence on stock returns after the announcement in a negative direction. This is in accordance with the research results of Eldomiaty et al (Eldomiaty et al., 2014). The results of the study prove that investors prefer companies to use their profits to be reinvested. Massive dividend distribution can be considered by investors that the company is not oriented towards investment projects that provide long-term returns. ROE has no effect on stock returns after the announcement of the financial statements. This reflects that the variation in the value of ROE cannot be associated with stock returns. This is in accordance with the research of Avdalovic & Milenkovic (Avdalovic & Milenkovic, 2017). The results of the PBV analysis have a significant negative effect on stock returns after the announcement of the financial statements. The higher the PBV, the lower the stock return. It can be interpreted that the book value is overvalued so that investors are not interested in buying because they feel it is too expensive and eventually the stock return will fall. From the results of the contribution of these variables, the PBV variable is a factor that provides information to investors. 6) PBV cannot mediate the effect of DER, DPR, and ROE on stock returns. PBV cannot mediate the effect of DER, DPR, and ROE on stock returns, this means that investors do not respond to DER, DPR, and ROE signals by investing in companies. Based on the test results, the DPR signal is more effective in having a direct effect on stock returns than through PBV.

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