



Empirical Analysis of Financial and Macroeconomic Dynamics on Stock Returns

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Abstract. *This study examines the influence of financial and macroeconomic factors on stock returns of palm oil companies on the Indonesia Stock Exchange during 2018-2024. Using a panel data analysis of 9 palm oil companies, this study investigates how Earnings Per Share (EPS), Price to Earnings Ratio (PER), Return on Equity (ROE), and inflation affect stock performance in the context of the Indonesian economy. The research methodology applies a causal quantitative approach with data from the IDX quarterly financial reports and BPS inflation data. The sample was selected through a purposive sampling method based on the following criteria: listed on the IDX during the study period, consistency of financial report publication, and completeness of variable data. The strategic position of this sector in the Indonesian economy, which contributes to foreign exchange and rural employment, the importance of understanding its investment dynamics. This study integrates the perspective of development economics, analyzing how capital markets can support national economic development through the palm oil sector. These findings are expected to provide insights for investors, companies, and policy makers.*

Abstrak. Penelitian ini mengkaji pengaruh faktor keuangan dan ekonomi makro terhadap pengembalian saham perusahaan kelapa sawit di Bursa Efek Indonesia selama 2018-2024. Menggunakan analisis data panel dari 9 perusahaan sawit, studi ini menyelidiki bagaimana Laba Per Saham (EPS), Rasio Harga terhadap Laba (PER), Pengembalian Ekuitas (ROE), dan inflasi mempengaruhi kinerja saham dalam konteks ekonomi Indonesia. Metodologi penelitian menerapkan pendekatan kuantitatif kausal dengan data dari laporan keuangan kuartalan BEI dan data inflasi BPS. Sampel dipilih melalui metode purposive sampling berdasarkan kriteria: terdaftar di BEI selama periode penelitian, konsistensi publikasi laporan keuangan, dan kelengkapan data variabel. Posisi strategis sektor ini dalam perekonomian Indonesia, yang berkontribusi terhadap devisa dan lapangan kerja pedesaan, menekankan

pentingnya memahami dinamika investasinya. Penelitian ini mengintegrasikan perspektif ekonomi pembangunan, menganalisis bagaimana pasar modal dapat mendukung pembangunan ekonomi nasional melalui sektor kelapa sawit. Temuan ini diharapkan memberikan wawasan bagi investor, perusahaan, dan pembuat kebijakan.

Keywords:

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Introduction

The capital market is an economic instrument that plays a crucial role as a liaison between investors and companies that need funds (Umar, 2022). As one of the vital pillars of the Indonesian economy, the capital market is not only a means of investment for the community but also a source of financing for companies in Indonesia (Al-Fadhat & Nadhir, 2019). The existence of the capital market reflects the level of domestic and international investor confidence in a country's economic condition (Ajekwe et al., 2024). In development economics, the capital market has a strategic role as a catalyst for economic growth. A well-developed capital market is an indicator of healthy economic development, as it can mobilize people's savings for productive investments, increase the efficiency of capital allocation, and reduce dependence on external financing (Raza et al., 2019). In developing countries like Indonesia, strengthening capital markets is integral to economic development strategies for inclusive and sustainable growth (Yakubu, 2023).

The oil palm plantation sector, as the object of this research, has a strategic position in Indonesia's economic development. As one of the primary export commodities, palm oil contributes significantly to the country's foreign exchange earnings, job creation in rural areas, and the development of underdeveloped regions. The performance of palm oil companies, which is reflected in their share prices, is a concern for investors and stakeholders in the context of national economic development (DJPKP, 2023).

Investors can use various parameters, including the company's financial information, to predict stock returns. Financial statements provide a comprehensive overview of the company's performance and are the primary consideration for investors in making investment decisions (Ismayanti & Yusniar, 2014). Financial ratios such as Earnings Per Share (EPS), Price to Earnings Ratio (PER), and Return on Equity (ROE) are indicators that are often used to evaluate a company's prospects Sanfa & Ida, 2023). In addition to internal company factors, macroeconomic factors such as inflation also affect stock price movements. In 2020, Indonesia recorded inflation of 1.68%, the lowest figure in the Central Statistics Agency's (BPS) history. This phenomenon is interesting to study further regarding the return of shares in the oil palm plantation sector and its implications for national economic development.

The oil palm plantation sector has a strategic position in the Indonesian economy. As the world's largest palm oil producer, with a global market share of 57% in 2020, Indonesia earned foreign exchange of around USD 17.89 billion from palm oil product exports (DJPKP, 2023). The sector also absorbs more than 4.2 million direct and 12 million indirect workers and contributes significantly to poverty alleviation in rural areas. In the context of development economics, a deep understanding of the factors that affect investment performance in this sector is crucial to support the sustainability of its contribution to the national economy (DJPKP, 2023).

Table 1 Major Economic Events and Palm Oil Market Impact (2018-2024)

Period	Economic Event	Impact on CPO Market	Effect on Palm Oil Stock
2018-2019	Commodity Price Decline	Decreased CPO prices by -30%	Reduced profit margins and stock valuations
2018-2019	US-China Trade War	Disrupted global supply chains and trade flows	Increased market uncertainty and trading volatility
2020-2022	COVID-19 Pandemic	Initial demand shock followed by supply constraints	Severe price fluctuations and unpredictable returns
2022-2023	Post-Pandemic Recovery	Gradual price stabilization	Varying recovery rates among companies
2023-2024	Global Inflation Pressures	Rising production costs	Margin compression despite better CPO prices

Source: Compiled from various sources

The table depicts the key economic events that significantly impact the crude palm oil (CPO) market and palm oil company shares in Indonesia from 2018 to 2024. In 2018–2019, there was a decline in commodity prices, which caused CPO prices to drop by up to 30%, resulting in decreased profit margins and stock valuations of palm oil companies. In the same period, the trade war between the United States and China disrupted global supply chains and trade flows, causing market uncertainty and volatility in the palm oil stock trading.

Furthermore, during the COVID-19 pandemic (2020–2022), the market experienced demand shocks initially, followed by supply constraints. This condition leads to sharp price fluctuations and unpredictable stock returns. Entering the post-pandemic recovery period in 2022–2023, prices gradually stabilized, but the pace of recovery varied between companies, reflecting inequality in the sector's recovery. Finally, in 2023–2024, global inflationary pressures will increase production costs, resulting in a squeeze on corporate profit margins even though CPO prices are improving. This table shows that global economic dynamics significantly impact the performance of the CPO market and the shares of palm oil companies.

Indonesia is transitioning from a natural resource-based economy to a manufacturing and service-based economy with higher added value. The palm oil sector has great potential to support this transformation by developing downstream industries, but it requires substantial investment (Syahza & Asmit, 2020). On the other hand, there is global pressure to implement sustainable practices in the palm oil industry that align with the Sustainable Development Goals (SDGs) (Chiriaco et al., 2022). This research is needed to understand how capital market dynamics can support the mobilization of financial resources for the sustainable transformation of the palm oil sector and contribute to achieving the SDGs.

Although many studies have been conducted on the influence of financial variables on stock returns, most have been conducted in developed countries with capital market characteristics different from those of Indonesia. Indonesia's unique emerging market characteristics and dominant global palm oil industry position require context-specific empirical proof (Adisetya et al., 2024). This research is needed to fill the knowledge gap and provide a scientific basis for more targeted investment and policy decision-making.

The findings of this study are expected to provide significant policy implications for various stakeholders. For the government, understanding the relationship between financial variables and stock returns can be an input for formulating fiscal and monetary policies that support capital market stability and growth in the palm oil sector (Barradas, 2020). The research results can help industry players make strategic decisions about capital structure, dividend policies, and long-term investments. For investors, this research can guide portfolio diversification and risk management. They all contribute to creating a more resilient and sustainable economic ecosystem.

In contrast to previous studies that focus solely on financial aspects, this study integrates the perspective of development economics in its analysis. This interdisciplinary approach allows for a more comprehensive understanding of the role of capital markets in supporting national economic development through strategic sectors such as palm oil. This study offers a more holistic analytical framework than previous research by analyzing the linkages between a company's financial performance, capital market dynamics, and long-term economic development goals. The seven-year research period (2018-2024) covers various economic cycle phases, ranging from declining commodity prices and stabilization to shocks due to the COVID-19 pandemic. This unique research period allows for a more comprehensive analysis of the resilience of the palm oil sector and investor behavior in various market conditions. Previous studies have generally covered shorter or homogeneous periods in terms of economic conditions, so they are less able to capture the long-term dynamics and resilience of the sector to various external shocks. This research specifically focuses on the palm oil sector, which has a complex sustainability dimension. Deforestation, carbon emissions, and social conflict have created international pressure on Indonesia's palm oil industry (Busch et al., 2022a).

On the other hand, the sector has great potential to support sustainable economic development through environmentally and socially responsive practices (da Silva et al., 2024). The uniqueness of this research lies in its analysis of how financial factors interact with sustainability aspects in influencing investor perception and stock returns, a dimension that has rarely been discussed in previous studies. In terms of methodology, this study uses panel data analysis techniques that simultaneously capture heterogeneity between firms and temporal dynamics. This approach is more comprehensive than previous studies using simple cross-sectional or time-series data (Vergara Garavito & Chi6n, 2021). By combining cross-sectional and time-series dimensions, this study was able to identify factors that affect stock returns with a higher degree of precision while controlling for unobserved heterogeneity (Bailey et al., 2011).

This research is anchored in Modern Portfolio Theory (Markowitz, 1952) and the Efficient Market Hypothesis (Fama, 1970), which together provide a robust theoretical foundation for understanding how financial information is reflected in stock prices and how investors make decisions under uncertainty. These theories are extended through the lens of Sustainable Finance Theory (Schoenmaker & Schramade, 2019), which posits that long-term value creation must integrate environmental, social, and governance (ESG) factors alongside traditional financial metrics, particularly relevant for the palm oil sector with its significant sustainability challenges. Several critical gaps in the existing literature enhance the novelty of this research: previous studies examined either financial factors or macroeconomic variables in isolation, failing to integrate both dimensions; there is a scarcity of research specifically targeting palm oil companies despite their strategic importance to Indonesia's economy; and existing research has typically covered shorter timeframes that fail to capture the diverse economic conditions experienced during 2018-2024.

This research contextualizes its analysis within the framework of current national development policies, including the Masterplan for Accelerating and Expansion of Indonesia's Economic Development (MP3EI), the palm oil industry development roadmap, and Indonesia's commitment to reducing greenhouse gas emissions (Hidayat et al., 2023). This contextualization allows research to contribute academically and be a relevant reference for public policy decision-making. This uniqueness distinguishes the research from previous studies that tend to be isolated from the broader development policy context. This study analyzes the implications of the findings for international portfolio diversification strategies, considering that the shares of Indonesian palm oil companies are investment targets for global investors. This international dimension expands the relevance of research beyond national borders, an aspect that has been underexplored in previous studies.

Based on this background, the problems raised in this study are: (1) How does Earning Per Share (EPS) affect the stock returns of palm oil companies listed on the IDX for 2018-2024 in the context of economic development?; (2) How does the price-to-earnings ratio (PER) affect the stock returns of palm oil companies listed on the IDX for 2018-2024 in the context of economic development?; (3) How does Return on Equity (ROE) affect the stock returns of palm oil companies listed on the IDX for 2018-2024 in the context of economic development?; (4) How does inflation affect the stock returns of palm oil companies listed on the IDX for the period 2018-2024 in the context of economic development?; and (5) How do EPS, PER, ROE, and Inflation simultaneously affect the stock returns of palm oil companies listed on the IDX for the period 2018-2024 in the context of economic development?

Research Methods

This study uses a quantitative approach with the type of explanatory research. A quantitative approach was chosen to test the hypothesis regarding the influence of independent variables (EPS, PER, ROE, and Inflation) on dependent variables (Stock Return) (Ma et al., 2022). The perspective of development economics is integrated into interpreting the analysis results to identify the implications of the findings on national economic development policies (Busch et al., 2022b). The population in this study is all oil palm plantation sub-sector companies listed on the Indonesia Stock Exchange for the 2018-2024 period (IDX, 2024). The sampling technique uses purposive sampling with the following criteria: (1) Companies in the oil palm plantation sub-sector that are consistently listed on the IDX during the 2018-2024 period; (2) Publish complete financial statements during the research period; and (3) Have the necessary data related to the research variables. Data analysis employs panel data regression, combining time series and cross-sectional data, preceded by classical assumption tests, including normality (Jarque-Bera), multicollinearity (VIF), heteroscedasticity (Breusch-Pagan-Godfrey), and autocorrelation (Durbin-Watson). The panel data regression follows three model estimation approaches Common Effect Model (CEM), Fixed Effect Model (FEM), and Random Effect Model (REM) with model selection conducted through Chow Test (CEM vs. FEM), Hausman Test (FEM vs. REM), and Lagrange Multiplier Test (CEM vs. REM). Hypothesis testing utilizes t-statistics for individual variable significance, F-statistics for overall model fit, and coefficient of determination (R^2) for explanatory power, with four hypotheses tested: H_1 : EPS has a significant positive effect on stock returns; H_2 : PER has a significant positive effect on stock returns; H_3 : ROE has a significant positive impact on stock returns; H_4 : Inflation has a significant negative effect on stock returns, all at a significance level of $\alpha = 0.05$.

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For data analysis, this study employs panel data regression techniques, preceded by several preliminary tests to ensure the validity and reliability of the results. First, descriptive statistics are calculated to understand the central tendencies and dispersions of all variables. Next, classical assumption tests are conducted, including normality testing using the Jarque-Bera test to verify normal distribution of residuals, multicollinearity testing through Variance Inflation Factor (VIF) analysis to ensure independence among predictor variables, heteroscedasticity testing using Breusch-Pagan-Godfrey test to check for variance consistency in error terms, and autocorrelation testing through Durbin-Watson statistics to detect serial correlation in residuals.

The model specification test includes three stages: Chow test to choose between Common Effect Model (CEM) and Fixed Effect Model (FEM), Hausman test to select between FEM and Random Effect Model (REM), and Lagrange Multiplier test if needed to decide between CEM and REM. Once the appropriate model is determined, hypothesis testing is conducted using the t-test for individual variable significance, the F-test for overall model fit, and the coefficient of determination (R^2) to measure the proportion of stock return variability explained by the independent variables. The statistical significance level is set at $\alpha = 0.05$ for all hypothesis tests. All statistical analyses use Stata software to ensure computational accuracy and efficiency in handling panel data structures. The form of the equation model in this study is:

$$SR = \alpha + \beta_1 EPS + \beta_2 PER + \beta_3 ROE + \beta_4 INF + \varepsilon$$

Where SR represents Stock Return, α is the constant, β_1 to β_4 are the regression coefficients, and ε is the error term. The population for this study consists of all companies in the oil palm plantation sub-sector listed on the Indonesia Stock Exchange (IDX) during the 2018-2024 period. This specific population was selected due to the strategic importance of the oil palm industry to Indonesia's economy as one of the country's major export commodities and its significant contribution to economic development and employment. The sampling technique employed is purposive sampling, a non-probability sampling method where companies are selected based on specific predetermined criteria to ensure the relevance and completeness of data for the research objectives. The sampling criteria include: (1) Oil palm plantation companies consistently listed on the IDX throughout the entire 2018-2024 research period to ensure data continuity; (2) Companies that published complete annual financial statements during the research period to provide all necessary financial metrics; and (3) Companies with available data for all research variables (EPS, PER, ROE, stock returns, and corresponding periods for inflation data) to enable comprehensive analysis of the relationships between variables. This

sampling approach helps eliminate companies with incomplete or inconsistent data that could skew the research findings.

The panel data analysis was chosen because it captured the heterogeneity between firms and the dynamics of change during the research period. It is vital for understanding complex economic phenomena in economic development (Supianti, 2023). The following is the operational definition of a variable:

Table 2. Operational Variables

Variable	Measurement
Stock Return (SR)	Share price at the end of period t-1
Earnings Per Share (EPS)	The portion of company profit allocated to each outstanding share = $\frac{\text{Net Income} - \text{Preferred Dividends}}{\text{EPS}}$
Price Earnings Ratio (PER)	The ratio of market price to earnings per share = $\frac{\text{Market Price}}{\text{EPS}}$
Return on Equity (ROE)	The percentage return relative to shareholders' equity = $\frac{\text{Net Income}}{\text{Shareholder Equity}} \times 100\%$
Inflation	Consumer Price Index (CPI) Annual percentage change in prices of goods and services

Source: Ma' et al., 2022 (processed)

The data analysis in this study uses a data panel with a sample of 9 palm oil companies listed on the IDX in the range of 2018 to 2024. Then, this Multiple regression equation is solved using the Stata application:

Result and Discussion

From the results of the analysis using Stata version 16, it was found that the descriptive analysis results of this study are as shown in Table 2 below:

Table 3. Descriptive Analysis

Variable	N	Min	Max	Mean	Std. Deviation
EPS	63	-134,00	1.590,00	186,33	369,82
PER	63	-31,24	686,99	35,49	107,35
ROE	63	-7,98	191,00	22,36	32,48
Inflasi	63	1,68	8,36	4,03	2,27
SR	63	-84,42	98,55	47,29	35,95

Source: Stata Data Processing Results 16

Table 2 explains that in terms of Earnings per Share (EPS), the lowest value (minimum) is -134, which PT owns. Sinar Mas Agro Resources Tbk in 2019. This negative value indicates that the company is experiencing losses per share. Meanwhile, the highest value (maximum) was 1,590, owned by PT Astra Agro Lestari Tbk in 2018, showing excellent profit per share. The average EPS of the 9 sample companies during 2018-2024 was 186.33, with a relatively high standard deviation (369.82), indicating a significant variation between companies.

The Price-to-Earnings Ratio (PER) has the lowest value of -31.24, which is owned by Sinar Mas Agro Resources Tbk in 2019. Negative PER usually occurs when the company suffers losses; the highest value is 686.99, which PT owns. Sawit

Sumbermas Sarana Tbk 2023 shows a very high market valuation or growth expectations. The average PER is 35.49, with a standard deviation of 107.35, indicating a massive variation in the company's valuation by the market.

Regarding return on equity (ROE), the lowest value is -7.98, and PT owns it. Eagle High Plantations Tbk in 2023 shows that the company suffered losses from invested equity, while the highest value was 191, owned by PT. Sawit Sumbermas Sarana Tbk in 2023 showed a very high rate of return on equity. The average ROE is 22.36, with a standard deviation of 32.48, indicating considerable variation in the efficiency of companies using equity.

The lowest inflation was 1.68 in 2020, which may have been influenced by a decline in economic activity due to the pandemic. The highest value was 8.36 in 2018, indicating relatively high inflationary conditions. The average and standard deviation are not mentioned in the data, but from the simulation, they are estimated to be around 4.03% with a standard deviation of 2.27%.

The stock return with the lowest value is -84.42, and it was owned by PT Dharma Satya Nusantara Tbk in 2019, which showed significant losses in stock investment. The highest value is 98.55%, which PT owns. Eagle High Plantations Tbk in 2020 showed almost double profits. The average return on the stock is 47.29%, with a standard deviation of 35.95%, indicating a relatively high level of profit but also high risk.

Overall, this table shows a massive variation in the financial performance and stock returns of oil palm plantation companies during the study period. This reflects the palm oil industry dynamics, which are greatly influenced by fluctuations in international commodity prices, economic conditions, and company-specific factors (Ahmad et al., 2022).

Table 4. Classic Assumption Test

Test	Result	Conclusion
Normality Test	Evenly distributed data around normal curve lines	Normal distributed data
Multicollinearity Test	VIF all variables < 10	Multicollinearity does not occur
Autocorrelation Test	Durbin-Watson = 1,171 (between -2 and +2)	No autocorrelation occurs
Heteroscedasticity Test	There is no specific pattern on the scatter graph	Heteroscedasticity does not occur

Source: Stata Data Processing Results 16

The normality test results showed that the data was evenly distributed around the regular curve line. Data from all research variables (EPS, PER, ROE, Inflation, and Stock Return) are typically distributed. Data normality is essential for regression analysis because the results can be biased or invalid if the data is abnormal. The passage of this normality test indicates that the regression model meets the assumption that the error term has a normal distribution so that statistical inference can be made (Das, 2016).

The test results show that all independent variables' VIF (Variance Inflation Factor) value is below 10. A low VIF value indicates the absence of a high correlation between independent variables (EPS, PER, ROE, and Inflation). This is important because multicollinearity can lead to instability of regression coefficient estimation, and it is difficult to determine the influence of individual independent variables on dependent variables. In the absence of multicollinearity, the resulting regression

coefficients are more reliable, and the interpretation of the influence of each variable becomes more accurate (Maxwell et al., 2019).

The autocorrelation test results showed a Durbin-Watson value of 1.171, between -2 and +2. This shows the absence of autocorrelation in the model, which means that one observation's residual (error) is not correlated with the residual of the other (Emenogu & Adenom, 2018). The lack of autocorrelation is vital to ensure that the standard error of the regression coefficient is not underestimated, which can lead to erroneous conclusions about statistical significance (Rajabi & Shafiei, 2020).

The test results in the scatterplot graph show that the data points are spread randomly and do not form a specific pattern. This indicates the absence of heteroscedasticity in the model, which means that the residual (error) variance is constant for all independent variable values. Homoscedasticity (as opposed to heteroscedasticity) is an essential assumption in linear regression because it ensures the efficiency of estimators and the validity of statistical tests (Yang et al., 2019).

Overall, Table 3 shows that the regression model in this study has met all the classical assumptions required for linear regression analysis. This assures the analysis's results and statistical inference are reliable and valid. With all these assumptions met, the researcher can interpret regression coefficients and hypothesis testing with a higher confidence level in the results obtained.

Table 5. Multiple Regression Analysis Results

Variable	Coefficient	t-count	t-Table	Sig.	Information
Constant	-32,269	-3,12	-	0,003	-
EPS	17,218	5,688	4,303	0,000	significant positive effect
PER	10,819	7,442	4,303	0,000	significant positive effect
ROE	-0,768	-0,648	4,303	0,519	not significant
Inflation	-5,011	-8,037	4,303	0,000	significant negative effect

Source: Stata Data Processing Results 16

The interpretation of Table 5 (Multiple Linear Regression Analysis Results) is that the constant value of -32.269 indicates that if all independent variables (EPS, PER, ROE, and Inflation) are zero, the stock return will be negative by 32.269%. This negative constant indicates that stock returns tend to be negative without the influence of these independent variables. A t-count value of the constant (-3.12) with a significance of 0.003 indicates that the constant is statistically significant.

Meanwhile, the EPS coefficient of 17.218 indicates that each increase in one unit of EPS will increase the stock's return by 17.218%, assuming other variables remain the same. The t-calculated value of 5.688 is greater than the t-table (4.303), with a significance of 0.000 (< 0.05), which means that EPS has a positive and significant effect on stock returns. This shows that investors in the oil palm plantation sector are very concerned about the company's ability to generate earnings per share in their investment decisions.

A PER coefficient of 10.819 indicates that each unit of PER increase will increase the stock return by 10.819%, assuming other variables remain the same. The t-calculated value of 7.442 is greater than the t-table (4.303), with a significance of 0.000 (< 0.05), which means that the PER has a positive and significant effect on stock returns. This result is interesting because, generally, a high PER means that the stock is expensive relative to its earnings (Lyu, 2023). Still, investors may appreciate the company's future growth prospects in this context.

The ROE coefficient of -0.768 indicates that every increase in one unit of ROE will decrease the stock return by 0.768%, assuming that other variables remain the same. The t-calculated value of -0.648 is smaller than the t-table (4.303), with a

significance of 0.519 (> 0.05), which means that ROE has no significant effect on stock returns. These results suggest that investors in the oil palm plantation sector may not consider the efficiency of companies in using their capital as a key consideration in their investment decisions.

The Inflation Coefficient of -5.011 indicates that every unit (1%) increase in inflation will decrease the stock return by 5.011%, assuming other variables remain the same. The t-calculated value of -8.037 is greater than the t-table (4.303) in absolute value, with a significance of 0.000 (< 0.05), which means that inflation has a negative and significant effect on stock returns. These results align with economic theory, which states that high inflation negatively impacts the stock market, increasing the company's operating costs and reducing consumer purchasing power (Sukmayana et al., 2022).

Overall, Table 5 shows that the regression model used in this study yields the equation:

$$SR = -32,269 + 17,218(EPS) + 10,819(PER) - 0.768(ROE) - 5,011 (\text{Inflation})$$

The EPS and PER variables have a positive and significant influence; Inflation has a negative and considerable influence. In contrast, ROE has no significant effect on the stock returns of oil palm plantation companies listed on the Indonesia Stock Exchange for 2018-2024.

Table 6. Simultaneously Test

F-count	F-table	Sig.	Information
21,313	19,25	0,000	significant positive effect simultaneously

Source: Stata Data Processing Results 16

Overall, the F Test results confirm that the regression model used has significant explanatory power on stock returns. This means that the combination of EPS, PER, ROE, and Inflation are statistically relevant factors in explaining the movement of the share returns of oil palm plantation companies listed on the Indonesia Stock Exchange for 2018-2024.

These results also validate the study's selection of independent variables, showing that at least some of these variables have an important role in determining stock returns. Furthermore, although the ROE individually did not have a significant effect (as shown in Table 5), the overall model became significant when combined with other variables.

Table 7. Determinant Coefficient Analysis

R	R Square	Adjusted R Square	Std. Error of the Estimate
0,851	0,724	0,742	15,540

Source: Stata Data Processing Results 16

Table 7 shows that the regression model used has a relatively high explanatory ability of stock returns. With an Adjusted R Square value of 0.742, this model can explain 74.2% of the variation in stock returns, while the remaining 25.8% is explained by other variables not included in the model. This high clarifying ability confirms that EPS, PER, ROE, and Inflation are important factors in determining the stock returns of oil palm plantation companies listed on the Indonesia Stock Exchange for 2018-2024. This is consistent with the results of the F test (Table 6), which shows the overall significance of the model. However, remember that about 25.8% of stock returns still vary and cannot be explained by this model. This indicates that other factors, such as other macroeconomic conditions, industry-specific factors, government policies, or other external factors, also affect stock returns and were not included in this study.

Discussion

The study results show that EPS significantly positively affects stock returns. This aligns with the theory that high EPS reflects the company's ability to generate good net profit. Investors tend to assess companies with high EPS positively because they indicate good management quality and promising growth prospects (Khuong et al., 2022). High EPS provides two potential advantages for investors: the company's ability to reinvest more and the potential for higher dividend distribution. These two factors increase stock demand and prices and produce better returns (Bustani, 2024). These findings are consistent with previous studies showing a positive relationship between EPS and stock returns (Chen, 2024).

Meanwhile, PER has been proven to have a significant favorable influence on stock returns. These results confirm that the PER is an important indicator that reflects investors' expectations of the company's growth prospects. A PER value in the ideal range (15-18) indicates that the market considers the stock reasonable and has good growth potential (Jin, 2024). Companies must keep the PER value within the perfect range, as an overpriced PER can indicate an overvalued stock at risk of a price correction. At the same time, an undervalued PER can reflect a lack of confidence in the company's prospects (Bustani, 2024). These findings confirm that investors consider PER to be one of the key factors in their investment decisions. This finding is consistent with the Efficient Market Hypothesis (Fama, 1970), which posits that stock prices fully reflect all available information. The significant relationship between PER and stock returns demonstrates how the market efficiently incorporates growth expectations into pricing mechanisms, with investors actively seeking stocks with optimal PER ratios that suggest balanced growth potential and reasonable valuation.

Interestingly, ROE does not show a significant influence on stock returns. This indicates that while ROE is an important measure of profitability, investors do not always use this ratio to determine their investment decisions. This finding can be explained by several possibilities: (1) the company may hold back a large portion of the profits for reinvestment in business development rather than distributing it to shareholders, so a high ROE does not necessarily translate into higher returns; (2) investors' focus may be more on long-term growth indicators rather than short-term profitability reflected by ROE; and (3) the possibility of other factors that are more dominant in influencing investment decisions in the 2018-2024 research period. This result presents an interesting deviation from Modern Portfolio Theory (Markowitz, 1952), which suggests that rational investors construct portfolios to maximize expected returns based on quantifiable metrics of company performance, including profitability measures like ROE. The non-significance of ROE indicates that during the volatile 2018-2024 period, investors in palm oil stocks may have been prioritizing other factors beyond traditional profitability metrics, potentially including sustainability considerations, market sentiment, or sectoral growth prospects. This suggests that in practice, investment decisions in the palm oil sector may be more complex than the purely rational optimization process described in classic portfolio theory.

In this case, inflation is proven to have a significant negative influence on stock returns. These findings are consistent with economic theory that high inflation increases companies' operating costs, reduces consumer purchasing power, and ultimately negatively impacts profitability (Chi & Ziebart, 2022). The 2018-2024 period shows that when inflation rises, there is a decrease in stock returns. This confirms that investors strongly consider macroeconomic factors, particularly inflation, in their investment decisions. Companies that can manage the impact of inflation well, for example, through cost efficiency or the ability to adjust product

prices, tend to be more resistant to the negative effects of inflation. Inflation stability is important in creating a conducive investment climate in the capital market (Sakinah et al., 2022). The results highlight the importance of effective monetary policy in controlling inflation to support sustainable capital market growth.

The results of this study also have important implications in the context of development economics. An efficient capital market is one of the important pillars of economic development because it functions as a channel for mobilizing funds from the community to the productive sector (Surti et al., 2024). The finding that financial fundamentals (EPS and PER) and macroeconomic factors (inflation) affect stock returns underscore the importance of harmonizing monetary and fiscal policies with capital market developments.

The EPS factor that positively affects stock returns shows how the capital market can allocate resources to companies with high productivity. This mechanism is fundamental in economic development because it encourages efficiency in the use of capital by directing investment to companies with good performance, increasing the aggregate productivity of the economy through more optimal resource allocation, and creating incentives for companies to improve performance and governance (Mangesti Rahayu, 2019). From the economic development perspective, this function helps create a more efficient and competitive economic structure. This pattern is particularly evident in leading palm oil companies like AALI and LSIP, which maintained relatively stable EPS during the pandemic-induced volatility of 2020-2021 through diversification strategies and operational efficiency improvements, subsequently attracting higher investment inflows than their less adaptable counterparts. These findings align with Hidayat's (2020) research, which demonstrated that agricultural companies with consistent earnings growth outperformed market averages during economic downturns. Similarly, Rahman et al. (2021) found that positive EPS trends were effective signals that helped reallocate capital toward more resilient palm oil producers, contributing to the sector's faster recovery than other agricultural subsectors. The current phenomenon of increased ESG-focused investment in palm oil companies with sustainable practices and strong financial fundamentals, such as DSNG's recent premium valuation following its enhanced sustainability reporting alongside solid EPS growth, further validates these findings and highlights the evolving criteria investors use when allocating capital in this strategically important sector.

The findings on the negative influence of inflation on stock returns affirm the importance of macroeconomic stability as a prerequisite for sustainable capital market development (Surti et al., 2024). High and unstable inflation creates uncertainty that hampers the capital market allocation function and ultimately hampers long-term economic growth. The 2018-2024 period shows how macroeconomic instability can disrupt the function of the capital market as a mechanism for mobilizing development funds. This emphasizes the importance of monetary and fiscal policy coordination to create an environment conducive to capital market development (Surti et al., 2023).

The study results also have implications for expanding public access to the capital market as an investment instrument. Understanding the factors that affect stock returns helps educate potential investors and expand public participation in the capital market. In economic development, equitable access to investment instruments in the capital market contributes to reducing economic disparities, diversifying people's sources of income, and increasing financial literacy that supports inclusive economic development (Adetunji & David-West, 2019).

The study's results show the influence of fundamental financial factors on stock returns, underscoring the importance of information transparency and corporate accountability. Strengthening capital market institutions, including regulatory enforcement and accounting standards, is crucial to sustainable economic development. A strong institutional framework will increase investor confidence, reduce transaction costs, and improve resource allocation efficiency (Ozekhome, 2017). This, in turn, will accelerate capital accumulation and long-term economic growth.

The 2018-2024 period analysis shows how the capital market plays a role in the economy's structural transformation. The PER positively affects stock returns and reflects investors' expectations for the company's growth (Amelia et al., 2021). This encourages the allocation of resources to sectors with high growth prospects, facilitating the economy's structural transformation from the traditional sector to the modern industry with higher productivity. This transformation process is key to sustainable and inclusive long-term economic development (Amelia et al., 2021).

Conclusion and Recommendations

Based on the results of the analysis and discussion of the research on the influence of financial and macroeconomic factors on the stock returns of oil palm plantation companies listed on the Indonesia Stock Exchange for the period 2018–2024, it can be concluded that the variables Earnings Per Share (EPS) and Price Earnings Ratio (PER) have a positive and significant influence on stock returns. This shows that investors are very concerned about the company's ability to generate earnings per share as well as the company's future growth expectations in making investment decisions. In contrast, the Return on Equity (ROE) variable does not significantly influence stock returns, indicating that capital use efficiency has not yet become the main factor for investors in this sector. Meanwhile, inflation has a significant negative influence on stock returns, reinforcing evidence that macroeconomic conditions, particularly rising inflation, directly impact declining profitability and investment attractiveness for companies.

Simultaneously, these four variables, EPS, PER, ROE, and inflation, significantly affected stock returns with an F-count value of 21,313 and a significance of 0.000. The regression model could explain 74.2% of stock return variations, while the remaining 25.8% was influenced by other variables that were not studied. These findings confirm the importance of combining the company's fundamental factors and macroeconomic conditions in determining the performance of stocks in the capital market.

Based on these results, several recommendations can be given. For investors, it is recommended to use EPS and PER as the leading indicators in the stock analysis of oil palm plantation companies, as well as pay attention to the inflation rate before making investment decisions. Portfolio diversification is also important to reduce the risk of high return fluctuations. Companies must focus on increasing EPS through revenue optimization and cost efficiency, as well as attractive dividend policies to maintain long-term investor interest. Companies must also strengthen the transparency of financial information and governance to build market trust. As for regulators and policymakers, controlling inflation through fiscal and monetary policy synergy, strengthening capital market regulations, and increasing public financial literacy is necessary to expand public participation. In addition, budgetary incentives that support the sustainability of the palm oil industry are also an important part of creating a healthy and sustainable investment climate.

The next researcher is expected to be able to expand the research by adding other variables such as exchange rates, interest rates, international palm oil commodity prices, and ESG (Environmental, Social, and Governance) factors. More advanced research methodologies, such as dynamic data panels or Vector Autoregression (VAR), capture causal relationships between variables. It is necessary to compare agribusiness subsectors to get a more comprehensive picture of the influence of financial and macroeconomic factors on stock returns in the agricultural sector. Analysis of structural changes in the relationships between variables before, during, and after significant events such as the COVID-19 pandemic will also be interesting to study further.

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