EFFECT OF CAPITALIZATION AND TRADING VOLUME ON STOCK RETURNS IN THE TOP 10 BIG CAPS STOCK ON THE INDONESIAN STOCK EXCHANGE PERIOD 2015 – 2019

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Abstract

Market capitalization is the value of the number of shares issued by a company and the multiplication of the market price or closing price with the number of shares issued is the value of the size of a public company that has listed its shares on the stock exchange with the influence of trading volume, trading volume is the part accepted in the analysis technical. Trading activities in very high volumes on an exchange will be interpreted as a sign that the market will improve (bullish) and an increase in trading volume followed by an increase in prices is a symptom of increasingly strong bullish conditions for achieving stock returns. Stock return is the profit expected by an investor in the future for the amount of funds he has placed. So, stock capitalization activities with increasing trading volume will affect the value of stock returns. This research aims to test and analyze the effect of stock capitalization and trading volume on stock returns on TOP BIG CAPS shares on the IDX 2015 - 2019. The research method uses descriptive quantitative, data collection techniques through literature research and observational research. The population and research sample were 14 companies. The partial research results show that capitalization has a significant influence on increasing stock returns and trading volume does not have a significant influence on increasing stock returns. Meanwhile, it can be simultaneously concluded that the level of capitalization and trading volume have an insignificant effect on returns share.

Keywords
Stock Capitalization, Trading Volume, Stock Return.

1. Introduction

The capital market is a meeting place for parties who have funds (investors with the party who needs the funds (issuer) and the place where the activity occurs investment. Stock investment allows investors to get returns or greater profits in a relatively short time (high return) although shares also have the characteristic (high risk), namely one time the share price can also decrease quickly for investors to obtain a good return expected. The higher the return expected to be obtained by investors, the greater the risk that investors must bear.

The following is the size of the market capitalization and the average Average stock returns on the Indonesian Stock Exchange for the 2015-2019 period:

Tabel 1. Capitalization Value and Average Stock Return 2015-2019

No	Years	Market Capitalization (Bilion Rupiah)	Top Stock Market Capitalization 10 Big Caps (Billions of Rupiah)	Average Stock Return (%)
1	2015	4.872.702	237.162	-0,57

2	2016	5.753.613	274.395	10,98
3	2017	7.052.389	360.043	32,26
4	2018	7.023.497	336.643	-3,92
5	2019	7.265.016	342.916	27,22

Sumber: www.idx.co.id

From this table it can be seen that every change in market capitalization for anything happens on the stock exchange can determine stock returns, but there are unidirectional movement in 2019 where the market capitalization value was falls but the average stock return increases.

Based on the description stated above, the author is interested conduct research to find out more about capitalization value market and share transaction value influence the level of stock returns, by therefore, the author is interested in conducting research with the title: "Influence Capitalization and Trading Volume on Stock Returns on Stocks Top 10 Big CAPS on the Indonesian Stock Exchange for the 2015-2019 Period".

1.1 Objectives
Based on the background description, the researcher formulates the problem regarding research on The Influence Capitalization and Trading Volume on Stock Returns on Stocks Top 10 Big CAPS on the Indonesian Stock Exchange for the 2015-2019 Period.

2. Literature Review
After reviewing the literature, researchers found several studies that have similarities in the subject of the study, look at this table:

Tabel 2. Summary of Previous Research

No.	Research Title	Variable	Research result	Equality	Difference
1	Analysis of the Effect of Trading Frequency, Trading Volume, Market Capitalization, and Trading Day on Stock Returns in Manufacturing Companies Listed on the IDX for the 2006-2008 Period. **Maknum (2010)**	Trading Frequency, Trading Volume, Market Capitalization, Trading Day, and Stock Returns	Trading frequency has a significant negative effect on stock returns, trading volume has a significant positive effect on stock returns, market capitalization has a significant positive effect on stock returns, and trading day has an insignificant negative effect on stock returns.	The variables studied are trading volume values, market capitalization and stock returns and Research methods Quantitative	Unit of observation
2	Stock Return Distribution and Market Capitalitation **Lukacs (2002)**	Stock Return Distribution, Market Capitalitaion	As far as capitalization decreases, negative skewness values tend to zero, further turn into positive i.e., less capitalisation value means a more positive skewness measure	Stock return, Market Capitalisation	Objects research

3	Influence frequency trading, trading volume, capitalization value markets, share prices and day trading against returns shares on cosmetic companies and household needs in Indonesia stock exchange **Yusra (2019)**	Influence frequency trading, trading volume, capitalization value markets share prices, day trading, returns shares	the trading day variable has no effect on the level of stock returns. Hypothesis testing between the Fcount and Ftable values is significant which shows that simultaneously the variables trading frequency (X1), trading volume (X2), market capitalization value (X3), stock price (X4), and trading day (X5) has no effect on stock returns.	Capitalization value market, return shares	Influence frequency trading, trading volume, Object research

2.1 Financial Management

Definition of financial management according to several experts. According to Martono and Agus (Ramadhana et al, 2018), Financial Management (Financial Management) is all company activities related to obtain funds, use funds and manage assets according to company objectives overall. In other words, financial management is management (management).

2.2 Capital Market

Formally the capital market can be defined as a market for long-term financial instruments (or securities) that can be sold buy, either in the form of debt or own capital, either way published by the government, public authorities and private companies (Husnan : 2015) Based on this definition, it can be concluded that the capital market is a market that brings together sellers and buyers of long-term securities in the form of debt or own capital directly and through representatives his deputy.

2.3 Capital Market Instruments

According to Jogiyanto (2017) capital market instruments in principle are all securities (securities) that are generally traded in the capital market including ordinary shares, preferred shares, bonds, convertible bonds, rights issues, and warrants.

2.4 Shares

According to Fahmi (2016) shares are Shares are proof of ownership of capital/funds a company, the paper clearly states the nominal value and name company and followed by the rights and obligations explained to every holder.

From this definition it can be concluded that shares are a sign ownership of a person or business entity over a company within it listed nominal value, company name and followed by rights and obligations which is explained to each holder.

2.5 Market Capitalization

According to Silviyani (2014) market capitalization is one attractiveness of investors in choosing shares. The larger the market capitalization of a share, the longer investors hold their share ownership, because Investors assume that large companies will tend to be more stable on the side financial, the risk is smaller and has good prospects in the long term long with the hope of a large return.

2.6 Trading Volume

According to Ahmad, et al. (2016) Trading volume is an indicator of stock liquidity based on information in the capital market. Activities Stock trading is measured using the Trading Volume indicator activity (trading volume activity). This means, if the stock is active in trading, then the stock trading volume increases so that produce high stock returns, and vice versa.

3. Methods

The research method designer research approach with quantitative with approach descriptive. The data source used in this research was obtained through research of The top 10 monthly Big CAPS during the 2015-2019 period were obtained from the BEI monthly statistics report via the official website of the Indonesian Stock Exchange, namely www.idx.co.id using time series data. The Instrument research use Regression Data Panel, Analytical Descriptif, Analytical Verificatif, Cassical Assumption Test. Regression analysis process carried out is using partial regression analysis drawing conclusions using statistical tests t-test.

4. Data Collection

The data collection techniques used in this research are Library Research and Field Research. The data collection technique in this study involves using a research method, which means collecting data from the website who was had Financial Report, Top 10 Market Cap, and Liquid.

The measurement variables for this research are:

Table 3. Variable Indicators

Variable	Indicator
Capitalization (X_1)	Vs = Ps x Ss
Volume trading (X_2)	$TV_A \dfrac{\sum Shares\ are\ traded}{\sum shares\ outstanding}$
Stock return (Y)	$Return = \dfrac{P_t - P_{t-1}}{P_{t-1}}$

Source: data processed by the author (2021)

5. Results and Discussion

5.1 Analytical Descriptif

1. Stock Return

   Stock Returns of the Top 10 Big CAPS Stocks on the Indonesian Stock Exchange for the 2015-2019 period tend to fluctuate from year to year. The highest stock return occurred in 2017, namely 32.26% and the lowest stock return occurred in 2018, namely – 3.92%. According to an article from Bareksa (2018) entitled Global Stock Exchange Compactly Weakens Throughout 2018. There are several factors that caused the stock market to decline drastically in 2018, namely trade tensions, the slowing global economy and the US central bank's too rapid increase in interest rates. Another thing that supports the fall in shares is the level US inflation is still slightly below the 2% level.

2. Capitalization

   Capitalization of Top 10 Big CAPS Stocks on the Indonesian Stock Exchange Year Period 2015-2019 tends to fluctuate from year to year. The highest capitalization occurred in 2017, namely IDR 360,043,083,669,160 from the previous year which also experienced an increase and the lowest capitalization occurred in 2015, namely IDR 237,162,160,739,394. According to an article originating from CNN Indonesia (2015), with the title drop 13 Percent, IDX Capitalization Falls to Lowest in Asia. In the article, it is stated that the cause of the decline in capitalization in 2015 was due to the weakening of the global economy and several domestic factors. Investors make investment transfers because of this. Global economic developments such as the Greek debt crisis, Chinese stock market conditions coupled with several domestic factors have triggered portfolio rebalancing by investors in emerging markets, including Indonesia. Another thing is that the weakening of the rupiah against the US dollar also makes Indonesia's market capitalization value lower.

3. Transaction volume

   Top Stock Transaction Volume 10 Big CAPS on the Indonesian Stock Exchange for the 2015-2019 period tend to experience fluctuations from year to year. The highest transaction volume occurred in 2017, namely 1,754,771,332 shares. And the lowest transaction volume occurred in 2015, namely 1,486,477,916 shares. According to an article from Kontan (2017), with the title Volume increases, the value of stock exchange transactions actually decreases. In this article it is said that even so, the transaction volume and number of transactions are not accompanied by the average transaction value daily on the stock exchange. The average stock exchange transaction value in 2017 actually recorded a decline of 1.73% to IDR 7.36 trillion or recorded a decrease compared to the transaction value in 2016 of IDR 7.49 trillion. Hans Kwee, Director of Investa Saran Mandiri, believes that the increase in daily transaction volume and the increase in daily transactions on the IDX occurred because the market was in a bullish condition so that transactions and volume could

increase. Second, after the tax amnesty, local dominance over the exchange became greater, especially after the T+ rule was abolished so that transactions became neater. He also said that currently the number of new investors on the stock exchange has also recorded a large increase. With indications that purchasing power is falling and people tend to prefer to invest, this is one of the drivers for the stock exchange.

5.2 Classical Assumption Test

1. Normality test
   The probability value is 0.656429, this means that the value is 0.656429 > 0.05, it can be said that the data is normally distributed.
2. Autocorrelation test
   The DW value is 0.842557, which means it can be concluded that there is no autocorrelation in this regression model.
3. Heteroscedasticity test
   The data experiences heteroscedasticity problems in this regression model, because the probability value between variables is greater than 0.05, namely X1 (0.7758 > 0.05) and X2 (0.6895 > 0.05). So the probability value between variables is smaller than 0.05, meaning there is no heteroscedasticity.
4. Multicoleniarity test
   Capitalization has a correlation value of (0.356077 < 0.8) and trading volume has a correlation value of (0.356077 < 0.8). So it can be concluded that the independent variables (capitalization and trading volume) do not have multicollinearity problems because the correlation between variables is smaller than 0.8.

5.3 Regresion Data Panel

1. Chow test
   The Chow test results show that the cross-section F value is 0.0000 or smaller than 0.05. Thus, it can be concluded that hypothesis one is accepted, meaning that the more appropriate model to use is the fixed effect model.
2. Hausman test
   The Hausman test results show that the value of prob. The random cross section is 0.0549. Thus, it can be concluded that the null hypothesis is accepted, which means that the more appropriate model to use is the random effect model.
3. Lagrange Multiplier test
   The results of the Lagrange Multiplier (LM) test show that the value of prob. Breusch-pagan of 0.1337. Thus, it can be concluded that the null hypothesis is accepted, which means that the more appropriate model to use is the common effect model.

5.4 Regression equation model

The panel data regression equation model used in this research is as follows:

$Y_{ti} = α + β1X1_{ti} + β2X2_{ti} + e$

Stock Return = 10.79738 + 1.561613X1 − 2.558176X2 + **e**

1. The constant (α) of 10.79738 states that if the capitalization and trading volume variables = 0 then the stock return is 10.79738.
2. The capitalization regression coefficient is 1.561613. This means that for every additional 1 unit of capitalization rate, stock returns will increase assuming the other variables are constant.
3. The trade volume regression coefficient is -2.558176. This means that every additional 1 unit of trading volume/100 shares will reduce stock returns by IDR 100 assuming the other variables are constant.

5.5 Statistical Result

1. T test Capitalization to Stock Return
   The t table value can be seen in the t-statistics at df= n - k or 50 - 3=47 (k, is the independent variable), with a significance of 0.05 and a 2-sided test obtained the t table results = 2.01174 / -2.01174. The capitalization variable partially has no effect on stock returns. This is because Tcount is smaller than Ttable where the value is 0.143133 which is smaller than 2.01174 or the probability is 0.8868 which is more than 0.05 so that H0 is accepted, meaning that partial capitalization has no and significant effect on stock returns in the Top 10 Big CAPS stocks on the Indonesian Stock Exchange for the year period. 2015 - 2019.
2. T test Volume Trading to Stock Return
   The trading volume variable partially has no effect on stock returns, this is because Tcount < Ttable where the calculated value is -0.972204 which is smaller than 2.01174 or the probability is more than 0.05 which

is 0.3359 so H1 is accepted, meaning that partially trading volume has no significant effect on stock returns in Top 10 Big CAPS shares on the Indonesian Stock Exchange for the 2015-2019 period.

3. F test

   that the Fcount value is equal to 0.496197 and for Ftable it can be calculated using the confidence level 5%, $\alpha = 5\%$, dfl (3-1=2), df2 (50-2-1=47), the results obtained for Ftable are 3.20.

6. Conclusion

Based on the results and discussion of the research on Influence Capitalization and Trading Volume on Stock Returns on Stocks Top 10 Big CAPS on the Indonesian Stock Exchange for the 2015-2019 Period, the researcher can draw the following conclusions:

1. Market capitalization is one of the attractions for investors in choosing shares. The larger the market capitalization, the longer investors hold their share ownership, because the risk is smaller and they have good prospects in the long term. From the research results, it can be seen that during the 2015-2019 period. The highest capitalization occurred in 2017, namely IDR 360,043,083,669,160 from the previous year which also experienced an increase and the lowest capitalization occurred in 2015, namely IDR 237,162,160,739,394.

2. Trading volume is an indicator of stock liquidity based on information in the capital market. Stock trading activity is measured using the Trading Volume Activity indicator. From the research results it can be seen that during the 2015-2019 period. The highest transaction volume occurred in 2017, namely 1,754,771,332 shares. And the lowest transaction volume occurred in 2015, namely: 1,486,477,916 shares.

3. Stock return is the profit expected by an investor in the future for the amount of funds he has placed. Hope describes something that might happen beyond what is expected. From the research results, it can be seen that during the 2015-2019 period. The highest stock returns occurred in 2017, namely 32.26%. And the lowest stock return occurred in 2018, namely -3.92%.

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