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Analysis of The Influence of Financial on The Stock of Companies in consumer cyclicals and healthcare sector listed on the Indonesia stock exchange for the period 2021-2023

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A B S T R A K

Penelitian ini membahas pengaruh faktor keuangan terhadap return saham pada perusahaan sektor barang konsumen non-primer dan sektor kesehatan yang terdaftar di Bursa Efek Indonesia periode 2021–2023. Tujuan penelitian ini adalah untuk menganalisis pengaruh probability financial distress, struktur modal, ukuran perusahaan, likuiditas, dan price to cash flow from operating activities terhadap return saham pada kedua sektor tersebut. Penelitian ini menggunakan metode kuantitatif dengan pendekatan regresi data panel. Sampel penelitian ditentukan dengan metode purposive sampling dan data yang digunakan merupakan data sekunder dari laporan keuangan dan harga saham perusahaan. Hasil penelitian menunjukkan bahwa probability financial distress berpengaruh negatif terhadap return saham, terutama pada sektor barang konsumen non-primer. Variabel struktur modal, likuiditas, dan price to cash flow from operating activities tidak berpengaruh signifikan terhadap return saham pada kedua sektor. Ukuran perusahaan berpengaruh pada sektor barang konsumen non-primer namun tidak pada sektor kesehatan. Penelitian ini menyimpulkan bahwa karakteristik sektor industri memengaruhi respon investor terhadap kinerja keuangan perusahaan.
Kata Kunci : Return Saham; Probability Financial Distress; Struktur Modal; Ukuran Perusahaan; Likuiditas; Price to Cash Flow; Sektor Industri.

A B S T R A C T

This study examines the effect of financial factors on stock returns of companies in the non-primary consumer goods sector and the healthcare sector listed on the Indonesia Stock Exchange during the period 2021–2023. The purpose of this study is to analyze the influence of probability of financial distress, capital structure, firm size, liquidity, and price to cash flow from operating activities on stock returns in both sectors. This research employs a quantitative approach using panel data regression analysis. The sample was selected through purposive sampling, and secondary data were obtained from published financial statements and stock price information. The results indicate that the probability of financial distress has a negative effect on stock returns, particularly in the non-primary consumer goods sector. Capital structure, liquidity, and price to cash flow from operating activities do not have a significant effect on stock returns in either sector. Firm size affects stock returns in the non-primary consumer goods sector but not in the healthcare sector. The study concludes that industry characteristics play an important role in shaping investor responses to corporate financial conditions.
Keyword : Stock Return; Probability of Financial Distress; Capital Structure; Firm Size; Liquidity; Price to Cash Flow; Industry Sector.

1. INTRODUCTION

Stock returns are a key indicator for investors in assessing the performance and risk of equity investments in capital markets. However, stock returns are inherently volatile and influenced by firm-specific financial conditions as well as industry characteristics. Understanding the determinants of stock returns remains an important issue in financial research, particularly in emerging markets such as Indonesia.

Firm financial performance plays a crucial role in shaping investor perceptions and investment decisions. One of the major concerns for investors is the probability of financial distress, which reflects a firm's potential inability to meet its financial obligations. Firms with higher financial distress risk are generally perceived as less attractive, leading to declining investor confidence and lower stock returns. In addition, capital structure decisions may influence firm risk and value, yet prior empirical studies provide mixed evidence regarding their impact on stock returns.

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Other firm-specific characteristics, including firm size and liquidity, are also considered relevant factors in explaining stock return behavior. Larger firms are often viewed as more stable, but may offer lower growth opportunities compared to smaller firms. Liquidity indicates a firm's ability to meet short-term obligations, although excessive liquidity may signal inefficient asset utilization. Moreover, cash flow–based measures, such as price to cash flow from operating activities, have gained attention as they better capture firms' real operating performance compared to earnings-based indicators.

Importantly, the relationship between financial factors and stock returns may vary across industries. The non-primary consumer goods sector is generally cyclical and sensitive to economic conditions, while the healthcare sector tends to be more defensive due to relatively stable demand. These contrasting characteristics suggest that investor responses to financial information may differ across sectors.

Motivated by inconsistent findings in prior studies and sectoral differences, this study investigates the effects of probability of financial distress, capital structure, firm size, liquidity, and price to cash flow from operating activities on stock returns of non-primary consumer goods and healthcare companies listed on the Indonesia Stock Exchange during the 2021–2023 period. This study contributes to the literature by providing sector-based evidence on how firm financial conditions influence stock returns in an emerging market context.

2. METHOD

This study adopts a quantitative empirical approach to investigate the relationship between firm-specific financial characteristics and stock returns. Panel data methodology is employed to exploit both cross-sectional heterogeneity across firms and temporal variation over the 2021–2023 period, thereby improving estimation efficiency and controlling for unobserved firm-specific effects.

Sample Selection and Data Sources

The research population comprises all firms classified under the non-primary consumer goods sector and the healthcare sector listed on the Indonesia Stock Exchange. The sample is determined through purposive sampling, with selection criteria including continuous listing status during the observation period, availability of complete annual financial statements, and accessible stock price data. Secondary data are obtained from audited annual reports and official stock price records published by the Indonesia Stock Exchange.

Variable Definition and Measurement

Stock return serves as the dependent variable and is measured based on annual stock price movements. The independent variables include probability of financial distress, capital structure, firm size, liquidity, and price to cash flow from operating activities. Probability of financial distress is proxied using an established financial distress prediction model. Capital structure is represented by leverage indicators, firm size is measured using the natural logarithm of total assets, liquidity is proxied by the current ratio, and price to cash flow from operating activities captures the valuation of operating cash flows relative to stock prices.

Empirical Model and Estimation Technique

The empirical analysis is conducted using panel data regression. Model selection procedures are implemented to identify the most appropriate specification by comparing alternative panel estimators. Hypothesis testing is performed to evaluate the statistical significance of individual coefficients, while model adequacy is assessed using standard goodness-of-fit criteria. All estimations are performed using econometric software to ensure robustness and reliability of the results.

RESULT AND DISCUSSION

Empirical Results

The panel data regression results reveal that firm-specific financial characteristics exhibit heterogeneous effects on stock returns across the non-primary consumer goods sector and the healthcare sector. Overall, the model demonstrates adequate explanatory power, indicating that the selected financial variables collectively contribute to variations in stock returns.

The probability of financial distress shows a negative association with stock returns, particularly in the non-primary consumer goods sector. This finding suggests that higher financial distress risk leads to lower investor confidence and reduced stock performance in cyclical industries. In contrast, the effect of financial distress on stock returns in the healthcare sector appears weaker, reflecting the defensive nature of the industry and its relatively stable demand conditions.

Capital structure does not exhibit a statistically significant effect on stock returns in either sector. This result implies that leverage levels are not a primary determinant of investor valuation in the observed period. Instead, investors may place greater emphasis on firm stability and sectoral resilience rather than debt composition.

Firm size demonstrates a negative relationship with stock returns in the non-primary consumer goods sector, supporting the size effect hypothesis, where smaller firms tend to offer higher return potential due to higher risk and growth opportunities. However, firm size does not significantly affect stock returns in the healthcare sector, indicating that company scale plays a less critical role in a more regulated and stable industry environment.

Liquidity is found to have a negative, though generally insignificant, relationship with stock returns. This suggests that firms with higher liquidity levels are perceived as lower risk, leading investors to demand lower returns. However, liquidity does not appear to be a decisive factor in explaining stock return variations, particularly in the healthcare sector.

Price to cash flow from operating activities does not significantly influence stock returns in either sector. This finding indicates that, despite its theoretical relevance, operating cash flow valuation is not a dominant consideration for investors in the Indonesian equity market during the study period, possibly due to stronger emphasis on market sentiment and macroeconomic conditions.

Discussion

The findings highlight the importance of sectoral characteristics in shaping the relationship between financial indicators and stock returns. The stronger impact of financial distress in the non-primary consumer goods sector underscores the vulnerability of cyclical industries to financial risk, where deteriorating financial conditions are quickly reflected in stock prices. Conversely, the healthcare sector exhibits greater resilience, with stock returns less responsive to short-term financial distress signals.

The absence of significant effects from capital structure and liquidity across both sectors suggests that traditional balance-sheet indicators may have limited explanatory power in periods characterized by heightened market uncertainty. This outcome is consistent with prior studies that report mixed evidence regarding the influence of leverage and liquidity on stock returns in emerging markets.

The negative size effect observed in the non-primary consumer goods sector aligns with existing literature suggesting that smaller firms offer higher return potential due to greater exposure to risk and growth opportunities. The lack of a similar effect in the healthcare sector reinforces the notion that industry-specific dynamics moderate the relationship between firm size and stock returns.

Overall, the results indicate that investors respond differently to financial information depending on industry characteristics. These findings contribute to the literature by providing sector-based evidence from an emerging market context, emphasizing the need to incorporate industry heterogeneity when analyzing the determinants of stock returns.

CONCLUSION

This study investigates the effects of probability of financial distress, capital structure, firm size, liquidity, and price to cash flow from operating activities on stock returns in the non-primary consumer goods and healthcare sectors listed on the Indonesia Stock Exchange during the 2021–2023 period. Using a panel data approach, the findings demonstrate that firm-specific financial factors influence stock returns differently across sectors.

The results indicate that the probability of financial distress has a negative effect on stock returns, particularly in the non-primary consumer goods sector, highlighting the sensitivity of cyclical industries to financial risk. In contrast, the healthcare sector exhibits greater resilience, with stock returns less

responsive to short-term financial distress. Capital structure, liquidity, and price to cash flow from operating activities do not show significant effects on stock returns in either sector, suggesting that these indicators play a limited role in investor valuation during the observation period. Firm size negatively affects stock returns in the non-primary consumer goods sector, supporting the size effect hypothesis, while no significant size effect is observed in the healthcare sector.

Overall, this study underscores the importance of incorporating industry characteristics when examining the determinants of stock returns. By providing sector-based evidence from an emerging market, the findings contribute to the empirical literature and offer practical insights for investors and corporate managers in formulating investment strategies and financial policies.

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