# Impact of Performance Indicators on LSEG Finance and Credit Services Sector Stock Returns: Moderation by DPR and DAR

## Introduction

### Background
- **Lifeblood of economy:** Financial and credit services sector drives economic growth through capital allocation, business loans, and investment management (Sutton et al., n.d.).
- **Importance of Financial Metrics:** NPM, ROA, and CR reveal a company's profitability, efficiency, and liquidity (Stobierski, 2020).
- **Stock Returns:** They are affected by various financial indicators (Zhao et al., 2023).
- **Research Gap:**
  - Lack of understanding of the combined effect of NPM, ROA, and CR on stock returns.
  - Limited attention to the moderating roles of DPR and DAR.
  - Lack of studies in markets outside of Indonesia.

### Research Aims
- **To understand** the impact of NPM, ROA, and CR on stock returns.
- **To explore** the moderating roles of DPR and DAR.
- **To contribute** to both academic knowledge and practical investment strategies.

## Method

### Methodology
- **Research Philosophy:** Adopts a positivist approach, focusing on empirical analysis and aligning with realism by treating financial metrics as having an objective reality that impacts stock returns (Al-Ababneh, 2020; OpenLearn, 2022).
- **Research Approach:**
  - Deductive approach
  - Quantitative analysis using secondary data
- **Data Collection:**
  - **Population and Sample:** Out of 63 companies, ten met the criteria of being listed on the MAIN market during the period from 2019 to 2023.
  - **Sources:** Yahoo Finance, the LSEG website, and company annual reports were used to collect data of financial metrics and historical sock prices.
- **Data Analysis Techniques:**
  - **Multiple Linear Regression**: To assess the effects of NPM, ROA, and CR on stock returns.
  - **Moderated Regression Analysis**: To explore the moderating effects of DPR and DAR.

## Literature Review
- **Theoretical Foundations:**
  - **Efficient Market Hypothesis (EMH)**: Markets efficiently incorporate all available information into stock prices (Fama, 1970).
  - **Signaling Theory**: Management decisions like dividends announcement function as signal to investors (Puspitaningtyas, 2019).
  - **Market Timing Theory**: Companies adjust capital structures based on market conditions (Baker and Wurgler, 2002).
- **Literature:**
  - Mixed evidence on the effects of NPM, ROA, and CR on stock returns.
  - Limited exploration of moderation by DPR and DAR, indicating a research gap
- **Hypothesis Development:** Drawing from relevant theories and existing research, ten hypotheses were formulated.

## Findings
- **NPM:** Significant positive impact on stock returns, aligning with studies by Ramadhan and Nuraliati (2020), Prijanto, Pulung, and Sari (2021), and Fatmasari et al. (2021).
- **ROA:** Significant negative effect on stock returns, aligning with the study by Ummah et al. (2023).
- **CR:** No significant impact on stock returns, aligning with studies by Sunaryo D. (2022) and Wicaksono et al. (2024).
- **Combined Effect:** Significant positive combined effect of NPM, ROA, and CR on stock returns.
- **DPR and DAR:** No significant moderating effect on stock returns, aligning with studies by Kurnia and Sunaryo (2023) and Jose Andrian Tandry et al. (2024).
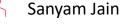
## Conclusion

### Outcomes
- **Conducted In-Depth Analysis:**
  - Analyzed the individual and combined effects of NPM, ROA, and CR on stock returns in the finance and credit services sector.
  - Addressed statistical challenges to ensure robust and reliable insights.
- **Explored Moderating Effects:**
  - Investigated the moderating roles of DPR and DAR on the relationships between financial ratios and stock returns.
  - Gained nuanced insights despite finding insignificant moderating effects, guiding future research directions.
- **Contribution to Literature and Practice:**
  - Extended existing literature by studying the combined impact of NPM, ROA, and CR on stock returns, filling a research gap.
  - Offered actionable insights for investors and analysts, supporting improved decision-making and laying a foundation for future research on moderating factors and sectors.

### Personal Reflection
- **Key Learnings**:
  - **Financial Insights:** Developed a deeper understanding of how relationship between financial metrics and stock returns.
  - **Methodology:** Gained expertise in quantitative methods, particularly multiple and moderated regression analyses.
  - **Challenges Managed:** Addressed issues in data collection, ensuring the accuracy and consistency of financial data despite the limitations of secondary data.
- **Application of Skills:**
  - **Data Analysis:** Improved proficiency in SPSS and statistical analysis, valuable for future research and finance roles.
  - **Critical Thinking:** Enhanced ability to evaluate and synthesize research findings for informed decision-making.
  - **Project Management:** Developed skills in managing complex research, from data handling to overcoming obstacles.
- **What I Would Do Differently:**
  - **Expand Sample:** Broaden the sample size and include more sectors to increase generalizability.
  - **New Moderators:** Explore alternative moderators to find more significant effects on stock returns.
  - **Refine Design:** Allocate more time to refining the research design, focusing on overcoming current study limitations

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