

THE EFFECT OF RETURN ON EQUITY AND DEBT TO EQUITY RATIO ON SHARIA STOCK RETURN WITH INSTITUTIONAL OWNERSHIP AS A MODERATING VARIABLE

Tiara Zulfina Ramadhanti^{1*}, Mardi², I.G.K.A Ulupui³

¹⁻³Faculty of Economic, Universitas Negeri Jakarta

E-mail: ¹⁾ tiarazulfinaa@gmail.com, ²⁾ mardi@unj.ac.id, ³⁾ igka-ulupui@unj.ac.id

Abstract

Before making an investment, an investor must seek as much information as possible from the intended company so that the investment can provide a high return. This activity can be done with fundamental analysis. This study aims to determine the effect of Return on Equity and Debt to Equity Ratio on Sharia Stock Returns with Institutional Ownership as Moderating Variables. The study used a quantitative approach with multiple linear regression analysis and moderated regression analysis using Eviews version 12 software. The population in this study were companies registered on the Jakarta Islamic Index (JII) 70 in 2022 and the sample used was 44 companies using a purposive sampling technique. The results of this study indicate that ROE has a significant positive effect on sharia stock returns because the higher the ROE value, the sharia stock return value also increases. Then, DER has a significant negative effect on sharia stock returns because the higher the DER value, the sharia stock return value will decrease. Institutional ownership weakens the effect of ROE on sharia stock returns because strong control can make many decisions regarding company finances which can reduce the amount of profit and the composition of the company's shares/equity. Institutional ownership does not moderate the effect of DER on sharia stock returns because companies with high institutional ownership are unable to convince investors of the company's performance in managing its debt.

Keywords: Debt to Equity Ratio, Return on Equity, Sharia Stock Return

1. INTRODUCTION

Based on data from the World Population Review, with a total population of 277 million and 229 million of them are Muslims, in 2023 Indonesia is the country with the number 1 largest Muslim population in the world. This is a great potential for Indonesia in increasing sharia economy. In 2022, The Islamic Finance Development Indicator (IFDI) stated that Indonesia was ranked third in the category of Most Developed Countries in Islamic Finance. This rating means that Indonesia has better Islamic financial ecosystem than many other countries globally.

In the midst of various global pressures, the recovery of the domestic sharia economy continues in line with the recovery of the national economy. Increasing the production of the halal industry and the Islamic economy in Indonesia is increasing sharia-compliant financing and financial instruments whose offerings are made on the capital market. Based on data from Indonesia Stock Exchange, in 2022 the capitalization of sharia shares reach IDR 4,786 trillion. In addition, the positive performance of the Islamic capital market in Indonesia on 2022 is signed by an increase in the issuance of shares. Of the 54 shares that made an initial public offering, 47 of them were sharia shares. Nominally, the total acquisition of funds from sharia stocks registered in the Sharia Securities List as of November 2022 reached IDR 127.96 trillion (Bank Indonesia, 2022).

The growing capital market activity has made companies increasingly willing to seek alternative sources of business funding other than banks. Adding or investing funds in a company with the hope of getting profits in the future is also called investment (Suriyani & Sudiarta, 2018). For investors, the existence of a capital market will increase investment choices so that opportunities to optimize profits are very open. The profit that is expected to be obtained in the future from investment activities is also called return.

Before making an investment, an investor must seek as much information as possible from the intended company so that the investment can provide a high return for the investor. Because basically the main reason someone invests is to get a profit or return. The level of stock returns obtained by investors is influenced by many factors (Suriyani & Sudiarta, 2018). This study focuses on using the Return on Equity (ROE) ratio which is classified as a profitability ratio which indicates a company's ability to generate net income using its equity (Nasution et al., 2022). In addition, in this study the solvency ratio used is the ratio calculated Debt to Equity Ratio (DER) which compares the value of the company's debt with the value of equity owned by shareholders.

Research by (Mangantar et al., 2020) shows that ROE has no significant effect on stock returns. ROE has no significant effect on stock returns means that the high or low ROE will not affect investors in making their investment decisions. This research is supported by research (Ridwan, 2019) which shows that ROE has a positive but not significant effect on stock returns. In this study, plantation sector companies have an average negative ROE. A different study was stated by (Dewi Lestari et al., 2023) which stated that ROE has a positive and significant effect on stock returns. The company's high ROE value illustrates the ratio of net profit earned by the company to the total invested capital which is also higher so that the company's ability to use equity in generating profits is more effective.

(Nuzula et al., 2019) stated that DER has a positive and significant effect on stock returns. This study obtained the results that DER has a dominant influence on stock returns. An increase in DER can encourage investors to be more interested in buying company shares. Research (Susilowati & Nawangsasi, 2018) shows similarly that DER has a positive and significant effect on LQ45 stock returns listed on the IDX. Different studies have been put forward by (Handayani & Harris, 2019) and (Setianingsih et al., 2021) that there is no significant effect between DER on stock returns. This means that the size of the DER does not affect stock returns. The results of the study show that information on changes in DER obtained from financial reports has no effect in decisions on stock returns in the Indonesian capital market.

In research (Baek & Lee, 2018) put forward the statement that structural changes in companies listed on the Standard & Poor Composite Stock Price Index play an important role in explaining long-term stock returns. Structural changes must be accounted for in some way to establish the relationship between market ratios and stock returns. Institutional ownership variable which is one aspect of good corporate governance can be a variable that moderates the effect of ROE and DER on stock returns. This can happen because when a company has dominant institutional ownership, the company's performance will be monitored more so that the company's management can manage its company's resources properly and efficiently. Management of company resources properly can increase stock returns that have been invested by investors in the company. In accordance with issues regarding the sharia capital market and several factors that

influence stock returns, this study aims to determine the effect of Return on Equity (ROE) and Debt to Equity Ratio (DER) on sharia stock returns with institutional ownership as a moderating variable.

2. LITERATURE REVIEW

2.1. Agency Theory

Jensen & Meckling (1976) explain that agency theory is a theory about the existence of an agency relationship between principals or shareholders and agents or company management. According to agency theory, one way to align the goals of shareholders as principles and company management as agents is through a reporting mechanism. The things reported include all information carried out by the company during the current period. Therefore, the information conveyed to shareholders is preferably relevant and factual information carried out by the company. So that investors or shareholders get trust for the company they choose to invest in.

2.2. Signaling Theory

Jogiyanto (2014:392) conveys, published information is an announcement that will provide a signal for investors in making investment decisions. If the announcement contains a positive value, it is hoped that the market will react when the announcement is received by the market. Signal theory discusses how signals of success or failure of company management (agent) should be conveyed to investors (principle). Submission of financial reports can be considered as a signal. Various kinds of financial ratios are disclosed to give a sign to investors how well the company's financial management is.

2.3. Fundamental Analysis

When investing in stock financial instruments, an analysis is needed to measure the value of shares, that is fundamental analysis. According to Abdalloh (2019), fundamental analysis is an analysis of sharia stocks performance. The company performance indicators used to analyze stock performance are included in financial ratios, therefore fundamental analysis is often referred to as ratio analysis of company financial ratios.

2.4. Return on Equity (ROE)

Kasmir (2016) suggests that the higher the ROE, the better the company's financial performance. This means that the position of the owner of the company is getting stronger, and vice versa. ROE calculation is done by comparing net profit after tax with total equity.

2.5. Debt to Equity Ratio (DER)

Kasmir (2016) argues that the Debt to Equity Ratio is a type of solvency ratio that is useful for knowing the extent to which a company's activities are financed by debt, both in the short and long term. This ratio also provides a general indication of a company's financial viability and risk. Calculation of the Debt to Equity Ratio (DER) is done by comparing total debt with total equity.

2.6. Sharia Stock Returns

Stock return is the reward that investors get for share ownership in a company. Meanwhile, sharia stock returns are rewards that investors get for investing in stocks that comply with sharia criteria or principles (Murtaza et al., 2021). This reward is shared by the company if the company makes a profit. Stock returns are obtained from the value of shares in the first period minus the value of shares in the previous period then divided by the value of shares in the previous period.

2.7. Institutional Ownership

Institutional ownership is defined as share ownership in the name of a non-bank financial institution or institution. Jensen & Meckling (1976) stated that institutional ownership has a very important role in minimizing agency conflicts that occur between managers and shareholders. The existence of institutional ownership in a company will encourage increased monitoring of management performance.

3. RESEARCH METHODS

This study uses a quantitative research approach. The population in this study are companies listed on the Jakarta Islamic Index (JII) 70 in 2022 with a total of 90 companies. The sample used was 40 companies with a purposive sampling technique. The sample criteria in this study are that the company is not delisted from the JII70 index during 2022, the company releases financial reports for 2022, the company states the rupiah currency in its financial statements, the company has an institutional share ownership composition, and the data is not an outlier data.

The data collection technique used is library data sources by collecting data using documentation techniques. The data is obtained by collecting the company's annual financial report data from the official website of each company. Furthermore, data analysis was performed using descriptive statistical analysis, multiple regression analysis, moderation regression analysis, correlation coefficient analysis, analysis requirements test, that is normality test, heteroscedasticity test, and multicollinearity test. Then the hypothesis is tested with the T test, F test, and the coefficient of determination.

4. RESULTS AND DISCUSSION

4.1. Research Results

4.1.1. Descriptive Statistics

A description of the variables in the research of companies registered on JII70 for 2022 can be seen in the table below:

Table 1. Results of Descriptive Statistical Analysis

	ROE	DER	ROS	KI
Mean	0.222500	1.212750	-0.092750	0.655000
Median	0.110000	0.705000	-0.135000	0.650000
Maximum	2.380000	8.910000	0.410000	0.990000
Minimum	-0.120000	0.130000	-0.610000	0.340000
Std. Dev.	0.419357	1.561605	0.234532	0.157464
Skewness	4.015090	3.252200	0.268678	0.311469
Kurtosis	19.81352	15.89586	2.543226	2.372241
Jarque-Bera	578.6304	347.6841	0.828989	1.303555
Probability	0.000000	0.000000	0.660674	0.521119
Sum	8.900000	48.51000	-3.710000	26.20000
Sum Sq. Dev.	6.858550	95.10580	2.145198	0.967000
Observations	40	40	40	40

Source: Output Eviews, processed by the author (2023)

4.1.2. Multiple Linear Regression Analysis

Table 2. Results of Multiple Linear Regression Analysis

Dependent Variable: ROS

Method: Least Squares

Date: 08/09/23 Time: 18:36

Sample: 1 40

Included observations: 40

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.185791	0.158557	-1.171765	0.2490
ROE	0.360127	0.138092	2.607870	0.0132
DER	-0.079123	0.035797	-2.210337	0.0335
KI	0.166213	0.247437	0.671740	0.5060
R-squared	0.196402	Mean dependent var	-0.092750	
Adjusted R-squared	0.129436	S.D. dependent var	0.234532	
S.E. of regression	0.218827	Akaike info criterion	-0.106427	
Sum squared resid	1.723876	Schwarz criterion	0.062461	
Log likelihood	6.128541	Hannan-Quinn criter.	-0.045363	
F-statistic	2.932842	Durbin-Watson stat	2.277071	
Prob(F-statistic)	0.046474			

Source: Output Eviews, processed by the author (2023)

4.1.3. Moderation Regression Analysis

**Table 3. Results of Institutional Ownership Moderation Regression Analysis
on the Effect of ROE in Sharia Stock Returns**

Dependent Variable: ROS

Method: Least Squares

Date: 08/09/23 Time: 20:21

Sample: 1 40

Included observations: 40

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.519560	0.187836	-2.766021	0.0089
ROE	3.136453	1.089117	2.879813	0.0067
KI	0.464529	0.265738	1.748074	0.0890
X1Z	-3.310277	1.196752	-2.766050	0.0089
R-squared	0.247313	Mean dependent var	-0.092750	
Adjusted R-squared	0.184589	S.D. dependent var	0.234532	
S.E. of regression	0.211782	Akaike info criterion	-0.171876	
Sum squared resid	1.614663	Schwarz criterion	-0.002988	
Log likelihood	7.437527	Hannan-Quinn criter.	-0.110812	
F-statistic	3.942878	Durbin-Watson stat	2.356063	
Prob(F-statistic)	0.015706			

Source: Output Eviews, processed by the author (2023)

Regression analysis of institutional ownership moderation on the effect of DER in sharia stock returns is shown in Table 4 below:

**Table 4. Results of Institutional Ownership Moderation Regression Analysis
on the Effect of DER on Sharia Stock Returns**

Dependent Variable: ROS

Method: Least Squares

Date: 08/10/23 Time: 09:04

Sample: 1 40

Included observations: 40

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.140632	0.225979	-0.622322	0.5377
DER	-0.164186	0.152036	-1.079917	0.2874
KI	0.131372	0.324828	0.404435	0.6883
X2Z	0.182687	0.177531	1.029042	0.3103
R-squared	0.071890	Mean dependent var	-0.092750	
Adjusted R-squared	-0.005453	S.D. dependent var	0.234532	
S.E. of regression	0.235170	Akaike info criterion	0.037625	
Sum squared resid	1.990980	Schwarz criterion	0.206513	
Log likelihood	3.247505	Hannan-Quinn criter.	0.098689	
F-statistic	0.929495	Durbin-Watson stat	2.161991	
Prob(F-statistic)	0.436433			

Source: Output Eviews, processed by the author (2023)

4.1.4. Correlation Coefficient Analysis

Table 5. Correlation Coefficient Analysis Results

Probability	Correlation		
	ROE	DER	ROS
ROE	1.000000 -----		
DER	0.778766 0.0000	1.000000 -----	
ROS	0.282285 0.0776	0.014975 0.9269	1.000000 -----

Source: Output Eviews, processed by the author (2023)

From the results above, it appears that there is a weak linear relationship between ROE and sharia stock returns. The results show that the correlation coefficient between these variables is 0.0776. Meanwhile, the linear relationship between DER and sharia stock returns is almost perfect, that is presenting a value of 0.9269. This means that the relationship between DER and sharia stock returns has a very strong and one-way correlation. Thus, the increase in DER in the sample of this study also contributed to the high return on sharia stocks.

4.1.5. Normality Test

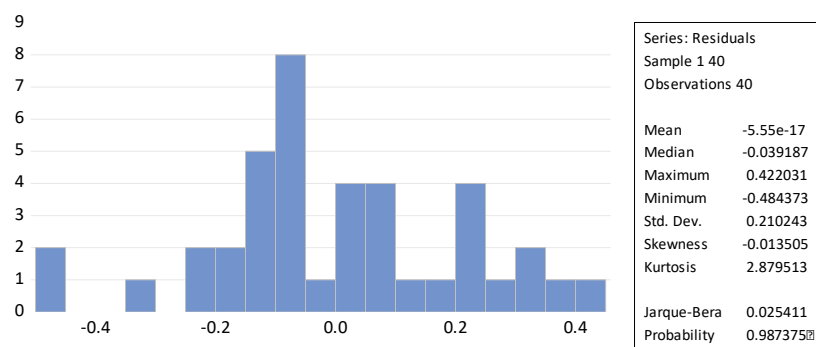


Figure 1. Normality Test Histogram

Source: Output Eviews, processed by the author (2023)

The normality test in this study used the Jarque-Bera test. The normality of a data can be seen from the probability value > 0.05 . Based on the graph of the normality test results below, the Jarque-Bera Probability value is $0.987375 > 0.05$. Thus, from the results of the normality test, the data is normally distributed. The normal data indicates that this research can continue to test the hypothesis.

4.1.6. Multicollinearity Test

Based on the table below, the Centered VIF value for the ROE variable is 2.731288, DER is 2.545031, and institutional ownership is 1.236378. This means that the three VIF values for each variable are < 10 . Thus, it is concluded that the regression model that has been carried out does not show symptoms of multicollinearity and the research data can be continued in submitting the hypothesis.

Table 6. Multicollinearity Test Result

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	0.025140	21.00030	NA
ROE	0.019069	3.519885	2.731288
DER	0.001281	4.119335	2.545031
KI	0.061225	23.17794	1.236378

Source: Output Eviews, processed by the author (2023)

4.1.7. Heteroscedasticity Test

Table 7. Heteroscedasticity Test Result

Heteroskedasticity Test: White

Null hypothesis: Homoskedasticity

F-statistic	1.574659	Prob. F(9,30)	0.1681
Obs*R-squared	12.83343	Prob. Chi-Square(9)	0.1703
Scaled explained SS	9.768840	Prob. Chi-Square(9)	0.3695

Dependent Variable: RESID²

Method: Least Squares

Sample: 1 40

Included observations: 40

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.013353	0.164598	0.081123	0.9359
ROE ²	-0.095436	0.177114	-0.538839	0.5940
ROE*DER	0.030641	0.063938	0.479233	0.6352
ROE*KI	0.726511	0.509199	1.426773	0.1640
ROE	-0.598561	0.425053	-1.408203	0.1694
DER ²	-0.005535	0.009416	-0.587796	0.5611
DER*KI	0.034377	0.083015	0.414103	0.6817
DER	-0.025766	0.064522	-0.399346	0.6925
KI ²	-0.022083	0.402651	-0.054845	0.9566
KI	0.101545	0.514915	0.197208	0.8450
R-squared	0.320836	Mean dependent var	0.043097	
Adjusted R-squared	0.117086	S.D. dependent var	0.059837	

S.E. of regression	0.056224	Akaike info criterion	-2.706611
Sum squared resid	0.094836	Schwarz criterion	-2.284391
Log likelihood	64.13221	Hannan-Quinn criter.	-2.553949
F-statistic	1.574659	Durbin-Watson stat	2.398954
Prob(F-statistic)	0.168105		

Source: Output Eviews, processed by the author (2023)

In this study the heteroscedasticity test was carried out using the White test. If the Prob. > 0.05, the research is free from symptoms of heteroscedasticity. That is, the research data can be continued to test the hypothesis. The results of the heteroscedasticity test can be seen in the following table.

4.1.8. T-Test

The results of the T-Test will show the partial effect of each independent variable on the dependent variable. The test results can be seen from the significance value of t, which is < 0.05 in Table 3. As for the t-table, it was obtained by 1,688. If t-statistic > t-table then the independent variable affects the dependent variable. Conversely, if t-statistic < t-table, the independent variable does not affect the dependent variable.

Based on Table 3 which shows the results of multiple linear regression analysis, it can be seen that the effect of the independent variables partially on the dependent variable is as follows.

- a. Based on the test results in Table 3 above, ROE has a value of 0.0132 with a t-statistic value of 2.607870. The ROE value is $0.0132 < 0.05$ indicating that ROE has a significant relationship to sharia stock returns. Then the value of the comparison of t-statistic and t-table ROE is $2.607870 > 1.688$, so the results is ROE has a positive and significant effect on sharia stock returns.
- b. Based on the test results in Table 3 above, DER has a value of 0.0335 with a t-statistic value of -2.210337 in a negative direction. The DER value is $0.0335 < 0.05$ indicating that DER has a significant relationship to sharia stock returns. Then the comparison value of t-statistic and t-table DER is $2.210337 > 1.688$, so obtaining DER results has a negative and significant effect on sharia stock returns.
- c. Based on the test results in Table 5 above, the effect of ROE on sharia stock returns moderated by institutional ownership has a coefficient value of -3.310277 and a Prob value. shows $0.0089 < 0.05$, meaning that the interaction variable ROE with institutional ownership statistically has a negative and significant effect on sharia stock returns.
- d. Based on the test results in Table 6 above, the effect of DER on sharia stock returns moderated by institutional ownership has a coefficient value of 0.182687 and a Prob value. shows $0.3103 > 0.05$, meaning that the interaction variable DER with institutional ownership statistically has a positive but not significant effect on sharia stock returns.

4.1.9.F Test

Based on the table below which is part of Table 3 above, the f-statistic value is $2.932842 > f\text{-table}$ which is 2.641. So, it can be concluded that there is a significant influence between the ROE and DER variables on sharia stock returns.

Table 8 F-Test Result

R-squared	0.196402	Mean dependent var	-0.092750
Adjusted R-squared	0.129436	S.D. dependent var	0.234532
S.E. of regression	0.218827	Akaike info criterion	-0.106427
Sum squared resid	1.723876	Schwarz criterion	0.062461
Log likelihood	6.128541	Hannan-Quinn criter.	-0.045363
F-statistic	2.932842	Durbin-Watson stat	2.277071
Prob(F-statistic)	0.046474		

Source: Output Eviews, processed by the author (2023)

4.1.10. Determination Coefficient Test

Table 9. Determination Coefficient Test Result

R-squared	0.196402	Mean dependent var	-0.092750
Adjusted R-squared	0.129436	S.D. dependent var	0.234532
S.E. of regression	0.218827	Akaike info criterion	-0.106427
Sum squared resid	1.723876	Schwarz criterion	0.062461
Log likelihood	6.128541	Hannan-Quinn criter.	-0.045363
F-statistic	2.932842	Durbin-Watson stat	2.277071
Prob(F-statistic)	0.046474		

Source: Output Eviews, processed by the author (2023)

Considering the table provided, which constitutes a section of Table 3, it is apparent that the R-square value is 0.196402. This indicates that the portion of influence attributable to the DER and ROE variables on Sharia stock returns amounts to 19.64%. Notably, the remaining 81.36% of influence is attributed to other variables that are not encompassed within the regression model.

4.2. Discussion

4.2.1. The Effect of Return on Equity (Roe) on Sharia Stock Returns

Based on the T-test, it can be concluded that the ROE has a positive and significant effect on sharia stock returns. This is because the significance value is $0.0132 < 0.05$ and t-statistic is $2.607870 > t\text{-table}$ is 1.688. These results indicate that the higher the ROE value, the return value of sharia stocks also increases. Then the hypothesis 1 of this

research, that is ROE has a positive and significant effect on sharia stock returns is accepted.

This is in line with research conducted by Allozi & Obeidat (2016), Ketut Sukrada et al. (2019), Laulita & Yanni (2022), and Dewi Lestari et al., (2023). Based on the results of this study and supported by previous research, it can be concluded that ROE has a significant positive effect on sharia stock returns. This is because if the percentage value of the company's profit return on total company equity is high, it will increase investor interest to participate in investing their funds as capital in the company. Because the main goal of every investor is to get a high rate of return on the shares they buy. By conducting fundamental analysis and seeing a high ROE ratio, many investors are busy doing transactions with these stocks which can make stock prices soar and have an impact on high sharia stock returns.

4.2.2. The Effect of Debt to Equity Ratio (Der) on Sharia Stock Returns

Based on the T-test, it can be concluded that DER has a negative and significant effect on sharia stock returns. This is because the significance value is $0.0335 < 0.05$ and t-statistic is $2.210337 > t\text{-table is } 1.688$. These results indicate that the lower the DER value, the return value of sharia stocks will move up. Then the hypothesis 2 of this research, that is DER has a negative and significant effect on sharia stock returns is accepted.

This is in line with research conducted by Endri et al. (2019), Aguista et al., (2019), Devi & Artini (2019), dan Martak & Prasetyo (2020). Based on the results of this study and previous research, it can be concluded that DER has a negative and significant effect on sharia stock returns. DER is a financial ratio that reflects how much risk the company bears. If DER increases, investors will reconsider buying shares in the company. Because a large DER value indicates the company's performance is not good, so the lack of investor interest in transacting with these shares causes stock prices to fall and low stock returns.

4.2.3. Moderation of Institutional Ownership on the Effect of Return on Equity (ROE) on Sharia Stock Returns

Based on the T-test, it can be concluded that institutional ownership is able to moderate the effect of ROE on sharia stock returns. This is because the value of the moderating coefficient or interaction variable between ROE and KI or institutional ownership has a value of -3.310277 and a significance value of $0.0089 < 0.05$. This means that the interaction variable ROE with institutional ownership statistically has a negative and significant effect on sharia stock returns. Statistically, institutional ownership is a moderating variable that can weaken the effect of ROE on sharia stock returns. So the hypothesis 3 of this research is that institutional ownership is able to moderate the effect of ROE on sharia stock returns accepted.

This research is in line with Nurfadila (2020) which states that institutional ownership is able to moderate the effect of ROE on sharia stock returns. Institutional ownership with a dominant composition allows companies to improve corporate governance through a beneficial supervisory model. The increase in company ROE is the impact of adequate supervision by institutional owners to increase stock returns.

4.2.4. Moderation of Institutional Ownership on the Effect of Debt to Equity Ratio (DER) on Sharia Stock Returns

Based on the T-test, it can be concluded that institutional ownership is not able to moderate the effect of DER on sharia stock returns. This is because the value of the moderating coefficient or the interaction variable between DER and KI or institutional ownership has a value of 0.1826 and a significance value of $0.3103 < 0.05$. This means that DER interaction variable with institutional ownership has no statistically significant effect on sharia stock returns. Institutional ownership is not able to moderate the effect of DER on sharia stock returns. Then the hypothesis 4 of this research, that is institutional ownership is able to moderate the effect of DER on sharia stock returns is rejected.

This research is in line with Waruwu (2022) which states that institutional ownership is not able to moderate DER with stock returns. The increased burden on creditors shows that the company's capital sources are highly dependent on outsiders, thereby reducing the interest of investors to invest in the company. Institutional ownership is not able to improve the company's performance as a whole, because institutional ownership only performs supervision. Meanwhile, the performance of the company's management is fully controlled by the manager, including the management of the company's funding sources.

5. CONCLUSION

Based on the conducted research on the effect of Return on Equity (ROE) and Debt to Equity Ratio (DER) on sharia stock returns with institutional ownership as a moderating variable, several conclusions can be drawn. Firstly, Return on Equity (ROE) has a positive and significant effect on sharia stock returns. The results show that high ROE will contribute to rising stock prices and stock returns. Secondly, the Debt to Equity Ratio (DER) has a negative and significant effect on sharia stock returns because a low DER can increase investor confidence in the company's financial health thereby increasing stock transactions which have an impact on stock returns. Thirdly, institutional ownership can weaken the effect of Return on Equity (ROE) on sharia stock returns. Institutional ownership that has large ownership in a company can affect the company's performance by always exercising control and making final decisions. Fourth, institutional ownership is not a moderating variable from the effect of the Debt to Equity Ratio (DER) on sharia stock returns.

This conclusion underscores the importance of financial information for stakeholders as an analysis that can assist in making decisions regarding matters related to sharia stock returns. For companies, this research can also be used as empirical evidence to maximize the value of their company, especially in maximizing profits and managing company funding sources. The results of this study are also expected to be a reference for companies to be wiser in making funding decisions so that the financial ratios contained in financial reports can attract the public to invest, especially in sharia stock instruments. For investors, this research is expected to be proof that fundamental analysis before investing in sharia stocks really needs to be done to consider obtaining expected stock returns.

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