CHAPTER V

CONCLUSIONS AND IMPLICATIONS

A. Conclusions

This research uses the Partial Least Square data analysis technique which shows the following results:

1. The profitability ratio does not affect the stock returns of Small and Medium Enterprises
2. The liquidity ratio does not affect the stock returns of Small and Medium Enterprises
3. The solvency ratio does not affect the stock returns of Small and Medium Enterprises
4. The activity ratio does not affect the stock returns of Small and Medium Enterprises

B. Implications

Based on the results of the discussion and conclusions that have been described previously, this research implies that it is expected to provide useful information and is grouped as follows:

1. Theoritical Implications

   This research is expected to provide empirical results in the context of financial performance as a factor influencing stock returns and is based on signal theory.

2. Practical Implications

   This research is expected to provide benefits as material for consideration to investors for making investment decisions by looking at the stock returns to be obtained and the factors that influence them.

C. Research Limitations

This research has limitations. Based on the results of the discussion and conclusions that have been described previously, the following are the limitations and suggestions for further research:

1. This research uses a population of SMEs in the category of medium-sized companies listed on the Indonesia Stock Exchange (IDX) in 2018-2021. The population size and research sample are still very limited compared to another type of companies in other sector. This due to the Otoritas Jasa Keuangan (OJK) regulation Number 53/PJOK.04/2017 that so many medium-sized companies just started to enter Indonesia Stock Exchange (IDX) in 2020 and 2021 so they cannot be included as research samples. Future researchers can expand the population and research sample so as to produce varied results.
2. The companies in this research population do not all provide complete annual reports and complete stock price information, so the number of samples that meet the criteria decreased.

3. The results of the R-square test state that the company's financial performance affects stock returns by 23.1% and the remaining 76.9% is influenced by other factors. So, there are many other variables that can be examined to see the effect on stock returns. For example, market ratio (Mangkey et al (2022)), company value (Dinova and Herawati (2019)), sales growth (Bintara (2020)), and company’s size (Intariani and Suryantini (2020)).
4. The research data is not normally distributed even though outlier tests and other normality tests have been carried out, so the researchers decided to use SEM-PLS as a data analysis technique. For further research, it is expected to be able to use data analysis techniques other than SEM-PLS.