

THE EFFECT OF RETURN AND PORTFOLIO RISK ON THE SHARES OF COMPANIES LISTED ON THE JAKARTA STOCK EXCHANGE: A STUDY OF THE CAPITAL MARKET INFORMATION CENTER IN MAKASSAR

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ABSTRACT

Investment is an activity carried out utilizing cash outflows at this time with the aim of generating expected profits in the future. Investing there is a risk borne by investors and to reduce the risk of loss, investors should combine several types of shares in an investment pool or diversify shares. The portfolio diversification strategy carried out in investing in the capital market can reduce the total portfolio risk without compromising the expected rate of return. Investors generally do not invest all of their funds in one stock, but invest their funds in several other stocks with the pretext of reducing the level of risk that will be faced. Investors may change their investments which in turn the portfolio they hold is no longer optimal and in the end they form a new portfolio and sell their portfolio and then buy a new portfolio.

Keywords: Return, Risk, Portfolio Risk, Jakarta Stock Exchange.

I. INTRODUCTION

The capital market is one part of the financial market, in addition to the money market which has a very important role for national development in general, especially for the development of the business world as a source of external financing by companies. There are several attractions of the capital market; is expected to be an alternative to raising funds other than banking / enabling companies (issuers) to issue securities in the form of debt certificates (bonds) or certificates of ownership (shares), Allowing investors to have various investment options according to their potential risks.

In the investment world, it contains elements of uncertainty (uncertainly) or commonly called risk. Investors do not know with certainty the results they will get from their investments. Investors can only estimate how much development is expected from their investment, and how much the results will deviate from the expected. If the Investor buys the shares sold by a company, the Investor expects a rate of return (return) from investing in the shares purchased. Investors are interested in the results of their investment in the form of dividends or capital gains. Dividends are obtained from companies that go public and earn year-end profits. While Capital Gain is obtained when shares are sold before maturity.

If the decision taken by investors not to invest in a portfolio or sector that is vulnerable to risk can be fully understood, because investors expect profits from their investments.

Investment in company shares can be reduced by diversifying portfolios and increasing the rate of return. Before diversifying, investors should determine policies. The Investor's policy is to determine the investment objectives and how much investment is made. After determining the Investment Policy, then conducting an individual assessment of the securities included in the Financial Assets and previously identified. Next form a portfolio of

securities. The formation of a portfolio involves which securities will be selected, and what proportion of funds will be invested in each security.

Over time, investors may change their investments which in turn means that the portfolio they hold is no longer optimal and eventually forms a new portfolio by selling their portfolio and buying a new portfolio. As time goes by there is a change in the price of securities, then Investors / investors make periodic assessments of portfolio performance based on global economic conditions that can affect securities, while those that affect securities are Risk.

To reduce risk by dividing funds (diversifying investments) into various securities that have different rates of return and risk, it is called diversification without sacrificing the expected rate of return.

Securities risk that can be eliminated is by forming a portfolio that can be diversified (diversifiable risk) or risk that is not systematic (unsystematic risk). Meanwhile, the risk that cannot be diversified by the portfolio is called non-diversifiable or systematic risk.

The formation of a portfolio can reduce risk and increase returns compared to investing in only one security. Investors generally do not invest all their funds in one stock but invest their funds in several other stocks for the reason of reducing the level of risk that will be faced, so investors diversify their portfolios.

II. LITERATURE REVIEW

Definition of investment

Investment is an activity of placing funds in one or more types of assets during a certain period in the hope of obtaining income and/or increasing the value of the investment in the future. (1)

Investment consists of two parts, namely investment in the form of real assets and investment in marketable securities or financial assets. Real assets are tangible assets such as gold, silver, diamonds, art items, while financial assets are securities which are basically claims on real assets controlled by the entity.

Understanding risk

Risk as the possibility of loss, damage or in other words is a deviation from the expected return. According to Fakhruddin (2001; 26) risk is the variability of the return on the expected investment return. Risk is realized in the form of a standard deviation which measures the absolute deviation of values that have occurred with the average value (as the expected value).

Diversification models

Diversification is a strategy taken by the company to add new products but is still related to existing products (concentric diversification). Diversification can also be done in the form of adding new products that are not related to existing products (horizontal diversification). Meanwhile, according to Pandya & Rao (1998), diversification is a company's effort to expand its business from its core business to other product markets. (2) Markowitz diversification can be proven mathematically, that is, if the correlation is smaller than +1, it reduces portfolio risk. The more that is included in the portfolio, the smaller the portfolio risk.

Understanding the capital market

The capital market is a means of forming capital and accumulating funds aimed at increasing public participation in mobilizing funds to support national development financing. Nasaruddin in his book entitled the legal aspects of the Indonesian capital market said that the capital market is to bring together the owners of funds (suppliers of funds) with users of funds (users of funds) for medium-term and long-term investment purposes.

Understanding the capital market in general is an organized financial system, including commercial banks and all intermediary institutions in the financial sector, as well as all outstanding securities. In an intermediate sense, capital markets are all organized markets and institutions that trade credit documents (with a period of more than one year) including stocks, bonds, term loans, mortgages, savings and time deposits. And the narrow meaning is an organized market place that trades stocks and bonds using the services of brokers, commissioners and underwriters.

According to Law no. 8 of 1995 concerning the capital market, what is meant by the capital market is a market that has activities to conduct public offerings and securities trading involving public companies and institutions related to securities.

Definition of Stock

Stocks are one of the capital market instruments that are most attractive to investors because they provide an attractive level of profit. Shares can be defined as a sign of one or one-sided capital injection (business entity) in a company or limited liability company. By including this capital, the party has a claim on the company's income, claims on company assets, and is entitled to attend the general meeting of shareholders (GMS).

Valuation of stock prices is very important and fundamental for investors before investing because stocks are one of the most promising types of investments for investors. The stock price is determined by the supply and demand for the stock itself. Shares are in the form of a piece of paper that explains that the owner of the paper is the owner of the company that issued the securities. Fahmi (2012:81) what is meant by shares are: "Proof of ownership of capital/funds in a company, paper clearly stated nominal value, company name and followed by rights and obligations explained to each holder, and ready stock. for sale." (4)

III. METHOD

Research Area and Time

The appropriate research place is the Makassar branch of the Capital Market Information Center (PIPM), which is an extension of the Jakarta Stock Exchange, which is located at the LKBN Building Jalan A. P. Petta Rani Blok A. No. 30 Makassar and the research time is June - July 2020.

Method of collecting data

To achieve the purpose of writing and obtaining the required information, the method used in this paper:

1. Observation, namely making direct observations on various activities of employees at the Makassar Branch of PIPM office.
2. Interview or Interview, namely conducting direct interviews with PIPM Makassar branch employees / staff
3. Documentation, namely collecting data based on written reports relating to this research penelitan

Data Types and Sources

1. Types of Data: Quantitative data are those that can be measured/calculated directly and expressed in the form of numbers. Qualitative Data is Data in the form of sentences and descriptions that are supportive of quantitative data as explanations or descriptions.
2. Data Source: Primary Data, namely data obtained directly through observations of the company that is the object of research. Secondary Data, namely data obtained from company reports as well as documents and literature that are closely related to the problems discussed.

Sampling

The sampling technique used is the proportional stratified random sampling method, namely the random sampling of the population that has a stratified arrangement. In the number of Issuers 1 – 30, one sample issuer is selected, 31 – 60 is selected two samples and 60 and above are selected two samples of Issuers.

Analysis Method

The analytical method used to test the hypothesis is: The rate of return on shares (realized return / X1) is a return that has occurred, the realized return is calculated based on historical data. Quoted from Jogiyanto (2000; 107) with the Stock Return Formula :

$$\frac{P_t - P_{t-1}}{P_{t-1}} + \frac{D_t}{P_{t-1}} = \frac{P_t - P_{t-1} + D_t}{P_{t-1}}$$

Informaation :

P_t = Investment price now

P_{t-1} = Investment price last period

D_t = Periodic dividend of rupiah per share rupiah

Expected Return Calculated by multiplying the future outcome (out come) with the probability of its occurrence and adding up all the multiplication products, Jogiyanto (2000 ;126) with the formula $E(R_i) = i + i \cdot E(R_M)$

$E(R_i)$ = expected return of an asset or security to = i

α_i = market security's expected return value

β_i = market return security beta

$E(R_M)$ = market index expectation return

Single Securities Risk the method used is a single index. The risk (variant return) of securities calculated based on the model consists of two parts: market related risk denoted by ($\beta_i^2 \cdot \sigma_M^2$) and unique risk of each company (unique risk) denoted by σ_{ei}^2 . The formula of this method: $\sigma_i^2 = \beta_i^2 \cdot \sigma_M^2 + \sigma_{ei}^2$

σ_i^2 = total risk (variant)shares – i (single security)

$\beta_i^2 \cdot \sigma_M^2$ = market-related risks

σ_{ei}^2 = each company's unique risks

Portfolio Return

Portfolio realized return (X1) is a weighted average of realized returns of each single security in Jogiyanto's portfolio (2000; 141)

n

$$R_p = \sum_{i=1}^n (W_i \cdot R_i)$$

t = 1

R_p = portfolio realization return

W_i = the portion of the securities to all securities in the portfolio

R_i = realized returns from securities to i

N = the amount of the security to i

Portfolio Expected Return (Portfolio Expected Return / X2) is a weighted average of the expected returns of each single security in the portfolio, Jogiyanto (2000; 142) Formula : $E(R_p) = \alpha_p + \beta_p E(R_M)$

$E(R_p)$ = Return Expected from portfolio

α_p = The alpha weighted average of each security α_i

β_p = The weighted average beta of each security β_i

$E(R_M)$ = Market Index Expected Return

Portfolio Risk / X_3 (σ_p^2) is a weighted average of all returns on a single security, not the same as portfolio risk. Portfolio risk is not a weighted average of all the risks of a single security so that portfolio risk may be less than the weighted average risk of each single security.

$$\sigma_p^2 = \beta_p^2 \cdot \sigma_M^2 + \sum_{i=1}^n (W_i \cdot \sigma^{e_i})^2$$

σ_p^2 = Varian / total risiko portofolio

β_p^2 = beta portofolio

σ_M^2 = risiko(varian) dari return pasar yang menunjukkan risiko indeks pasar

W_i = porsi sekuritas I dari seluruh sekuritas di dalam portofolio

σ^{e_i} = varian dari kesalahan residu yang menunjukkan risiko tidak sistematis unik.

To determine the effect of Return and Portfolio Risk on the shares of companies listed on the Jakarta Stock Exchange (PIPM Makassar branch), Multiple Linear Regression is used.: $Y = b_0 + b_1X_1 + b_2X_2 + b_3X_3$

Quantitative methods

Quantitative methods emphasize objective measurements and the statistical, mathematical, or numerical analysis of data collected through polls, questionnaires, and surveys, or by manipulating pre-existing statistical data using computational techniques. Quantitative research focuses on gathering numerical data and generalizing it across groups of people or explaining a particular phenomenon.

Qualitative methods

The word qualitative implies an emphasis on the qualities of entities and on processes and meanings that are not experimentally examined or measured in terms of quantity, amount, intensity, or frequency. Qualitative researchers stress the socially constructed nature of reality, the intimate relationship between the researcher and what is studied, and the situational constraints that shape inquiry. Such researchers emphasize the value-laden nature of research. They seek answers to questions that stress how social experience is created and given meaning. In contrast, quantitative studies emphasize the measurement and analysis of causal relationships between variables, not processes. Qualitative forms of inquiry are considered by many social and behavioral scientists to be as much a perspective on how to approach investigating a research problem as it is a method.

IV. RESULTS AND DISCUSSION

The results section is where the findings of a study based on the methodology are reported. The results section should state the findings of the research arranged in a logical sequence without bias or interpretation. A part describing results is particularly necessary if the paper includes data generated from the current study.

The purpose of the discussion is to interpret and describe the significance of the findings in light of what was already known about the research problem being investigated and to explain any new understanding or insights about the issue after the study being taken the findings into consideration. The discussion will always connect to the introduction by way of the research questions or hypotheses and the literature reviewed, but it does not merely repeat or rearrange the introduction; the discussion should always explain how the current study has moved the reader's understanding of the research problem forward from where it mentioned at the end of the introduction. Results and discussions may include sub-title and sub-sub titles.

Single Securities Return Analysis

Return Realized Single security is the result obtained from the Investment. Returns can be in the form of realized returns that have occurred or expected returns that have not yet occurred but are expected to occur in the future. Realized Return of 15 Issuers can be seen in table 1 and the average value is used by the formula:

$$RA = (R_1 + R_2 + \dots + R_n) / n : RA = \text{Arithmetic average}$$

$$R_1 = \text{return period -1} \quad R_2 = \text{return period -2} \quad R_n = \text{return period -n}$$

Table 1. Realized Stock Return Period 2017 – 2019 2017

NO.	COMPANY NAME	CODE	ΣRi	RETURN REALIZATION
1.	ASTRA AGRO LESTARI Tbk.	AALI	3,9474	0,1097
2.	ANEKA TAMBANG Tbk	ANTM	2,7707	0,0770
3.	SEMEN GRESIK Tbk.	SMGR	2,5977	0,0722
4.	CITRA TUPINDO Tbk.	CTBN	2,2907	0,0636
5.	ASTRA INTERNASIONAL Tbk	ASII	1,8945	0,0526
6.	SEPATU BATA Tbk	BATA	1,6130	0,0448
7.	DELTA JAKARTA Tbk..	DLTA	2,4324	0,0676
8.	GUDANG GARAM Tbk.	GGRM	1,1243	0,0312
9.	CIPUTRA SURYA Tbk.	CTRS	3,0812	0,0856
10.	SUMMARECON AGUNG Tbk.	SMRA	1,8304	0,0508
11.	INDOSAT Tbk.	ISAT	0,9248	0,0257
12.	BANK DANAMON Tbk.	BDMN	2,0829	0,0579
13.	ASURANSI BINTANG Tbk.	ASBI	2,8110	0,0781
14.	TUNAS RIDEAN Tbk.	TURI	2,1332	0,0593
15.	SURYA CITRA MEDIA Tbk.	SCMA	1,2262	0,0341

Source: Data Processing Results

From the data above, it shows that the highest share value is owned by Astra Agro Lestari shares of 0.1097 or 10.97% and the lowest is owned by Indosat shares of 0.0257 or 2.57%.

Table 2. Expected Return of Shares and Risk of Single Securities

No.	Code	STOCK EXPECTATION RETURN				SINGLE SECURITY RISK			
		$E(R_i)$	α_i	β_i	$E(R_M)$	β_i^2	σ_M^2	σ_{ei}^2	σ_i^2
1.	AALI	0,1096	0,0897	0,3	0,0665	0,09	0,00309	0,05447	0,05475
2.	ANTM	0,0769	0,4196	-7,6	0,0446	57,76	0,01578	1,18031	2,09176
3.	SMGR	0,0721	0,5734	-7,1	0,0706	50,41	0,00456	0,30696	0,53683
4.	CTBN	0,0635	0,3395	-6,3	0,0438	39,69	0,00241	0,13081	0,22646
5.	ASII	0,0525	0,2106	-5,2	0,0304	27,04	0,00975	0,36764	0,63128
6.	BATA	0,0447	0,1825	-4,4	0,0313	19,36	0,00366	0,09563	0,16649
7.	DLTA	0,0675	0,0086	-6,7	-0,0088	44,89	0,08187	3,83051	7,50565
8.	GGRM	0,0311	0,0144	-3,1	-0,0054	9,61	0,00608	0,09772	0,15615

9.	CTRS	0,0856	0,5140	-8,5	0,0504	72,25	0,07086	5,10230	10,2219
10.	SMRA	0,0508	0,2858	-5,0	0,0470	25	0,01663	0,47705	0,89280
11.	ISAT	0,0256	0,0509	-2,5	0,0101	6,25	0,00823	0,10535	0,15679
12.	BDMN	0,0578	0,1416	-5,7	0,0147	32,49	0,02196	0,83790	1,55138
13.	ASBI	0,0780	0,3067	-7,7	0,0297	59,29	0,01992	1,34714	2,52820
14.	TURI	0,0592	0,1354	-5,9	0,0129	34,81	0,00153	0,08880	0,14206
15.	SCMA	0,0340	0,0776	-3,4	0,0128	11,56	0,00290	0,06777	0,10129

Source: Data Processing Results

Based on the value in table 2 (Share Expected Return) then all the company's shares have a positive value, this is because the negative and low values of i and RM do not sufficiently affect the expected return of each company's stock.

Single Securities Risk Analysis

Based on the results in Table 2 (Single Securities Risk) shows the level of risk varies and the lowest is in the shares of Astra Agro Lestari Tbk. of 0.05475 and the highest in shares of Ciputra Surya Tbk. Amounted to 10.22194. In general, the level of risk owned by each stock is influenced by the company's internal conditions.

Portfolio Return and Risk Analysis

The analysis of the realized return of the portfolio is a weighted average of the realized return of each single security in the portfolio, mathematically the realized return of the portfolio can be formulated. The following is the final result of the calculation of the portfolio realization return

Table 3. Return on Portfolio Realization and Return on Portfolio Expectation.

CODE	Portfolio Realized Return			Portfolio Expected Return			
	Wi	Ri	Rp	αp	βp	$E(R_M)$	$E(R_p)$
AALI	0,0667	0,1097	0,0073	0,00599	-0,02001	0,0665	0,00732
ANTM	0,0667	0,0770	0,0051	0,02774	-,50692	0,0446	0,00514
SMGR	0,0667	0,0722	0,0048	0,03825	-0,47257	0,0706	0,00482
CTBN	0,0667	0,0636	0,0042	0,02265	-0,42021	0,0438	0,00424
ASII	0,0667	0,0526	0,0035	0,01405	-0,34684	0,0304	0,00351
BATA	0,0667	0,0448	0,0030	0,01217	-0,29348	0,0313	0,00299
DLTA	0,0667	0,0676	0,0045	0,00058	-0,44689	-0,0088	0,00451
GGRM	0,0667	0,0312	0,0021	0,00096	-0,20677	-0,0054	0,00208
CTRS	0,0667	0,0856	0,0057	0,03428	-0,56695	0,0504	0,00571
SMRA	0,0667	0,0508	0,0034	0,01906	-0,33350	0,0470	0,00339
ISAT	0,0667	0,0257	0,0017	0,00340	-0,16675	0,0101	0,00171
BDMN	0,0667	0,0579	0,0039	0,00945	-0,38019	0,0147	0,00386
ASBI	0,0667	0,0781	0,0052	0,02046	-0,51359	0,0297	0,00521
TURI	0,0667	0,0593	0,0040	0,00903	-0,39353	0,0129	0,00396
SCMA	0,0667	0,0341	0,0023	0,00518	-0,22678	0,0128	0,00227
$\Sigma (Rp)$			0,0607	$\Sigma E (Rp)$			0,06071

Source: Data Processing Results

In table 3, all of the Portfolio Expected Returns have positive values with the same portion, namely 0.0667 or 6.67%, this shows that the calculation of the Return Estimation made almost no error.

Portfolio Risk

Portfolio return is a weighted average of all single security returns, while portfolio risk is not a weighted average of all single security risks so that portfolio risk can be smaller than the weighted average risk of each single security. Portfolio risk is measured using a single index model denoted by Variant p2 with the following formula:

$$\sigma_p^2 = \beta_p^2 \cdot \sigma_M^2 + (\sum W_i \cdot \sigma^{ei})^2$$

t-1

σ_p^2 = variance/total portfolio risk

β_p^2 = portfolio beta

σ_M^2 = risk of market return which shows the risk of market index

W_i = share of securities I of all securities in the portfolio

σ^{ei} = variance of residual error represents a unique unsystematic risk risiko

The results of the calculation of the total portfolio risk formed from market risk and the unique risk of each company can be seen in Table 4 below:

Table 4. Total Portfolio Risk

COMPANY NAME	β_p^2	σ_M^2	$W_i \cdot \sigma^{ei}$	σ_p^2
ASTRA AGRO LESTARI Tbk.	0,00040	0,00309	0,00001	0,0000144
ANEKA TAMBANG Tbk	0,25697	0,01578	0,00620	0,0102529
SEMEN GRESIK Tbk.	0,22427	0,00456	0,00042	0,0014419
CITRA TUPINDO Tbk.	0,17658	0,00241	0,00008	0,0005017
ASTRA INTERNASIONAL Tbk	0,12030	0,00975	0,00060	0,0017742
SEPATU BATA Tbk	0,08613	0,00366	0,00004	0,0003559
DELTA DJAKARTA Tbk..	0,19971	0,08187	0,06528	0,0816280
GUDANG GARAM Tbk.	0,04275	0,00608	0,00004	0,0003024
CIPUTRA SURYA Tbk.	0,32143	0,07086	0,11582	0,1385967
SUMMARECON AGUNG Tbk.	0,11122	0,01663	0,00101	0,0028621
INDOSAT Tbk.	0,02781	0,00823	0,00005	0,0002782
BANK DANAMON Tbk.	0,14454	0,02196	0,00312	0,0062977
ASURANSI BINTANG Tbk.	0,26377	0,01992	0,00807	0,0133282
TUNAS RIDEAN Tbk.	0,15487	0,00153	0,00004	0,0002720
SURYA CITRA MEDIA Tbk.	0,05143	0,00290	0,00002	0,0001696
$\Sigma \sigma_p^2$				0,2580759

Source: Data Processing Results

Based on table 4 shows the market-related risk of each security in the portfolio experienced a very large decline, as seen in Ciputra Surya Tbk (CTRS) shares which have the highest total risk (variance) in single securities sekuritas12 of 10, 22194 and market risk. ($\beta_{12} \cdot 12$) is 5.1196 but after being added to the portfolio with the other 14 stocks, the market risk ($\beta_p - \beta_p$) becomes 0.02277 and the risk (variant) of the total portfolio (σ_p^2) becomes 0.13859

Comparative Analysis of Return and Risk of Single Securities and Portfolios

Based on the results of the calculation of the Return and Risk of a single security consisting of 15 securities, as well as the calculation of the return and risk of a portfolio that is formed from 15 securities contained in a single security with a portion of 0.0667 each, to make it easier to see calculations and comparisons as well as to know changes in Return and The risks before and after the formation (diversification) of shares can be seen in table 5 below:

Table 5. Comparison of Return and Risk between Single Securities and Portfolio

STOCK	SINGLE SECURITY				PORTFOLIO			
	RETURN	RISK			RETURN	RISK		
		MARKET	UNIX	TOTAL		MARKET	UNIX	TOTAL
AALI	0,1097	0,0002781	0,05447	0,0547481	0,0073	0,0000012	0,00001	0,0000144
ANTM	0,0770	0,9114528	1,18031	2,0917638	0,0051	0,0040550	0,00620	,0102529
SMGR	0,0722	0,2298696	0,30696	0,5368296	0,0048	0,0010227	0,00042	0,0014419
CTBN	0,0636	0,0956529	0,13081	0,2264629	0,0042	0,0004255	0,00008	0,0005017
ASII	0,0526	0,2636400	0,36764	0,6312800	0,0035	0,0011729	0,00060	0,0017742
BATA	0,0448	0,0708576	0,09563	0,1664876	0,0030	0,0003152	0,00004	0,0003559
DLTA	0,0676	3,6751443	3,83051	7,5056543	0,0045	0,0163503	0,06528	0,0816280
GGRM	0,0312	0,0584288	0,09772	0,1561488	0,0021	0,0002599	0,00004	0,0003024
CTRS	0,0856	5,1196350	5,10230	10,2219350	0,0057	0,0227767	0,11528	0,1385967
SMRA	0,0508	0,4157500	0,47705	0,8928000	0,0034	0,0018496	0,00101	0,0028621
ISAT	0,0257	0,0514375	0,10535	0,1567875	0,0017	0,0002288	0,00005	0,0002782
BDMN	0,0579	0,7134804	0,83790	1,5513804	0,0039	0,0031742	0,00312	0,0062977
ASBI	0,0781	1,1810568	1,34714	2,5281968	0,0052	0,0052544	0,00807	0,0133282
TURI	0,0593	0,0532593	0,08880	0,1420593	0,0040	0,0002369	0,00004	0,0002720
SCMA	0,0341	0,0335240	0,06777	0,1012940	0,0023	0,0001491	0,00002	0,0001696
Jumlah	0,9102	12,8734671	14,09036	26,9638281	0,0607	0,0572726	0,20080	0,2580759
Rata-rata	0,0607	0,8582311	0,93936	1,7975885	-	-	-	-

Source: Data Processing Results

Table 5 shows that the rate of return for a single security stock varies widely. Of the 15 stocks studied, have a positive return when compared to the average risk-free interest rate of 0.79%/month, so each stock is profitable to own. The highest return is owned by AALI shares with a return rate of 0.1097 or 10.97% and the lowest return belongs to ISAT shares of 0.0257 or 2.57%.

Effect of Return and Portfolio Risk on the company's stock price

To test the hypothesis about the effect of return and portfolio risk, multiple linear regression analysis with the SPSS method is used and the results are as follows: $Y_{2006} = 2.808 - 90.949X_1 + 90.056X_2 - 0.00786X_3$.

Regression coefficient $X_1 = -90.949$ means that every 1% decrease in return portfolio realization will reduce the price by Rp. 90,949 and $X_2 = 90.056$ means that every 1% increase in return. Portfolio expectations will increase the price by Rp. 90,056 then $X_3 = -0.00786$ means that every 1% reduction in portfolio risk will reduce the price by Rp.0.00786. While the t-test shows no significant effect of the variables X_1 , X_2 , X_3 , on stock prices because the value of the t-test is far from the value of $= 0.05$ Furthermore, $Y_{2007} = 12.650.60 + 480.58 X_1 + 338.39X_2 + 140,49X_3$ this shows $X_1 = 480,58$ means that every 1% addition of realized return will increase the price by Rp.

480, 58 and the variable $X_2 = 338.39$ indicate that every additional 1% will increase the share price by Rp. 338.39 while $X_3 = 140.49$ means that every 1% increase will increase the share price by Rp. 140.39 then the t test does not show a significant effect of the three variables as well as the F test there is no significant effect.

The discussion section is often considered the most critical part of the research paper because this is where: 1) most effectively demonstrates researcher to think critically about an issue, to develop creative solutions to problems based upon a logical synthesis of the findings, and to formulate a deeper, more profound understanding of the research problem under investigation; 2) present the underlying meaning of the research, note possible implications in other areas of study, and explore possible improvements that can be made in order to further develop the concerns of your research; 3) highlight the importance of the study and how it may be able to contribute to and/or help fill existing gaps in the field. If appropriate, the discussion section is also where to state how the findings from the study revealed new differences in the literature that had not been previously exposed or adequately described; and, 4) engage the reader in thinking critically about issues based upon an evidence-based interpretation of findings; it is not governed strictly by objective reporting of information.

The content of the discussion section of the paper most often includes 1) Explanation of results: comment on whether or not the results were expected for each set of results; go into greater depth when explaining findings that were unexpected or especially profound. If appropriate, note any unusual or unanticipated patterns or trends that emerged from the current results and explain their meaning in relation to the research problem. 2) References to previous research: either compare the present results with the findings from other studies or use the reviews to support a claim. This can include re-visiting key sources already cited in the introduction, or, save them from quoting later in the discussion section if they are more relevant to compare with the current results instead of being a part of the general literature review of research used to provide context and background information. 3) Deduction: a claim for how the results can be applied more generally. For example, describing lessons learned, proposing recommendations that can help improve a situation, or highlighting best practices.

Example of table and figure

The written of table and figure are as follows:

Table 6. Result of Importance-performance Analysis (IPA)

Important aspect	Urgency	Performance
Attractiveness	4,76	3,18
Social economic culture	4,69	2,88
Conservation	5,19	4,12
Consumer	4,56	2,94
Administration	5,00	3,47
Marketing	4,94	2,76

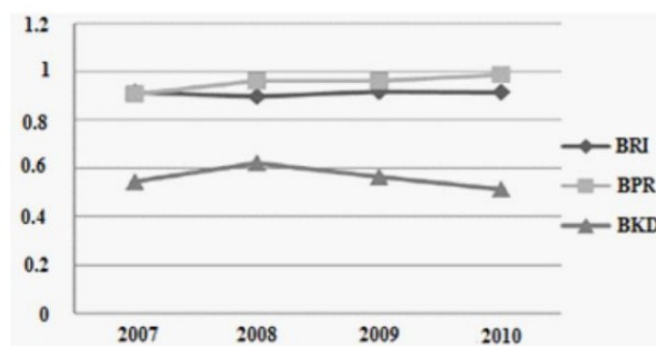


Figure 1. LKM Trend Rating during year 2007-2010

V. CONCLUSIONS

From the discussion, the Expected Return is 2.56% to 10.96% with total risk = 0.26% but after the risk portfolio is formed, it decreases by 0.00258% and the monthly expected return is 0.0607 from this comparison, it can be concluded that: the formation or diversification has an effect on the reduction of stock risk as one of the investment instruments in the Capital Market.

In addition to reducing stock risk, portfolio formation also plays a role in leveling the expected return of each single security. This is useful for preventing fluctuations in security returns that are too sharp and can bring consequences for the risk of loss if only in one type of stock.

The decrease in total risk is largely due to the effect of decreasing unsystematic risk (unique risk) of shares, as part of the risk that can be diversified and even eliminated by increasing the number of securities in the portfolio. Meanwhile, the decrease in systematic risk (market risk) of stocks tends not to have a large enough effect on changes in total risk. This is caused by the characteristics of market risk that affect all companies and therefore cannot be eliminated by diversification.

The portfolio diversification strategy carried out in investing in the capital market can reduce the total portfolio risk without compromising the expected rate of return. While the results of Portfolio Realization Return Regression, Portfolio Expected Return and Portfolio Risk have no significant effect on the Company's Stock Price under study.

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