VALUE STOCKS VERSUS GROWTH STOCKS: AN EXAMINATION INDONESIA STOCK EXCHANGE

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ABSTRACT

This study aims to build a portfolio of value stocks and growth stocks and identify the existence of a value premium on the Indonesia Stock Exchange during 2019-2023. T-test and Mann-Whitney U test are needed in this study to analyze performance and determine whether there is a significant difference in the returns generated by the value portfolio and the growth portfolio. The secondary data used are LQ45 companies listed on the IDX for the 2019-2023 period. The results of the study showed that there was no significant difference in returns between the value stock portfolio and the growth stock portfolio. Thus, the existence of a value premium in companies listed in the LQ45 on the IDX during the 2019-2023 period cannot be proven.

KEYWORDS	*Value premium, Value Stocks, Growth Stocks, BEI*

INTRODUCTION

The stock market plays an important role in the global economy as one of the main financial instruments that not only provides a platform for stock buying and selling activities, but also serves as an indicator of a country's economic health. As a reflection of investor sentiment regarding future economic conditions, the stock market is often used to measure the expectations of various stakeholders regarding economic development, inflation rates, interest rates and political stability (Indriwan & Nurmatis, 2023). As one of the crucial elements in the economy, stock index movements are the main indicator that shows investors' confidence and perception of future economic prospects (Santoso, 2017). The existence of the stock market is not only important as a measurement tool, but also as a catalyst for economic growth through the function of financial intermediation. Companies can obtain funding from the public to expand their business, create jobs, and encourage innovation (Tanjaya & Suhendah, 2023). As a result, a stable and efficient stock market is able to attract foreign investment, strengthen the domestic economy, and

provide opportunities for local communities to develop their wealth, creating a cycle of sustainable economic growth (Graham & Dodd, 1934).

Figure 1 Growth in Market Capitalization Value on the IDX
Source: www.ojk.go.id (Data processed by the author, 2023)

In Indonesia, the Indonesian Stock Exchange (BEI) has shown extraordinary growth over the last few years. Data shows that IDX market capitalization increased by 72.77%, from IDR 7,265 trillion in 2019 to IDR 12,552 trillion in September 2024 (Financial Services Authority, 2023). In addition, the significant growth in the number of individual investors is also a concern. In 2021, the number of individual investors almost doubled compared to the previous year, reaching 7.49 million.
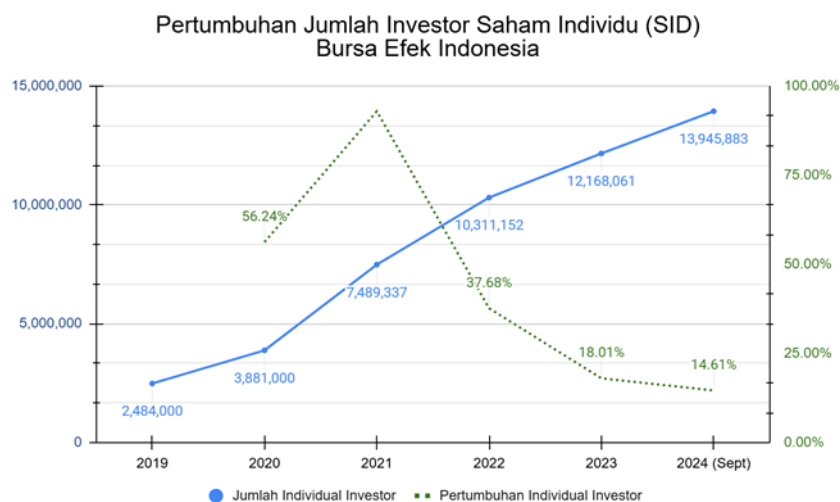

Figure 2 Growth in the Number of Individual Stock Investors on the IDX
Source: www.ojk.go.id (Data processed by the author, 2023)

This phenomenon reflects the increasing public interest in the capital market as an investment alternative, especially in the situation of economic uncertainty

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caused by the COVID-19 pandemic. However, this growth also brings major challenges. Most new investors often have limited knowledge and experience in understanding capital market mechanisms and risk management. This makes them more vulnerable to emotional decision making, especially in facing global crises such as the COVID-19 pandemic, geopolitical conflicts, and climate change (Shunmugasundaram & Sinha, 2024). This reactive behavior is often seen in actions such as panic selling, which does not reflect the fundamental value of the shares owned (Khan et al., 2021).

One important concept that is of concern in the capital market is the value premium phenomenon. This concept refers to the superior performance of undervalued stocks compared to growth stocks, especially in the long term (Malika, 2023; Pratika, 2022). Undervalued stocks often have price-to-earnings, price-to-book or cash flow ratios that are low compared to the market average. This condition creates opportunities for investors to obtain higher returns when share prices reflect their fundamental value again (Fama & French, 2020).

The value premium phenomenon can be explained through two main approaches, namely risk compensation and market inefficiency. The first approach states that investors expect higher returns from undervalued stocks because they are considered to have greater risk. The second approach emphasizes that market inefficiencies, especially in developing markets such as Indonesia, often create opportunities for stock undervaluation due to imperfect information, investor behavioral bias, or other external factors (Hidayat et al., 2021).

In the context of the Indonesian market, the dynamics of the value premium are becoming increasingly interesting, considering the challenges facing developing markets. Factors such as low market efficiency, high volatility, political instability, and information asymmetry play a major role in influencing investment patterns and market behavior (Tanjaya & Suhendah, 2023; Bekaert & Harvey, 2020). This study makes an important contribution to the financial literature, by offering a comprehensive view of the dynamics of the Indonesian capital market and the relevance of the value premium concept in the context of emerging markets.

RESEARCH METHODS

The data in this research is quantitative using secondary data, such as financial reports for LQ45 companies listed on the IDX for the 2019-2023 period. The sample was determined using a purposive sampling method, where there are several specific categories. Based on this explanation, the criteria that will be used to select samples are:

a. The company is always listed on the LQ45 index during the 2019-2023 period.
b. The company has financial reports for the 2019-2023 period.
c. The company has share price information for the 2019-2023 period.

The focus of this research analysis includes the value premium theory which is reviewed in the context of developing markets such as Indonesia. The main

theoretical framework used includes the Efficient Market Hypothesis (EMH) and the Bias of Growth Opportunity (BGO) concept.

1. Difference Test

This research method applies the T-test, which is also known as the difference test, to test the difference in average scores between two samples or two sample groups. In this research, the type of T-test used is the independent sample t-test, which aims to identify the average difference between two independent groups (Zulkarnain, 2022). The formula used in testing is as follows:

$$t = \frac{R_{Value} - R_{Growth}}{S_p\sqrt{\dfrac{1}{n_{Value}} + \dfrac{1}{n_{Growth}}}}$$

$$S_p = \sqrt{\frac{(n_{Value} - 1)\, S_{Value}^2 + (n_{Growth} - 1)\, S_{Growth}^2}{n_{Value} + n_{Growth} - 2}}$$

Information:
RValue   = Return installment-instalment dari portofolio Value Stock
RGrowth = Average return of the Growth Stock portfolio
nValue   = Number of Value Stock samples
nGrowth = Number of Growth Stock samples
SValue   = Standard deviation of the Value Stock portfolio return
SGrowth = Standard deviation of Growth Stock portfolio returns

The hypothesis that value stocks have better stock returns than growth stocks can be accepted if the results of the T-test carried out get a p-value that is smaller than 0.05. Conversely, if the p-value obtained is greater than 0.05, then the hypothesis cannot be proven.

2. Mann-Whitney U test

The Mann-Whitney U test was used to compare two independent sample groups. The formula used in this test is:

$$U = R_v - \frac{n_v(n_v + 1)}{2}$$

Information:
IN   = Test statistical value
Rv   = Number of ratings of the Value Stock portfolio
nv   = Number of Value Stock portfolio samples

The hypothesis that value stocks have better stock returns than growth stocks can be accepted if the Returnsvalue is greater than Returnsgrowth. Conversely, if Returnsgrowth is greater than or equal to Returnsvalue, then the hypothesis cannot be proven.

RESULT AND DISCUSSION

This research focuses on value stock and growth stock portfolios using the Value Premium concept approach. The unit of analysis used is companies that are members of the LQ45 index and listed on the Indonesia Stock Exchange during the 2019–2023 period. Research data was collected via download from the official website of the Indonesia Stock Exchange (www.idx.co.id), including audited Annual Financial Reports and the Annual Reports of each company.

During the 2019–2023 period, there were 67 companies listed in the LQ45 Index. Based on the predetermined sample selection criteria, 23 companies were identified that met the requirements to be used as research samples. The list of companies used as samples is presented in table 1 and table 2 in the attachment section.

1. T-test

For data that is normally distributed, analysis of differences is carried out using the independent sample t-test. This test aims to identify whether there is an average difference between two groups that are independent of each other (Zulkarnain, 2022). The results of the analysis using the independent sample t-test are presented in table 1.

Table 1. Statistical Test Results

Group Statistics

	Portfolio	N	Mean	Std. Deviation	Std. Error Mean
Return Saham	Value Stock	12	8.9142	14.79123	4.26986
	Growth Stock	11	3.9582	11.78793	3.55420

Source: Data processed with SPSS 30 (2024)

In table 1. there are 12 data from stock returns in the value stock portfolio and 11 data from stock returns in the growth stock portfolio. The average stock return in the value stock portfolio was recorded at 8.9142 with a standard deviation of 14.79123 and an average standard error of 4.26986. Meanwhile, the average stock return in the growth stock portfolio was 3.9582, with a standard deviation of 11.78793 and an average standard error of 3.55420. The results of the analysis of data differences are presented in table 2.

Table 2. Different Test Results

Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means							
						Significance				95% Confidence Interval of the Difference	
		F	Sig.	t	df	One-Sided p	Two-Sided p	Mean Difference	Std. Error Difference	Lower	Upper
Return Saham	Equal variances assumed	.608	.444	.883	21	.194	.387	4.95598	5.61227	-6.71536	16.62733
	Equal variances not assumed			.892	20.630	.191	.383	4.95598	5.55554	-6.61003	16.52200

Source: Data processed with SPSS 30 (2024)

Table 2. presents the results of the test of the difference between value stock portfolio stock returns and growth stock portfolio stock returns. Obtained 2 tailed significance of 0.387. The mean difference between the value stock portfolio and the stock return of the growth stock portfolio is 4.95598. Then the standard error difference between value stock portfolio shares and growth stock portfolio stock returns is 5.61227.

Based on the results of the analysis, the significance value obtained is more than 0.05, so H0 is declared accepted. Thus, the difference test using the independent sample t-test shows that there is no significant difference between value stock and growth stock returns in companies included in the LQ45 index on the Indonesia Stock Exchange during the 2019–2023 period.

2. Mann-Whitney U test

The independent sample t-test is used to test differences in returns between shares in the value stock and growth stock categories on normally distributed data. Meanwhile, for data that is not normally distributed, hypothesis testing is carried out using non-parametric methods, namely the Mann-Whitney test (Susilo & Widiastuti, 2022).

Table 3. Mann-Whitney U test results

	Return Saham
Mann-Whitney U	50.000
Wilcoxon W	116.000
Z	-.985
Asymp. Sig. (2-tailed)	.325
Exact Sig. [2*(1-tailed Sig.)]	.347[b]

a. Grouping Variable: Portfolio

b. Not corrected for ties.

Based on the Mann Whitney test with a significance level of 0.05, it shows that the asymp. sig. (2-tailed) for value stocks and growth stocks is greater than alpha. Asymp value. sig. (2-tailed) was recorded at 0.325 (0.325 > 0.05), which indicates that there is no significant difference between stock return value and growth stock in companies included in the LQ45 index on the Indonesia Stock Exchange during the 2019–2023 period.

CONCLUSION

This research comprehensively analyzes the value stock and growth stock performance of companies included in the LQ45 index on the Indonesia Stock Exchange during the 2019–2023 period. The research results show that there is no significant difference in returns between value stocks and growth stocks in these

companies. These findings indicate that investing in value stock and growth stock portfolios during the research period provided relatively similar returns.

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