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EFFECTS OF PROFITABILITY, LEVERAGE, AND COMPANY SIZEAGAINST RETURNSSTOCK(STUDY OF MANUFACTURING COMPANIES IN THE CONSUMER GOODS INDUSTRY SECTOR LISTED ON THE INDONESIA STOCK EXCHANGE IN THE 2014-2017 PERIOD)

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ABSTRACT

This study aims to determine whether profitability, leverage, and company size influence stock returns in the consumer goods manufacturing sector companies listedontheIndonesiaStockExchangefortheperiod2013-2017.Thefactorstested in this study are profitability, leverage, and firm size as independent variables, while stock returns as the dependent variable. The research method used in this research is the explanatory method. The population in this study is the consumer goods industry sector companies listed on the Indonesia Stock Exchange for the period of 2014-2017, totaling 50 companies. The sampling technique used in this study is non probability sampling with a purposive sampling method, so that the number of samples is 38 companies. While the data analysis used in this study is multiplelinearregressionanalysisatasignificancelevelof5%.Theprogramused

in analyzing data using Eviews 9. The results of the study partially show that profitability and leverage affect stock returns, while firm size does not affect stock returns.Themagnitudeoftheinfluenceofprofitability,leverage,andthesizeofthe company in contributing influence on stock returns by60.2%.

Keywords: Company Size, Leverage, Profitability, and Stock Return.

I. INTRODUCTION

Capital market (capital market) is a meeting between parties who have excess funds with those who need funds by selling securities (Tandelilin, 2017: 25). A security is a piece of paper that gives the owner the right to obtain a share of the prospect or wealth of the organization that issued the security, and various conditions that allow the capital to exercise its rights. Securities can be traded and are extended financial instruments, securities are carried out on the capital market and trading is carried out on the stock exchange. Exchanges in Indonesia are called the Indonesia Stock Exchange (IDX) (Husnan, 2015: 25).

Based on the description of the background of the above research, the authors will identify the problem as follows: (1) Is there an effect of profitability on stock returns in manufacturing companies in the consumer goods industry sector listed on the Stock Exchange in 2014-2017. (2) Is there any influence of leverage on stock returns in manufacturing companies in the consumer goods industry sector which are listed on the Indonesia Stock Exchange in 2014-2017. (3) Is there an effect of company size on stock returns in the manufacturing companies in the consumer goods industry sector which are listed on the Indonesia Stock Exchange in 2014-2017.

I. THEORITICAL REVIEW

Stock returns

Returns are one of the factors that motivate investors to invest to get an imbalance of investments made by investors (Tandelilin, 2017: 113). According to Fahmi & Hadi (2011: 151) returns are profits obtained by companies, individuals and investments from the results of investments that have been obtained.

PROFITABILITY

Profitability ratios are ratios that measure overall management effectiveness shown by the size of the level of profits obtained in relation to sales and investment. Profitability ratios can be known from the ratio of return on total assets (return on assets / ROA) (Fahmi, 2016: 135). According to Ulupui (2007) the higher return on assets shows the more effective the company is in utilizing assets for

generate net profit after tax. Increased ROA illustrates a better company performance and shareholders will benefit from increased dividends received (Yani & Emrinaldi, 2014). If after the division and made into percent, if it gets closer to 100%, it means the better. This means that the company is able to utilize all of its assets in achieving profits (Arifin, 2007: 82). Halim (2015: 4) said a good profit (profit) will result in an increase in stock prices, then the company's stock return will increase, because following the ups and downs of dividends paid to shareholders.

Leverage

Leverage ratio (debt ratio), a ratio that shows the extent to which a company is financed by debt (Fahmi, 2016: 127). the leverage ratio used in this study is Debt to Equity Ratio (DER). DER is a group of solvency ratios shown by total liabilities divided by total shareholder’s equity. Jeol G. Siegel and Jae K. Shim in Fahmi (2016: 128) define it as a measure used in analyzing financial statements to show the size of collateral available to creditors. Creditors in general would prefer this ratio to be lower. The lower this ratio, the higher the level of corporate funding provided by shareholders, and the greater the protection of credit (margin of protection) in the event of depreciation of assets or large losses (Horne & Wachowicz, Jr., 2013: 169). The higher the DER tends to reduce stock returns, because the higher level of debt shows the company's interest expense will be greater and reduce profits (Siburian & Daulay, 2013).

COMPANY SIZE

The size of the company is a reflection of the size of the company associated with opportunities and the ability to enter the capital market and other types of external financing that shows the ability to borrow companies (Wijaya, 2017). Company size is used to measure the size of the company using total assets, sales and capital of the company. The greater the total assets, sales and capital of the company so that corporate profits are greater and affect the size of the company (Lestari, Andini, & Oemar, 2016). According to Han and Lesmond in Raningsih & Putra (2015) states that, the size of the company reflects the size of the company as seen from the company's total assets. Asset size is measured as the logarithm of total assets. Larger companies can produce greater earnings so they get a higher return than smaller companies (Ganerse & Suarjaya, 2014).

III. RESEARCH METHODS

Research design (research design) according to Sekaran & Bougie (2017: 109) is a blueprint or plan for data collection, measurement and analysis, which is based on research statements from the study. This research is explanatory research. Explanatory research is research that aims to obtain answers about "how" and "why" a phenomenon occurs. The purpose of this study is to explain or prove how the relationship between research variables (Nuryaman & Christina, 2015: 6). This study collects data related to research, namely profitability, leverage, company size, and stock returns in the Manufacturing Companies of the Consumer Goods Industry Sector which are listed on the Indonesia Stock Exchange for the period 2014-2017.

This study uses sampling by means of nonprobability sampling with purposive sampling technique. Purposive sampling is someone or something taken with as a sample because the researcher considers

that someone or something has information or characteristics that are suitable for research needs (Nuryaman & Christina, 2015: 110). Sample criteria that will be used in this study are:

1. Consumer Goods Manufacturing Sector Manufacturing Companies listed on the Indonesia Stock Exchange.

2. Consumer Goods Manufacturing Sector Manufacturing Companies listed on the Indonesian Stock Exchange since 2014.

3. Manufacturing Companies in the Consumer Goods Industry Sector which have complete financial data consistently and other data to carry out calculations in this study from 2014 to

2017. Based on established criteria and a sample of companies. The research sample can be seen in the table presented as

following:

Purposive Sampling

No	Sample Criteria	total
1	Manufacturing Companies in the Consumer Goods Industry Sector are listed on the Indonesia Stock Exchange.	50
2	Consumer Goods Manufacturing Sector Manufacturing Companies that have not been listed on the Indonesia Stock Exchange since 2014.	(12)
3	Manufacturing Companies in the Consumer Goods Industry Sector that do not have complete financial data consistently and other data to carry out calculations in this study from 2014 until 2017.	(0)
The selected company is the sample		38

Source: www.idx.co.id (data reprocessed)

IV. RESEARCH RESULTS AND DISCUSSION

Effect of Profitability on Stock Returns

The results showed that profitability affected stock returns. This can be seen from the significance value of the profitability variable of 0.0000 <0.05 (the significance level of research significance). Besides that, it can also be seen from the result of the comparison between tcount and ttable which shows tcount of 8.628, while ttable of 1.976. From these results it can be seen that tcount> ttable is 8.628> 1.976, it can be concluded that Ha1 is accepted, meaning that partially profitability affects stock returns.

Effect of Leverage on Stock Returns

The results showed that leverage affects stock returns. This can be seen from the significance value of the leverage variable of 0.0000 <0.05 (the significance level of research significance). Besides that, it can also be seen from the result of the comparison between tcount and ttable which shows the tcount value of 8.3339, while ttable is 1.976. From these results it can be seen that tcount> ttable is 8.333> 1.976, it can be concluded that Ha2 is accepted, meaning that partially leverage affects stock returns.

THE EFFECT OF COMPANY SIZE ON STOCK RETURNS

The results showed that company size had no effect on stock returns. This can be seen from the significance value of the variable company size of 0.8654> 0.05 (the significance level of research significance). Besides it can also be seen from the results of the comparison between tcount and ttable which shows the tcount value of 0.169, while ttable of 1.976. From these results it can be seen that tcount <ttable is 0.169 <1.976, it can be concluded that Ha3 is rejected, meaning that partially the size of the company has no effect on stock returns.

V. CONCLUSION

This study aims to determine whether profitability, leverage, and firm size affect stock returns in manufacturing companies in the consumer goods industry sector which are listed on the Indonesia Stock Exchange.

Based on the results of the study using panel data regression analysis concluded the following conclusions: (1) The results showed that partially profitability affected stock returns. This means that the higher the level of profitability of the company, the higher the stock return. (2) The results of the study show that partial leverage affects stock returns. This means that the lower the company's leverage, the higher the stock return.

(3) The results of the study show that partially the size of the company has no effect on stock returns. That is because the size of the stock return is determined by the company's performance rather than how big the size of the company.

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