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The Effect of Profitability and Leverage on Stock Return of Food and Beverage Companies

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Abstract

This study aims to examine and analyze the effect of profitability and leverage on stock returns. The research approach used in this study is quantitative, focusing on 6 of the 16 food and beverage companies listed on the Indonesia Stock Exchange in 2009-2013. Sampling using purposive sampling method, with the criteria that the companies listed on the Stock Exchange during 2009-2015 complete with data related to the variables in this study. Data collection uses the documentation method (secondary data). Data analysis used profitability analysis, leverage analysis, stock return analysis, classical assumption test (test normality, multicollinearity test, and heteroscedasticity test). Multiple regression analysis, coefficient of determination test, simultaneous significance test, and partial test. The results show that profitability and leverage affect stock returns, with profitability as the dominant variable.



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1 Introduction

In general, companies that go public take advantage of the existence of the capital market to obtain sources of funds or alternative financing. The existence of the capital market can be used as a tool to reflect the performance and financial condition of the company. This investment activity aims to place funds in one or more assets with the hope that investors will benefit in the form of income or an increase in the value of the initial investment (Jogiyanto, 2000; Sutriani, 2014). The profits obtained by these investors are called returns stock (Setiyono & Amanah, 2016). Therefore, analysis and prediction of the financial condition of a company are fundamental. Profit is the primary goal of every company that is running a business. The greater the profit earned by a company, the better the company's financial performance. Because company profits can affect a company's development and survival, sometimes these goals cannot be appropriately realized. The company often faces problems and challenges that cause the company to suffer losses.

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The financial condition and results of the company's operations reflected in the company's financial statements are essentially the final result of the company's accounting activities concerned. Information about the company's financial condition and results of operations are beneficial for various parties, both parties within the company and parties outside the company. For example, such helpful information is about the company's ability to pay off short-term debt, its ability to pay interest and principal loans, and its success in increasing its capital. Investors or owners or investments interested in knowing the potential money invested in the company to generate income received by shareholders are dividends. Creditors are interested in providing loans to companies, and the government (especially tax agencies) is interested in determining the tax burden that companies must pay. For investors and creditors, financial statements provide relevant information (historical and quantitative) regarding the financial position, changes in financial situation, and the company's ability to generate profits. Besides these three parties, there are other financial statements, namely employees, customers, and the public. Employees are interested in information on the stability and profitability of the company. Customers have an interest in the survival of the company. The public needs information about the trend and the latest developments in the prosperity of the company and its series of activities.

Before analyzing the company's financial statements, first, understand the characteristics of the financial statements to be interpreted and the steps are taken in the analysis process (Arsyad et al., 2021). The thing that needs to be understood by the analysis is that regardless of the condition of a company's financial statements, there are limitations that need to be eliminated so that the results of the study are not biased (Ahmad et al., 2018). In this case, knowledge related to financial management, which includes planning, organizing, directing, and controlling an organization's finances, must be implemented to achieve the goals that have been set. One of the most important financial management goals is to maximize the wealth or prosperity of shareholders or owners. From this understanding, in summary, financial management focuses its activities as an organization can create and maintain corporate value (Ahmad et al., 2018).

To achieve the desired company goals, the company must carry out its functions properly. The company's functions include the financial function, marketing function, human resource function, and operational function (Nurfadila & Muslim, 2021). The four functions have their roles in the company, and their implementation is interrelated. Financial management in other literature is described as all company activities related to obtaining funds and managing assets according to the company's overall objectives. In other words, financial management is a management process related to how to acquire assets, fund assets, and manage investments to achieve company goals. There are 3 (three) main functions in financial management from this definition as stated by Martono and Harjito (2008:4), namely investment decisions, funding decisions, and management decisions. Various descriptions of financial management that have been explained illustrate that financial management develops with its different financial products. At that time, the issue of inflation began to be considered. Several innovative long-term financing techniques emerged as an answer to the discussion of economic conditions. For example, junk bond financing techniques to finance mergers and management's efforts to buy back their own companies, floating interest rate debt was introduced to protect investors from the adverse effects of high inflation and interest rates fluctuating.

Profitability is essential in business because organizations want better profits with their own business than borrowing from banks or opportunities obtained through low-risk interest payments (Husain & Sunardi, 2020). It is the most common method used to evaluate whether or not people are running a business. For example, if the savings or money market generates more profits than the money invested in the company, people might consider selling their business investment in several ways. This ratio will measure profit from sales, profit from assets, and profit from the investment.

The ultimate goal to be achieved by a company, the most important thing is to obtain maximum profit or profit (Ahmad et al., 2018). By obtaining maximum profit as targeted, companies can do much for the welfare of owners, employees, and improve product quality and make new investments (Krisnanto, 2021). Therefore, the company's management in practice is required to meet the targets that have been set. It means that the amount of profit must be achieved as expected and does not mean the origin of profit. To measure the level of profit of a company, a profit ratio or profitability ratio is used, also known as the profitability ratio.

A company running its business in line with the development experience always requires additional capital (Jumady et al., 2021). When the company is founded, the owner can determine what sources of capital to use,

whether all of it comes from ordinary share capital or there needs to be long-term debt. Every decision is taken about the source of capital always has an impact. For example, if the source of capital is ordinary shares, there is an obligation to pay dividends, and policy or management decisions from shareholders need to be considered. Suppose the source of capital is from preferred stock. In that case, there is an obligation to pay dividends that must be prioritized and the state of the company being liquidated, and the preferred stockholders will have priority to increase the value of their shares. If the source of capital comes from long-term debt, there is an obligation to pay interest and repay the debt at maturity.

There are specific considerations from the company in arranging which combination of capital sources will be used. For example, a company does not like its company management to be managed by many owners. Therefore the decision on the source of capital used for the following development is from long-term debt. Adrian & Shin, (2010) explained that Leverage is a measure that shows how debt and preferred stock are used in the company's capital structure. The company's leverage will affect the earnings per share, the level of risk, and the stock price. The value of companies that do not have debt for the first time will increase when the need for additional capital is met by debt, and this value will then reach its peak, and eventually, that value will decrease after excessive use of debt. According to Putra (2013), financial leverage is the use of funds with a fixed burden in the hope that the use of these funds will increase earnings per share (EPS). Financial leverage problems only arise after the company uses funds with fixed costs, and operating leverage problems only arise after the company has fixed costs in its operations. Companies that use funds with fixed costs are said to produce favorable financial leverage or a positive effect if the income received from using these funds is greater than the fixed burden of using the funds.

If a company uses fixed-load funds, it produces a beneficial effect on the funds for common stockholders (owners of own capital), namely in the form of increasing its EPS, it is said that the company is running "trading on the equity." "Trading in equity" can be defined as the use of funds accompanied by a fixed burden which in its use can generate income that is greater than the burden. Unfavorable leverage if the company can not get revenue from using these funds as much as a fixed burden to be paid. One of the objectives in selecting various alternative methods of spending is to increase income for owners of their capital or common stockholders. Asraf & Desda, (2020) argues that Leverage is any use of assets or funds that carry the consequences of fixed costs and expenses. The fixed expenses in question can be in the form of loan interest if the company uses external sources of spending (foreign capital). In contrast, if the company uses machines, it must bear fixed expenses in depreciation costs for machines (depreciation). If the company leases a fixed asset to another party, the consequence is that it must pay fixed costs in the form of rental fees.

Stock return is the level of profit enjoyed by investors on an investment made (Ang, 1997; Arista & Astohar, 2012). Return is an important motivation and principle in investment and a key that allows investors to decide on alternative investment choices (Setiyono & Amanah, 2016). Returns stock can be divided into two (Setiyono & Amanah, 2016), namely the Tirrenus return and expected return. Realized return is a return that has occurred or has been realized. At the same time, the expected return is the return that investors expect to get in the future and is still uncertain. Return expectations have not yet occurred.

Realized return is different from expected return, and the difference is between what is expected and the reality, which results in the risk of uncertainty (Jogiyanto, 2000; Sutriani, 2014). The existence of this uncertainty risk requires investors to predict the return that will be received in the future. It has become a general principle in management that every investment has a high-risk potential in proportion to the return to be obtained (Sugiarto, 2011). The higher the selling price of the stock is above the purchase price, the higher the return that investors will get. If an investor wants a return, a higher one must be willing to bear higher risk, and vice versa if he wants a return low, the risk to be borne is also low (Arista & Astohar, 2012). Therefore, investors need to predict the return that will be received and the possibilities that will occur in the future (Sutriani, 2014).

One way investors can predict the level of investment risk is to analyze the information contained in the company's financial statements (Saleem, 2013; Carlo, 2014). Financial statements are historical information, where the emergence of financial statements after the emergence of transactions is then recorded and made financial statements (Deanta, 2009). Financial statements are an essential tool to obtain information regarding the financial position and results achieved by the company concerned (Raharjaputra, 2009). Financial statements estimate future free cash flows in different operating plans, forecasting the company's capital

requirements, and then choose a plan that maximizes shareholder value (Ari, 2010). Financial statements are prepared to provide information regarding the financial position, performance, and changes in the financial position of a company that is useful for many users in making economic decisions (Deanta, 2009). Information on the financial position, performance, and changes in financial position is needed to evaluate the company's ability to generate cash (and cash equivalents) and the timing and certainty of these results (Deanta, 2009).

The financial statements contain information about the status of the issuer. In analyzing financial statements, a benchmark is needed, namely the ratio or index. This ratio can be interpreted as comparing two elements of financial statements, where the ratio shows the financial status for a certain period (Hernendiastoro, 2005; Carlo, 2014). Managers often use ratio analysis to analyze stocks which will then be used to make decisions (Werner R. Murhadi, 2012; Sutriani, 2014). Ratio analysis helps compare a number relatively to avoid misinterpretation of absolute numbers in financial statements (Sutriani, 2014).

Several factors affect returns stock, including profitability (Carlo, 2014; Ni Luh Lina Mariani & Yulianthini, 2016) and leverage (Arista & Astohar, 2012; Setiyono & Amanah, 2016; Sugiarto, 2011). This study aims to examine and analyze the effect of these two factors on returns on the stock. Profitability is the primary measure of the company's success in earning a profit (Prihadi, 2010). The profitability ratio is a ratio that measures the ability of company executives to create profit levels in the form of company profits and economic value on sales, company net assets, and own capital (shareholder equity) (Raharjaputra, 2009). Profitability measures how much profit can be obtained from share capital, level of sales, and assets owned by the company (Sutriani, 2014).

High profitability is a company's success in obtaining profits based on its assets and capital. Maintaining the level of profitability is essential for the company because high profitability is the company's goal. When viewed from the development of the profitability ratio shows an increase, it shows an efficient company performance (Riyanto, 2000; Martono, 2009; Arista & Astohar, 2012). Profitability is proxied by Return On Equity (Carlo, 2014). Return on equity compares the net profit of an issuer and its capital (Harahap, 2007; Carlo, 2014). The higher the return on equity, the more efficient the company uses its capital to generate profits. There is a positive relationship between return on equity and the company's stock price, which can increase the book value of the company's shares, so between return on equity and stock prices have a positive relationship where high return on equity tends to have high stock prices (Sucitra, 2006). It will affect the returns stock that shareholders will receive. Empirical studies related to the effect of return on equity on returns stock have been carried out by previous researchers (Carlo, 2014; Ngaisah, 2008; Sa'adah, 2009; Suhair, 2006).

Suad Husnan (2005) opinion states that profitability shows the company's performance in generating profits. If the company's financial performance in generating profits increases, this will show attractiveness for investors and potential investors in investing their capital in the company. If the demand for shares increases, the share price will tend to increase. It will increase stock returns. The higher the ROE indicates, the more efficient the company uses its capital to generate profits. Suchitra states the relationship between ROE and stock prices (2006), explaining that there is a positive relationship between ROE and the company's stock price, which can increase the book value of the company's shares, so there is a positive relationship between ROE and stock prices where high ROE also tends to increase stock prices. It will be high and will affect the stock returns that shareholders will receive.

Then According to Ang, (1997) explains the effect of DER that the higher the DER shows, the composition of total debt (short term and long term) is greater than the total equity itself, so the greater the impact on the company's burden on external parties (creditors). The increasing burden on creditors shows that the company's source of capital is very dependent on outside parties, thereby reducing investors' interest in investing their funds in the company. The decline in investor interest impacts the company's stock price decline so that the total return decreases.

H1: Profitability and Leverage Influence on Stock Return

Financial ratio analysis can be used to assess the company's prospects in the future, especially in generating profits and obtaining returns for investors. Two of the financial ratio analysis is financial leverage and profitability ratios are financial ratios that can be used to compare the risks and returns of various companies to help investors make investment decisions. By doing this financial ratio analysis, investors are expected to

make the right decisions in making their investments to avoid losses. Based on the results of research conducted by Hasanah, (2008) states that the most dominant profitability affects stock returns. The results of this study are by the opinion of Modigliani and Miller, which states that the value of the company is determined by the earning power of the company's assets. Large earning power can increase the return to be received by investors. In general, financial leverage (debt to equity ratio) and profitability ratio (return on equity) significantly contribute to the size of the return stock that will be received.

Leverage is a tool to measure how much the company depends on creditors in financing the company's assets (Sutriani, 2014). Leverage is a ratio that is used to measure how much of the assets owned by the company come from debt or capital so that with this ratio it can be seen the position of the company and its obligations that are fixed to other parties as well as the balance of the value of fixed assets with existing capital (Oroh et al., 2019). Leverage shows the extent to which debt and stock are preferred used in the company's capital structure (Syamsuddin, 2011). The leverage company will affect the earnings per share, the level of risk, and the stock price. The value of companies that do not have debt for the first time will increase when the need for additional capital is met by debt, and this value will then reach its peak, and eventually, that value will decrease after excessive use of debt. Leverage is divided into two types (Manduh, 2004), namely operating leverage and financial leverage. Operating leverage (Manduh, 2004) can be interpreted as how much the company uses fixed operating expenses. Fixed operating expenses usually come from depreciation costs, production, and marketing costs that are fixed (eg employees' monthly salaries). The opposite is the operating variable expense (cost). Meanwhile, financial leverage involves the use of funds obtained at certain fixed costs in the hope of increasing the share of capital owners. Financial leverage (Martono & Harijanto, 2008) is the use of funds with a fixed expense in the hope that these funds will increase earnings per share (EPS). Problems Financial leverage only arises after the company uses funds with fixed costs, and problems operating leverage only arise after the company has fixed costs in its operations.

Leverage is proxied by the Debt to Equity Ratio (Sutriani, 2014). Debt to Equity Ratio (DER) describes the company's ability to take advantage of obligations in order to pay debts with equity (own capital) (Sutriani, 2014). The debt to equity ratio guarantees how much its capital guarantees the company's debt. The smaller the debt to equity ratio, the better for the company or, the safer the debt that must be anticipated with own capital (Fakhrudin & Hardianto, 2001; Arista & Astohar, 2012). On the other hand, the higher the debt to equity ratio, the higher its risk by using its capital if the company suffers a loss (Ang, 1997; Arista & Astohar, 2012). So that the greater the company's burden on external parties (creditors). The increasing burden on creditors shows that the company's source of capital is very dependent on outside parties, thereby reducing investor interest in investing their funds in the company (Robert, 1997). The decline in investor interest impacts the company's stock price decline so that the total return decreases. Previous research (Arista & Astohar, 2012; Setiyono & Amanah, 2016; Sugiarto, 2011) has examined the effect of debt to equity ratio on returns stock and has proven it. However, several previous researchers (Sutriani, 2014) said that there was no debt-to-equity ratio to returns stock.

H2: Profitability (Return On Equity) Dominant Influence on Stock Return

2 Research Method

The research approach used in this research is quantitative. This research focuses on 6 of the 16 food and beverage companies listed on the Indonesia Stock Exchange in 2009-2013, the Makassar Capital Market Information Center (PIPM), as the population in this study. Sampling used the purposive sampling method, with the criteria that the company was listed on the IDX during the 2009-2015 period, complete with data related to the variables in this study. Data collection uses the documentation method (secondary data). Analysis of data using profitability analysis, analysis of leverage, analysis of returns, stock classic assumption test (consisting of normality test, multicollinearity, and heteroscedasticity test), multiple regression analysis, test the coefficient of determination (R^2), test the simultaneous significance (F test), and partial test (t-test). The variables in this study consist of profitability ratios, leverage ratios, and returns share. The profitability ratio is a ratio to determine the company's ability to earn profits, total assets, and own capital. Using a measuring

instrument Return on Equity (ROE) is the company's ability to obtain profits available to shareholders. Furthermore, the ratio leverage is the ratio used to explain the use of debt to finance part of the company's assets. This study using a measuring instrument, Debt to Equity Ratio (DER). Also, stock return compares the volume of shares traded by the company and the number of shares outstanding.

3 Result and Discussion

Result

The profitability ratio used in this study is the ratio of return on equity (ROE) in food and beverage companies listed on the Indonesia Stock Exchange for the period 2009-2013, which is calculated using the formula:

$$\text{Return on Equity (ROE)} = \frac{\text{Net Profit after Tax}}{\text{Shareholders' Equity}}$$

Table 1. Results of Calculation of Return on Equity of Food and Beverage Companies in 2009 – 2013

No	Company name	Year				
		2009	2010	2011	2012	2013
1	PT. Akasha Wira International Tbk	23,92	31,70	20,57	39,87	21,02
2	PT. Tiga Pilar Sejahtera Tbk	5,49	13,07	5,68	12,47	14,71
3	PT. Delta Djakarta Tbk	21,43	24,16	6,49	35,68	25,67
4	PT. Ultra Jaya Milk Industry Tbk	5,13	8,25	2,50	21,08	16,13
5	PT. Davo Mas Abadi Tbk	5,73	2,74	39,16	26,77	12,86
6	PT. Multi Bintang Indonesia Tbk	35,60	3,99	3,68	17,40	3,60

Table 1 shows the calculation of return on equity, especially in food and beverage companies, which have been recorded for the last 5 years and have fluctuated. The factor that causes ROE fluctuations is that the company's net profit has also fluctuated in the last 5 years. Analysis Leverage in this study is proxied using the Debt Equity Ratio (DER), with the following formula:

$$\text{Debt Equity Ratio (DER)} = \frac{\text{Total Debt}}{\text{Total Equity}} \times 100\%$$

Table 2. Results of Calculation of the Debt Equity Ratio of Food and Beverage Companies Year 2009 – 2013

No	Company name	Year				
		2009	2010	2011	2012	2013
1	PT. Akasha Wira International Tbk	161,35	224,89	351,34	86,06	66,58
2	PT. Tiga Pilar Sejahtera Tbk	346,22	233,93	395,89	90,20	113,04
3	PT. Delta Djakarta Tbk	27,25	18,19	21,51	24,59	28,15
4	PT. Ultra Jaya Milk Industry Tbk	45,16	54,35	121,28	44,39	39,52
5	PT. Davo Mas Abadi Tbk	527,82	195,94	372,04	118,06	6,97
6	PT. Multi Bintang Indonesia Tbk	74,13	51,23	150,23	131,69	80,46

Table 2 shows the results of the calculation of the debt-equity ratio, especially for food and beverage companies, which were recorded for the last 5 years and experienced fluctuations due to the fluctuating total debt.

Return Stock in this study is calculated using the formula:

$$\text{Stock returns} = \frac{\text{Share Price period } t - \text{Stock Price period before } t}{\text{Share price for the period before } t} \times 100\%$$

Table 3. Results of Calculation of Stock Return of Food and Beverage Companies in 2009 – 2013

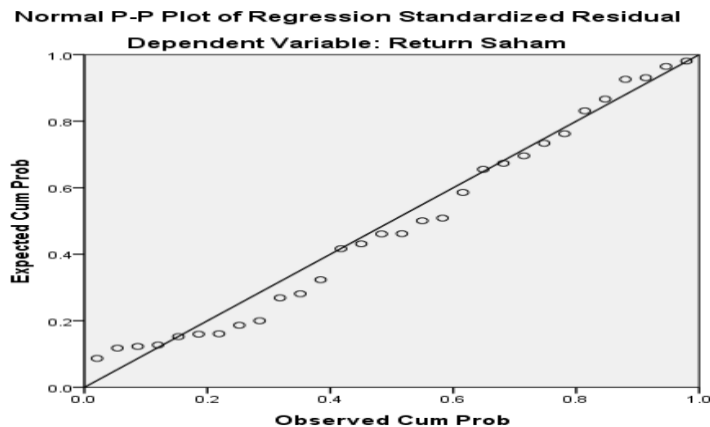
No	Company name	Year				
		2009	2010	2011	2012	2013
1	PT. Akasha Wira International Tbk	1,84	1,53	-0,38	0,90	0,04
2	PT. Tiga Pilar Sejahtera Tbk	-0,15	1,17	-0,31	1,18	0,32
3	PT. Delta Djakarta Tbk	2,10	0,94	-0,07	1,29	0,49
4	PT. Ultra Jaya Milk Industry Tbk	-0,28	1,09	-0,11	0,23	2,38
5	PT. Davo Mas Abadi Tbk	-0,14	0,48	-0,32	0,10	0,09
6	PT. Multi Bintang Indonesia Tbk	2,58	0,55	0,31	1,06	0,62

Table 3 shows returns fluctuating stock due to the stock price experiencing an increase/decrease in price when traded in the capital market.

Table 4. Normality Test Results with Tests of Normality

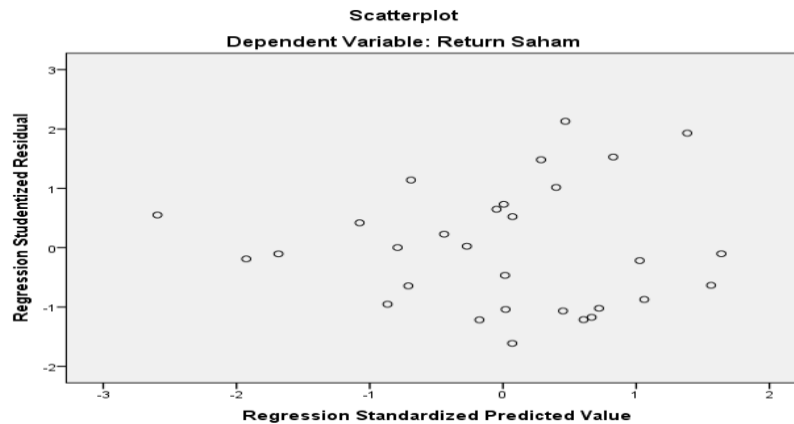
			Unstandardized Residual
N			30
Normal Parameters ^{a,b}	Mean		0E-7
	Std. Deviation		.71081649
Most Extreme Differences	Absolute		.108
	Positive		.108
	Negative		-.079
Kolmogorov-Smirnov Z			.594
Asymp. Sig. (2-tailed)			.872

The normality test results using the one-sample Kolmogorov-Smirnov method, SPSS release 20, show that for the normality test regarding the effect of profitability and leverage, the sig value is $0.872 > 0.05$ this means that the profitability and data leverage are typically distributed.

**Figure 2. Normality Test with P-Plot of Regression Normal Diagram****Table 5. Multicollinearity Test Results**

Variable	Colineritas Statistik		VIF	Decision
	Tolerance	VIF	Standar	
Profitabilitas (ROE)	0,987	1,013	10	No symptoms of multicollinearity
Leverage (DER)	0,987	1,013	10	No symptoms of multicollinearity

Table 5 shows that the column collinearity statistic, namely the VIF value for profitability and leverage, is 1.013 because it is smaller than 10. It can be concluded that there is no multicollinearity problem in the regression model.



Gambar 3. Grafik Scatterplot

The scatterplot graph shown in Figure 3 shows that the points spread randomly and are spread both above and below the number 0 on the Y axis. It can be said that in the regression model there is no heteroscedasticity so that the regression model is feasible to use to predict profitability variability. and leverage.

Table 6. Autocorrelation Test Results

R	R Square	Adjusted R Square	Durbin-Watson	dL value	dU value
.520	.270	.216	1,884	1,283	1,567

Table 6 shows that the Durbin-Watson test yields a value of 1.884. This value is greater than the value of dU = 1.567 and smaller than the value of 4-dU = 2.433, while from the DW table with a significant level of 0.05 and the amount of data (n) = 30 and K = 2, the dL value is 1.283 and dU = 1.567, because the value of dL = 1.283 < 1.567 < 2.433 means that the regression data does not have autocorrelation regression.

Table 7. Processed Results of Regression Data on Profitability and Leverage on Stock Return

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	.550	.291		1.889	.070
Profitabilitas (ROE)	.024	.012	.341	2.061	.049
DER	-.002	.001	-.355	-2.148	.041

Based on table 7, the multiple regression equation can be presented as follows:

$$Y = 0,550 + 0,341 X_1 - 0,355 X_2$$

So it can be interpreted that the constant (b0) is 0.550, which means that without profitability and leverage, the return is stock 0.550 %; profitability (X1) is 0.341, which means that for every ROE increase of 1 unit, the return stock will increase by 0.341 %; leverage (X2) is -0.355 which means that a decrease in DER will affect returns stock of 0.355 %.

Table 8. Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.520a	.270	.216	.73667	1.884

The summary model shows the correlation value R = 0.520, which means that profitability and leverage have a strong relationship with stock prices, which is 52%. Then the obtained value of R2 or coefficient of determination of 0.216 or 21.60%, variation of stock returns is influenced by the profitability and leverage. At

the same time, the remaining 78.40% is influenced by other variables not included in this study. The partial test shows that profitability has a positive and significant effect on return shares, as evidenced by the acquisition of $t\text{-count} = 2.061 > t\text{-table} = 1.703$, and has a sig value of $0.049 < 0.05$. Furthermore, leverage has a positive and significant effect on returns stock, where the value of $t\text{-count} = -2.148 > t\text{-table} = 1.703$, and has a sig value of $0.041 < 0.05$. From the results of the SPSS data processing, the $F\text{-count} = 5.003 > F\text{-table} = 3.354$, and besides that, it has a value < 0.05 ($0.014 < 0.05$), it can be concluded that profitability (ROE) and leverage (DER) has a simultaneous effect on increasing stock returns.

Discussion

Effect of Profitability on Stock Return

Based on the results of the analysis and research that has been done, the influence of profitability as proxied by return on equity has a positive effect on returns stock, where every increase in return on equity will increase returns stock. Meanwhile, seen from the partial test results show that there is a significant effect between return on equity and returns stock. Thus, it is concluded that the increase in return on equity will significantly affect the increase in returns stock, especially in food and beverage companies listed on the Indonesia Stock Exchange. High return on equity is considered positive information and shows that the company uses its capital to generate profits or net profits for shareholders. A high ROE indicates better performance because the rate of return is getting bigger. With the increase in company performance, the company's share price in the capital market increases, impacting increasing returns stock. The share of profits that occur in the rights of capital owners also increases. The results of this study are consistent with previous studies (Akroman 2009; Sucitra, 2006), which explains that the positive relationship between return on equity and stock price to increase the book value of the company's shares, such that, between the return on equity with stock prices have a relationship positive where the return on equity a high tends to have a high stock price. It will affect the returns stock that shareholders will receive. In this regard, the proposed hypothesis is accepted.

Effect of Leverage on Stock Return

The study results prove that leverage as proxied by the debt-equity ratio positively and significantly affects returns stock. An increase will follow every increase in leverage as proxied by the debt-equity ratio in stock returns in food and beverage companies listed on the IDX. The higher the debt-equity ratio, the higher the company's loan capital (debt) in generating profits. In this condition, the interest expense borne by the company becomes higher. The company's failure to pay interest on debt can cause financial difficulties that end in the bankruptcy of the company liability. The increasing total debt indicates the company's financial burden is getting bigger so that the share price in the capital market drop. With the decline in stock prices, the returns company's stock also decrease. The influence of the debt-equity ratio that the higher the debt-equity ratio indicates the composition of the total debt (short term and long term) is greater than the total equity. So that the greater the company's burden on external parties (creditors). The increasing burden on creditors shows that the company's source of capital is very dependent on outside parties, thereby reducing investors' interest in investing their funds in the company. The decline in investor interest impacts the decline in the company's stock price so that the total return decreases. The results of this study are in line with previous research (Thamrin, 2012) that the debt-equity ratio influences increasing returns stock. In other words, the proposed hypothesis is accepted.

4 Conclusions

Referring to the analysis results, profitability, as proxied by return on equity and leverage as proxied by debt-equity ratio, shows that both can affect the increase or decrease of returns stock. It indicates that the more the return on equity and debt-equity ratio increases, the more it will affect returns stock. Furthermore, further research can use other variables outside of this research variable to get more varied results to develop knowledge related to returns stock. Based on the results of research conducted by Hasanah, (2008) shows that the most dominant profitability affects returns to stock. The results of this study are by the opinion of Modigliani and

Miller, which states that the value of the company is determined by the earning power of the company's assets. Earning power Large can increase the return to be received by investors. In general, the profitability ratio (return on equity) has a reasonably significant contribution to the size of the return stock that will be received. Then the research results show that the dominant variable influencing stock is a return on equity. The return on equity has the most significant regression coefficient compared to the variable regression coefficient debt to equity ratio.

5 References

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