



## ANALYSIS OF THE EFFECT OF FINANCIAL PERFORMANCE ON FOOD AND BEVERAGES STOCK RETURN IN INDONESIA STOCK EXCHANGE PERIOD 2015 - 2019

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**Abstract:** This study aims to determine the Effect of Financial Performance on Food and Beverages Company Stock Returns on the Indonesia Stock Exchange in the 2015-2019 Period. The research method used is an associative method that aims to determine the effect or also the relationship between two or more variables. Samples were taken by technique purposive sampling as many as 12 companies from a population of 15 food and beverage companies on the Indonesia Stock Exchange, while the research data collection instrument for each variable is to use the ratio of financial performance and stock returns. The results of the research analysis found that the model used is the Fixed Effect Model with the results: (1) There is no significant effect between the ratio of liquidity to stock returns; (2) There is no significant effect between the ratio of activity to stock returns; (3) There is no significant effect between leverage ratio on stock returns; (4) There is a significant influence between the ratio of profitability to stock returns; (5) There is a significant influence between market value on stock returns.

**Keywords:** Financial Performance, Stock Returns, Liquidity Ratios, Activity Ratios, Leverage Ratios, Profitability Ratios, Market Value Ratios.

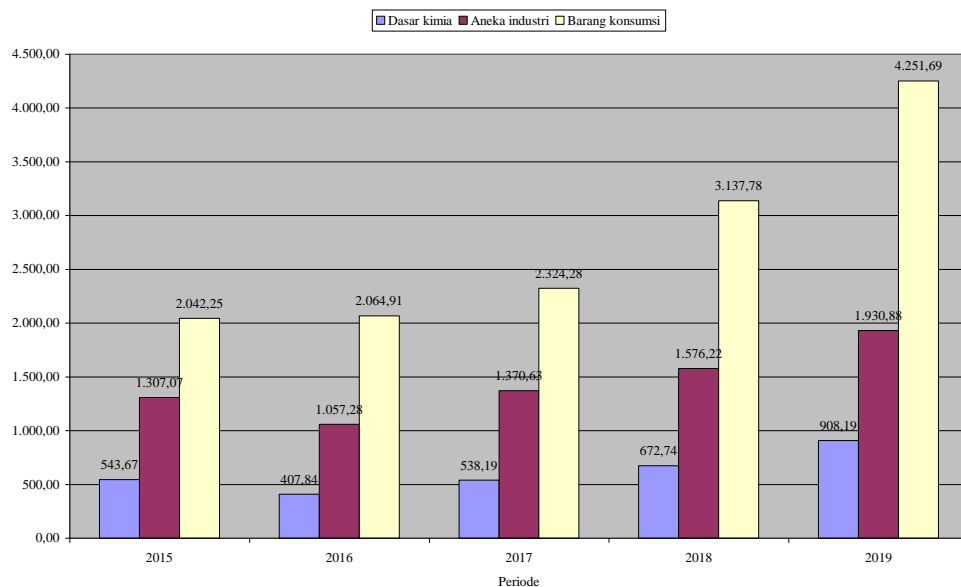
### INTRODUCTION

The development of the capital market in Indonesia has been very advanced and growing rapidly, as evidenced by the increasing number of companies listed on the Indonesian capital market until 2017, there were 539 companies listed as public companies on the capital market. Companies listed on the Indonesia Stock Exchange are based on industry classifications determined by the Indonesia Stock Exchange called JASICA (Jakarta Stock Exchange Industrial Classification). The company is divided into 3 large sectors which are further divided into 9 sectors, 3 of which include the main sectors (industry producers of raw materials or industries managing natural resources) consisting of the agricultural sector and the mining sector; the second sector (manufacturing and manufacturing industries) consisting of basic and chemical industries,

various industrial sectors, and the consumer goods industry sector; the third sector (service industry) which consists of the real estate property and construction sector, the infrastructure, utilities and food and beverages sector, the financial sector and the trade, services and investment sector.

Manufacturing industries began to experience growth in various countries in the world. Minister of Industry Airlangga Hartanto said that currently Indonesia's industrial sector was experiencing significant development. Even based on data from the United Nations Industrial Development Organization (UNIDO), Indonesia's manufacturing industry sector ranks 9th in 2016, Indonesia's position measured by the added value generated by the manufacturing industry increased from 18th position 1990 to 9th position in 2016 While based on Indonesia's competitiveness in the 2017-2018 period it is ranked 36th out of 137 countries, while in terms of ease of doing business, Indonesia is in the midfield. Where Indonesia is currently ranked 72 out of 190 countries. (Source:www.economy.okezone.com).

Manufacturing companies are one of the companies listed on the IDX that issue shares in the capital market. In manufacturing companies there are 3 industries in it, namely the basic chemical industry, various industrial sectors and the consumer goods industry. This company sector is a combination of companies that have similar business types. One way to assess the movement of sectoral stock prices is through the stock price index. The stock price index is an indicator number in looking at the average prices of some shares of companies going public. The following is a table of the movement of sectoral stock price indexes, especially manufacturing companies listed on the Indonesia Stock Exchange for the 2015-2019 period:

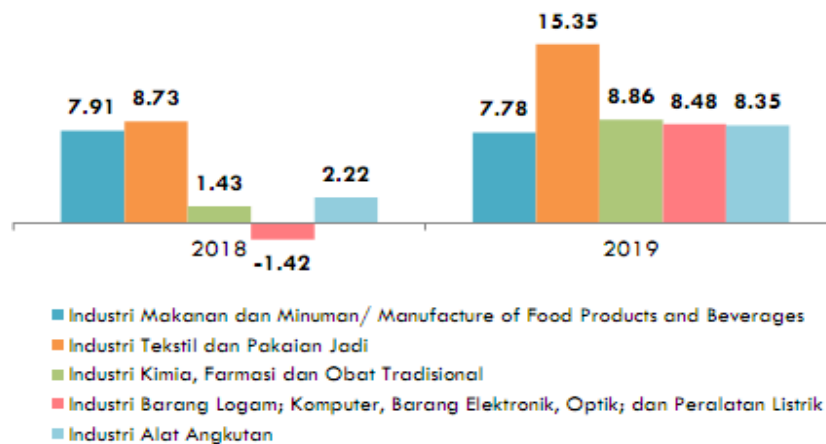


**Fig-1: Stock Price Index of Manufacturing Companies Listed on the Indonesia Stock Exchange (IDX) for the 2015-2019 Period**  
Source: IDX (2020)

In Figure-1 can be seen fluctuating sectoral stock price index of manufacturing companies listed on the Indonesia Stock Exchange in the period 2015-2019, from Figure-1 can be seen that the consumer goods industry sector has the highest average stock price index compared to the stock price index of other sectors, namely IDR 2,764,182. While the lowest is the basic and

chemical sectors. However, when seen from Figure-1 the consumer goods industry sector experienced a continuous increase in data compared to two other sectors which were quite significant in 2015 to 2019 while the other two sectors experienced increases and decreases. This increase and decrease is caused by various factors that influence it. Information about the causes of the rise and fall of stock prices can help investors in making investment decisions. The size of the stock price can not be separated from the influence of market forces, namely the high and low demand and supply. The higher the volume of demand and supply, the more volatile the price of the stock. Increased trading volume shows that the stock is increasingly in demand by investors which results in rising share prices (Jogiyanto, 2010: 88).

The consumer goods industry sector is one of the sectors that has an important role in triggering the country's economic growth due to the increasing needs of Indonesian people's lives. The consumer goods industry sector consists of five sub-sectors namely the food and beverage sub-sector, cigarettes, pharmaceuticals, cosmetics & household goods, and household appliances.



**Fig-2 : Growth Rates of the Five Highest Subcategories in the Manufacturing Industry Based on Constant Prices 2018 and 2019 (Percent)**

Source: IDX (2020)

Based on the data above, the consumer goods sector especially the food and beverage industry contributed around 7.91% in 2018 and 7.78% in 2019 to the national GDP (market value of all goods and services produced by a country in a certain period).

Food and Beverage industry sector is one of the business sectors that continues to experience growth. As the population growth in Indonesia increases, the volume of demand for Food and Beverage continues to increase. The tendency of Indonesian people to enjoy ready to eat foods has caused many new companies to emerge in the field of food and beverages. Therefore the competition between companies is getting stronger. With this increasingly strong competition requires companies to strengthen the fundamentals so that companies can compete with other similar companies. When a company is unable to compete with global companies will result in a decrease in company volume so that the company will go bankrupt. The food and beverage sub-sector is the best and is able to survive the global crisis that occurred in Indonesia in 2008. This is proven by the market demand in this sector remains high and the increasing food and beverage

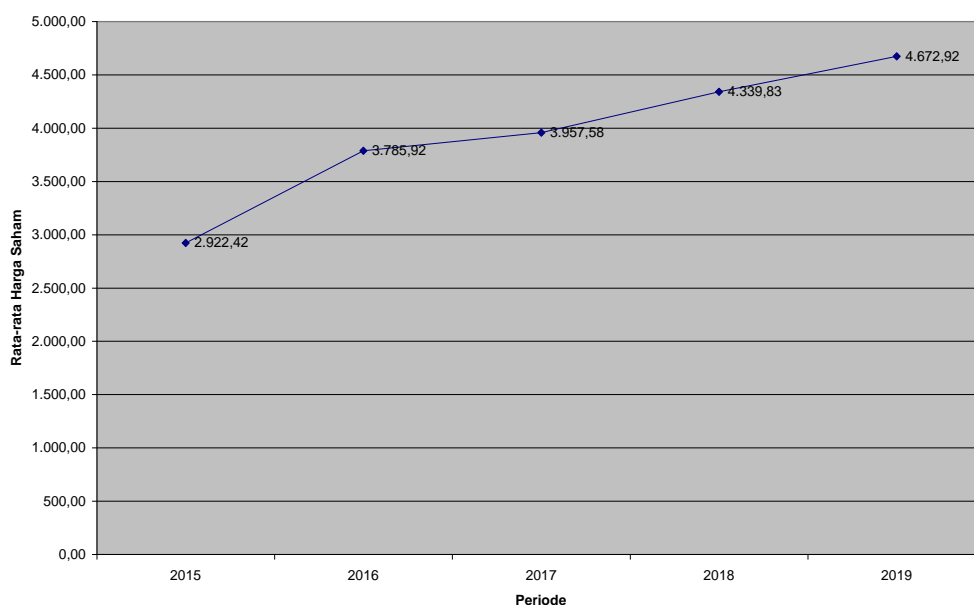
companies listed on the IDX. The following is the average data of consumer goods industry stock prices in 2015-2019 as shown in Table-1 below:

**Table-1: Share Price Data of Consumable Goods Industry Sub Sector Listed on the Indonesia Stock Exchange 2015-2019 Period (in Rp)**

Sectors	Average stock price (Rp)					Average per Sub
	2015	2016	2017	2018	2019	
Food and Drink	2,922.42	3785.92	3,957.58	4,339.83	4,672.92	3,935.73
Cigarette	32,623.75	37,485.00	17,163.50	19,738.03	24,080.39	26,218.13
Pharmacy	56,926.67	42,143.89	51,618.89	59,361.72	73,311.73	56,672.58
Cosmetics & Household Goods	9,266.66	9,873.83	9,287.50	10,680.63	12,282.72	10,260.27
Household appliances	268,33	233.66	190.33	218.88	298.77	241.99

Sumber: [www.finance.yahoo.com](http://www.finance.yahoo.com) (data processed)

From the average stock price data above, it can be seen that the food and beverage sub-sector, including those with a high average annual share value of Rp 3,935.75 and household appliances, has the lowest average value of Rp 241.99. Food and beverage growth is driven by high consumption, this industry will grow in line with the growth of the national economy. The Head of the Ministry of Industry's Policy, Climate and Industrial Quality Study Aryanto Sagala explained, there were a number of sectors that were able to encourage the growth of the manufacturing industry, namely food and beverage 9.19% and textiles, footwear and leather goods by 7.52%. (Source: [www.economy.okezone.com](http://www.economy.okezone.com)). The following are stock price data in the form of graphs in Figure-3.



**Fig-3:**

#### Development of share prices in the food and beverage companies in the 2015-2019 period

Based on the picture above the decline in stock prices in Figure-3 in the food and beverages

sector is caused by several factors. First, slowing economic growth of these countries after the global crisis resulted in decreased consumption, secondly, the higher exchange rate between the rupiah against the dollar resulted in staple goods from companies increasing, adding to operational costs that made most companies raise the prices of consumer goods to the public.

Turnover in the food and beverage industry is predicted to grow 4-5% on a year-on-year basis (y / y) in the first quarter of 2019 from the same period in 2019. The Ministry of Industry projects the food and beverage industry can grow above 9% in 2019 due to additional investment. The government will continue to boost performance and attract investment in the export-oriented industrial sector and import substitution. In 2019, the food and beverage industry, textiles and textile products (TPT), and footwear are ready to invest a total capital of Rp79 trillion. The food and beverage industry will pour an investment of Rp 63 trillion, up 11% from 2018. From 2015 to 2018, there was an increase of 17.4% and this is expected to increase employment again in 2019 as investment is realized. The Ministry of Industry targets, Throughout 2019 the growth of the manufacturing industry can reach 5.4%. Subsectors that are expected to grow high include the food and beverage industry, the machinery industry, the textile and apparel industry, the leather industry, leather goods and footwear, as well as the metal, computer and electronic goods industries.

To assess the company's finances, companies usually use the analysis of financial statement ratios or better known as the traditional approach. However, this approach has several disadvantages including not calculating capital costs, differences in the application of accounting practices between companies. According to Gitosudarmo (2010: 18) there are two approaches used to analyze stock returns, namely the technical approach and the fundamental approach. Society in general uses a fundamental approach that is used to analyze stock returns in the future because in this approach it is assumed that each share has intrinsic value. To find out the right price in selling and buying shares, it is necessary to consider the financial performance. According to Brigham and Houston (2013: 133) there are five financial performance ratios namely liquidity ratios, asset management ratios (activities), debt management ratios (leverage), profitability ratios, and market value ratios. In this study, the researcher wants to test whether the financial performance consists of five financial performance ratios namely liquidity ratio which is proxied by current ratio, asset management ratio (activity) which is proxied by total assets turn over, debt management ratio (leverage) which is proxied by debt to equity ratio, profitability ratio proxied by return on assets, and the ratio of market value proxied by earnings per share affect the stock returns of food and beverages companies in the period 2015-2019.

Based on the above phenomenon, researchers are interested in researching more about the effect of financial performance which includes liquidity ratios, asset management ratios (activities), debt management ratios (leverage), profitability ratios, and the ratio of market values to stock returns on food and beverages companies that listed on the Indonesia Stock Exchange. The reason for researching this food and beverage company is because food and beverage stocks are more risky than other stocks. Fluctuations in stock returns are very high, which can go down and up quickly. This drastic fluctuation can certainly affect the selling price of shares. Fluctuations in food and beverages companies have a major influence on the entire set of production processes and modern activities, so that if there is an increase or decrease in prices at food and beverages companies, of course, have a major influence on the entire economy and life of the world community. Where if the fluctuations in commodity prices of food and beverages companies are

high and if you want to invest long-term, you should not play in commodity stocks. That is because that the commodity stock returns can go down, and of course it can go up again.

## **LITERATURE REVIEW**

### **Signalling Theory**

Signaling Theory or signal theory developed by Ross (1977). The theory states that the company's executives have better information about the company will be encouraged to convey this information to potential investors so that the company's stock price increases. Signal or signal is an action taken by the company to give instructions to investors about how management views the company's prospects.

### **Capital Asset Pricing Model (CAPM)**

CAPM was first introduced by Sharpe, Lintner and Mosiin in the mid 1960s. According to Tandelilin (2010: 187) in Made (2016), the Capital Asset Pricing Model (CAPM) is a model that links the expected rate of return of a risk set with risk by portfolio theory under balanced market conditions. CAPM provides a framework for determining the expected return balance for a risky asset (Pardomuan, 2018: 89).

### **Multi-factor Model**

Fama and French (1992) in Sutarso (2016), developed a model that affects stock price returns by combining CAPM and APT. According to Fama and French (FF), stock beta as an indicator of market risk is unable to explain stock prices when it is tested partially, while firm size and book-to-market equity ratio (BE / ME ratio) are able to explain stock prices.

### **Arbitrage Pricing Theory (APT)**

APT assumes that this level of profit is influenced by various economic and industrial factors. But not explained further about the specific factors that influence it (Husnan, 2005) in Hasan 2010.

### **Return Stock**

Return stock are the expectations of investors from funds invested through shares, where the results are in the form of yields and capital gains (loss) (Hartono, 2010) in Michael 2014. According to (Halim, 2005) in Michael 2014 current income and capital gains are elements of stock returns.

### **Financial Performance**

Financial performance is a picture of the company's financial condition in a certain period both regarding aspects of fund raising and fund distribution, which is usually measured by indicators of capital adequacy, liquidity, and profitability (Jumingan, 2012). The company's financial performance is an achievement achieved by the company in a certain period that reflects the level of health of the company (Sutrisno, 2012). Financial performance is an analysis conducted to see the extent to which a company has carried out using the rules of financial implementation properly and correctly.

**Liquidity Ratio**

This ratio compares current assets with current debt. Current ratio provides information about the ability of current assets to cover current debt. Current assets include cash, accounts receivable, securities, inventory and other assets. While current debt includes trade debt, notes payable, bank loans, salary debts, and other debts that must be paid immediately (Sutrisno, 2013).

**Activity Ratio**

The final ratio for the activity ratio component is the total asset turnover ratio. Just like the fixed asset turnover ratio, this ratio calculates the effectiveness of the use of total assets. A high ratio usually indicates good management, on the contrary a low ratio must make management evaluate its strategy, marketing, and investment or capital expenditure (Hanafi and Halim, 2012).

**Leverage Ratio**

Debt to equity ratio is the balance between the debt held by the company with its own capital. The higher this ratio means that there is less capital compared to the debt. For companies, the amount of debt should not exceed their own capital so that the fixed burden is not too high. The smaller this ratio the better. That is, the smaller the portion of debt to capital, the safer.

**Profitability Ratio**

This ratio is also called economic profitability, is the company's ability to generate profits with all assets owned by the company. In this case the profit generated is earnings before interest and taxes or EBIT (Sutrisno, 2013).

**Market Value Ratio**

Earning per share (EPS) is usually a concern of shareholders in general or prospective shareholders and management. EPS shows the amount of money generated (return) of each share. The greater the value of EPS the greater the benefits received by shareholders. An investor buys and maintains a company's stock in the hope of getting a dividend or capital gain. Profit is usually the basis for determining dividend payments and future stock price increases. Therefore, shareholders are usually interested in the EPS figures reported by the company. EPS is only calculated for ordinary shares.

**RESEARCH METHODS****Research Methods and Variables**

The type of method used in this study is the associative method. Associative Method is a research that aims to determine the effect or also the relationship between two or more variables. This study aims to examine the relationship between the independent variables (free), namely the ratio of liquidity, activity, leverage, profitability and market value to stock returns as the dependent variable (dependent).

**Analysis Tools and Regression Models**

In conducting this research analysis the author uses the E-Views vers. 9.0. or higher. Data analysis method in this research uses Panel Data Regression Analysis approach. Panel Data

Regression Analysis is used to test the hypotheses that have been submitted in the study. Panel data is a combination of cross section and time series.

### Population and Sample

According Sukmadinata (2011: 88) argues that the population is a large group and the region which is the scope of our research. The population in this study were all food and beverage companies on the Stock Exchange, which were 15 companies. Sampling in this study used a purposive sampling technique. The reason for selecting samples by using purposive sampling is because not all samples have criteria according to what the authors have specified, therefore the writer chooses the purposive sampling technique by setting certain considerations or criteria that must be met by the samples used in this research.

## RESEARCH RESULTS AND DISCUSSION

### Descriptive Data

Descriptive statistics are intended to provide an overview or explanation of the data of a variable under study, the variables used include, liquidity ratios, activities, leverage, profitability, and market value of stock returns. From the results of descriptive statistical analysis of the six variables with a research sample (n = 60), the results are obtained according to the table below.

**Table-2 : Descriptive Statistics Analysis Results**

	<i>Return stock</i>	<i>Liquidity</i>	<i>Activity</i>	<i>Leverage</i>	<i>Profitability</i>	<i>Market value</i>
The mean	0.150963	258,1550	1.203692	0.837483	12,58067	5.109681
Median	0.062000	202.6700	1.125686	0.910000	10.0000	5,167876
Maximum	2.809500	863.7800	3.104760	1.770000	53.00000	9.383883
Minimum	-0.755300	41.00000	0.546345	0.160000	-0.510000	3.319987
Std. Dev	9,057800	15489.30	72.22153	50.24900	754.8400	306.5809
Observations	60	60	60	60	60	60

Source: Results of data processing with Eviews version 9.0, (2020)

Based on the table above the amount of data used in this study were 60 data samples. The table above illustrates the description of the variables statistically in this study. Minimum is the smallest value of a series of observations, maximum is the largest value of a series of observations, average is the result of adding all the data divided by the amount of data, while the standard deviation is the root of the sum of the squares of the difference in data values with the average Evenly divided by the amount of data.

### Panel Data Regression Analysis

**Table-3 Conclusions Testing the Panel Data Regression Model**

No	Method	Examination	Results
1	<i>Chow-Test</i>	<i>Fixed Effect vs Pool Least Square</i>	<i>Fixed Effect</i>
2	<i>Hausman Test</i>	<i>Fixed Effect vs Random Effect</i>	<i>Fixed Effect</i>



Based on the Chow-test shows that the Fixed Effect Model is selected. On the other hand, the results of Hausman-test showed that the Fixed Effect Model was also chosen. Therefore it can be concluded that the Fixed Effect Model in the panel data regression method.

**Table-4 Results of Panel Data Regression Analysis**

Variable	Coefficient	Std. Error	t-Statistics	Prob.
C	1.019550	1.208549	0.843615	0.4036
CR	-0.001806	0.001546	-1.168224	0.2492
TATO	0.281732	0.442145	0.637193	0.5274
DER	-0.246739	0.456023	-0.541066	0.5913
ROA	0.014310	0.023154	2.618024	0.0398
EPS	0.139882	0.133693	3.046292	0.0013
Effects Specification				
Fixed cross-section (dummy variables)				
R-squared	0.754297	Mean dependent var		0.150963
Adjusted R-squared	0.568964	SD dependent var		0.553538
SE of regression	0.596277	Akaike info criterion		2.037301
Sum squared resid	15.28851	Schwarz criterion		2.630698
Log likelihood	-44.11902	Hannan-Quinn criter.		2.269411
F-statistics	2.490331	Durbin-Watson stat		2.648738
Prob (F-statistic)	0.000010			

Source: Results of data processing with Eviews version 9.0 (2020)

### T-test

T-test was conducted to find out the magnitude of the effect of the independent variables individually on the dependent variable. This t-test is also intended to estimate the extent of the contribution of changes that occur in each of the independent variables influencing the magnitude of changes in the dependent variable. The criteria for drawing conclusions from the t-test are explained in the sentence below:

- If the value of t is calculated  $> t$  in the table and the value of sig.  $< 0.05$  then  $H_a$  is accepted
- If the value of t is calculated  $< t$  in the table and the value of sig.  $> 0.05$  then  $H_a$  is declared rejected

T test results based on Table 4 can be concluded as follows:

- H1: Liquidity Ratio Variable has a calculated t score of  $-1,168224 > 2,004879$  (table t) and has a Sig. 0.2492 is more than 0.05. Based on the t value, Liquidity Ratio does not have a significant effect on stock returns.
- H2: Activity Ratio Variable has a calculated t score of  $0,637193 > 2,004879$  (table t) and has a Sig. 0.5274 is more than 0.05. Based on the t value, Activity Ratio does not have a significant effect on stock returns.
- H3: Leverage Ratio Variables have a calculated t score of  $-0.541066 > 2,004879$  (table t) and has a Sig. 0,5913 is more than 0.05. Based on the t value, Leverage Ratio does not have a significant effect on stock returns.

- H4: Profitability Ratio Variables have a calculated t score of 2.618024 > 2,004879 (table t) and has a Sig. 0,0398 is less than 0.05. Based on the t value, Profitability Ratio have a significant effect on stock returns.
- H5: Market Value Ratio Variables have a calculated t score of 3.046292 > 2,004879 (table t) and has a Sig. 0,0013 is less than 0.05. Based on the t value, Market Value Ratio have a significant effect on stock returns.

### F-Test

The F test is also called the simultaneous test or ANOVA. The F test is performed to determine whether all independent variables together have a significant effect on the dependent variable. This is result of data processing using *E-Views 9.0*.

**Table-5 F-Test Results**

Dependent Variable: *Return Saham*

Method: Pooled Least Squares

Date: 08/02/20 Time: 01:19

Sample: 2015 2019

Included observations: 5

Cross-sections included: 12

Total pool (balanced) observations: 60

F-statistic	3.490331	Durbin-Watson stat	2.648738
Prob(F-statistic)	0.000010		

Source: Results of data processing with Eviews version 9.0, (2020)

Based on Table-5 it is known that the results of the F-statistic 3,490331 is more than F-table 2,38607 and Sig. of 0 and smaller than 0.05. This indicates the variable liquidity ratio, activity ratio, leverage ratio, profitability ratio, and market value ratio simultaneously have a significant effect on stock returns.

### R<sup>2</sup> Test

R<sup>2</sup> test is used to obtain information on the amount of contributions or contributions that the independent variable gives to the dependent variable. The results of the determination test can be seen in the following table:

**Table-6 R<sup>2</sup> Test Results**

Dependent Variable: *Return Saham*

Method: Pooled Least Squares

Date: 08/02/20 Time: 01:19

Sample: 2015 2019

Included observations: 5

Cross-sections included: 12

Total pool (balanced) observations: 60

R-squared	0.754297
Adjusted R-squared	0.568964

Source: Results of data processing with Eviews version 9.0, (2020)

Based on Table-6, the R2 value of 0.5689 is obtained, which means that the variable liquidity ratio, activity ratio, leverage ratio, profitability ratio, and market value ratio contribute 56,89% to stock returns variable. The remaining contribution of 43,11% can be explained by other variables.

### **Effect of Liquidity Ratios on Stock Returns**

The results of this study are not in line with previous studies conducted by Tita Deitiana (2012), Yulianthini et al (2014), Setiyawan (2014), Indra (2014), Mangantardkk (2015), and Frendy Sondakh, et al (2015) stated liquidity (current ratio) has a significant positive effect on stock returns. The first hypothesis (H1) which states that the value of the liquidity ratio affects stock returns, is rejected. This means that investors do not see CR as a decision to buy shares in accordance with research by Cholidia (2017) that psychological factors from investors take an important role in making investment decisions and do not use fundamental analysis in decision making.

### **Effect of Activity Ratio on Stock Returns**

The second hypothesis (H<sub>2</sub>) which states that the ratio of activity affects stock returns, is rejected. This shows that TATO has no influence on stock returns. This is not in line with or in accordance with the results of research by Ariza et al (2014), Tita Deitiana (2013) and Prianto (2015). According to Azhari et al (2016), Total Asset Turn Over does not have a significant effect on stock returns because total assets turnover is measured by sales volume, meaning that the ability of all assets to create sales may not necessarily increase profits because some of the profits are used to pay corporate debt, by therefore investors must look for other ratios that can be considered in predicting stock returns because the company's ability to produce prices cannot be seen only from asset turnover. Bisara and Amanah (2015) say this shows that the velocity of assets owned by companies in generating sales cannot explain stock returns that will be received by investors or there are other factors such as market conditions, company profits, economic conditions of a country, interest, inflation and others so on which is a factor that affects the stock returns received. However, according to Nurdiansari's research, Triyanti (2017) states that the activity ratio has no positive and significant effect on stock returns.

### **Effect of Leverage Ratio on Stock Returns**

The third hypothesis (H3) which states that the leverage ratio has a positive effect on stock returns, is rejected. This shows that DER has no influence on stock returns because DER is a leverage ratio that describes the risk level of a company due to the use of debt for its operations. The results do not support research from Ahmed Ema (2013), Nardi (2013), Dorothea Ratih, Apriatni Endang Prihatini and Saryadi (2014), Ariza et al (2014), Tomi Sanjaya, Dwiatmanto and Maria Goretti Wi Endang NP (2015), Yohanis Nuel (2015), Frendy Sondakh, et al (2015) say leverage (DER) has a positive effect on stock returns. Debt To Equity Ratio (DER) is a leverage ratio used to measure the extent to which owner's capital can cover debts to external parties. A high DER value indicates the company's capital dependence on external parties and influences the company's performance. This will reduce the rights of shareholders (in the form of dividends), also cause a decrease in investor interest in the company's shares because the rate of return is smaller, so that it can affect the company's stock returns. For external security, the best ratio if the amount

of capital is greater than the amount of debt or at least the same. DER shows the ability of companies to meet obligations shown in how much part of their own capital is used to pay debts. A DER level of less than 50% is a safe level. The lower the value of the DER, the better or safer the obligations that must be fulfilled by Fakhruddin's own capital and Hardianto (2011). According to Anita Erari (2014), most DER investors are seen as the amount of corporate responsibility towards third parties, namely creditors who provide loans to companies. A DER that is too high has a bad impact on company performance, because with a higher debt level means the company's fixed burden will be greater and will reduce profits. With the high level of debt owned by the company it will increase the investment risk of investors. Investors will be more interested if a company has a small DER value, so that it has an impact on increasing stock returns. because with a higher level of debt means the company's fixed burden will be greater and will reduce profits. With the high level of debt owned by the company it will increase the investment risk of investors. Investors will be more interested if a company has a small DER value, so that it has an impact on increasing stock returns. because with a higher level of debt means the company's fixed burden will be greater and will reduce profits. With the high level of debt owned by the company it will increase the investment risk of investors. Investors will be more interested if a company has a small DER value, so that it has an impact on increasing stock returns.

#### **Effect of Profitability Ratios on Stock Returns**

The fourth hypothesis (H4) which states that profitability ratios have a positive effect on stock returns, is accepted. This shows that the profitability ratio has a significant effect on stock returns. This indicates that greater profitability will also have an impact on rising stock returns. Based on these hypotheses, it shows that return on assets (ROA) has a significant positive effect on stock returns. Return On Assets (ROA) is a ratio that illustrates the company's ability to generate profits from every one rupiah of assets to assess whether the company is efficient in utilizing its assets in the company's operational activities. When profits before interest and taxes rise and total assets fall, ROA will rise, the greater the ROA the greater the level of profits achieved by the company. This shows that management can use the company's total assets well (current assets and fixed assets) and in the end will increase the company's stock price so that it attracts many investors to invest in the company. This ratio also provides a better measure of company profitability because it shows the effectiveness of management in using assets to obtain revenue. The results of this study are in line with research conducted by Darsono & Ashari (2005). The results of this study are in line with research conducted by Tita Deitiana (2011), Ema (2013), Indra Ricky Onibala, Parengkuan Tommy and Paulina Van Rate (2014), Safitri (2014), Mangantardkk (2015), Vera Ch. O. Manoppo, Bernhard Tewal, Arrazi Bin Hasan Jan (2017).

#### **Effect of Market Value Ratios on Stock Returns**

The results of the fifth hypothesis (H5) which states that the ratio of market value has a positive effect on stock returns is accepted. According to Syamsuddin, (2013) EPS illustrates the amount of rupiah obtained for each common stock, because this is one indicator of the company's success. EPS shows the company's ability to generate net income for shareholders on the invested shares. Profit greatly influences investor interest in investing funds. From an investor's perspective, stock returns are shown at the EPS value, because the EPS value provides information about the amount of profit that the investor will get from each share he owns. The greater the value of EPS

shows the greater success of the company in running its business, so that the profits received by investors will be even greater. Large profits make investors interested in buying shares and stock returns will also increase.

## CONCLUSION AND SUGGESTION

Based on the results of data processing that has been shown in the previous chapter on "The Effect of Effect of Financial Performance on Food and Beverages Company Stock Returns on the Indonesia Stock Exchange in the 2015-2019 Period" then can draw conclusions as below:

- 1) There is no significant effect of liquidity ratios on stock returns, meaning liquidity ratios have no effect on stock returns.
- 2) There is no significant effect of the ratio of activity to stock returns, meaning that the ratio of activity has no effect on stock returns.
- 3) There is no significant effect of leverage ratio on stock returns, there are indications that the debt used can produce losses and is predicted to not provide a good prospect for the future, so it has no effect on the returns obtained by investors which are predicted to also decline.
- 4) There is a significant effect of profitability ratios on stock returns, meaning that profitability ratios will increase if stock returns.
- 5) There is a significant effect of the ratio of market value to stock returns, meaning that the higher the market value ratio, the stock return will increase.

Based on the results of the study and the conclusions previously presented, the researcher provides input for school leaders and researchers who will further research as follows:

- 1) In investing in the Indonesia Stock Exchange, especially in the food and beverages sector, investors should consider the fundamental aspects then the technical aspects.
- 2) In making a decision in making transactions on the Indonesia Stock Exchange to pay attention to the condition of the profitability ratio and the ratio of the world's raw market value, if the profitability ratio and the ratio of the world's raw market value increase, it is advisable to invest in the food and beverages sector.
- 3) Research on stock returns is still not a large contribution of independent variables so that different variables that can not be included in this study can still be used. This research is expected to add insight into the issue of investment appraisal. Particularly for future researchers, to obtain maximum research results in providing information on factors that influence stock returns, it is recommended for further research researchers to add other fundamental factors and add observations period. It is also recommended for further research to observe using other forms of analytical methods and to make the best selection of variables and to use a sample of companies in different industries so that they can be compared.

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